

CZBANK 浙商银行

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

A Share Stock Code : 601916

H Share Stock Code : 2016

Stock Code of Preference Shares : 4610

Annual Report | 2020



Important Notice

The Board of Directors, the Board of Supervisors, Directors, Supervisors and Senior Management of the Company warrant that the contents in this report are true, accurate and complete and have no false representations, misleading statements or material omissions, and they will take legal responsibilities for such contents on a joint and several basis.

The twelfth meeting of the fifth session of the Board of the Company, held on March 30, 2021, approved the Annual Report of China Zheshang Bank Co., Ltd. for 2020 and its Summary. The Company has 15 Directors, among which 13 Directors attended the meeting in person, and Mr. Xu Renyan had authorized Mr. Shen Renkang to attend the meeting on his behalf and Mr. Ren Zhixiang had authorized Mr. Zhu Weiming to attend the meeting on his behalf, which was in compliance with the requirements of the Company Law of the People's Republic of China and the Articles of Association of the Company. 5 Supervisors of the Company attended the meeting.

KPMG Huazhen LLP and KPMG (both being auditors of the Company) have audited the 2020 annual financial report of the Company prepared in accordance with the China Accounting Standards and the International Financial Reporting Standards, and have issued standard unqualified audited reports, respectively.

Unless otherwise illustrated in this report, the currency for any amount herein is RMB. Certain amounts and percentage numbers in this report have been rounded. Any discrepancies in any table between totals and sums of the amounts listed are due to rounding.

This report is prepared in Chinese and English, respectively, and the Chinese version shall prevail in the event of any discrepancy between the two versions.

The Board of the Company has proposed to declare a cash dividend of RMB1.61 per 10 shares (tax inclusive) for 2020, payable in RMB to holders of A Shares and in HK dollars to holders of H Shares. The above proposal on dividend distribution is subject to consideration and approval at the 2020 annual general meeting of the Company.

Shen Renkang (Chairman of the Bank), Xu Renyan (President of the Bank), Liu Long (Principal in charge of Finance) and Jing Feng (Director of the Financial Department) warrant that the financial report in the annual report is true, accurate and complete.

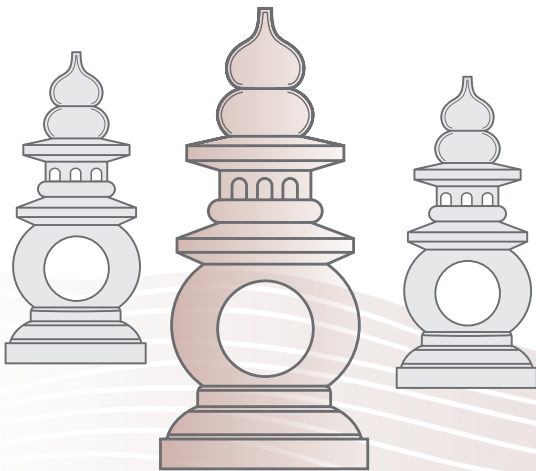
Significant Risk Warning

Please refer to the section headed "Management Discussion and Analysis – Risk Management" of this report for information about major risks faced and measures to be taken by the Company.

The forward-looking statements about matters like future plans of the Company in this report do not constitute substantive commitments of the Company to the investors, and the investors and related persons shall maintain sufficient risk awareness in this regard, and shall understand the difference among plans, forecasts and commitments.

Contents

003	Definitions
004	Chairman's Statement
006	President's Statement
008	Company Profile
010	Corporate Overview
011	Development Strategies and Core Competitiveness
014	Honors and Awards
018	Financial Summary
022	Management Discussion and Analysis
076	Corporate Governance Report
100	Changes in Shares and Information on Shareholders
117	Information on Directors, Supervisors, Senior Management, Employees and Institutions
143	Directors' Report
157	Report of the Board of Supervisors
159	Significant Events
164	Independent Auditor's Report
173	Consolidated Statement of Profit or Loss and Other Comprehensive Income
175	Consolidated Statement of Financial Position
177	Consolidated Statement of Changes in Equity
178	Consolidated Cash Flow Statement
180	Notes to Consolidated Financial Statements
298	Unaudited Supplementary Financial Information



Definitions

“Company”, “Bank”, “our Bank”, “China Zheshang Bank” or “CZBank”:	China Zheshang Bank Co., Ltd.
“CBIRC”:	China Banking and Insurance Regulatory Commission
“CSRC”:	China Securities Regulatory Commission
“Hong Kong Stock Exchange”:	The Stock Exchange of Hong Kong Limited
“SFO”:	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Hong Kong Listing Rules”:	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Model Code”:	The Model Code for Securities Transactions by Directors of Listed Issuers, as set out in Appendix 10 to Hong Kong Listing Rules
“Zheyin Financial Leasing”:	Zhejiang Zheyin Financial Leasing Co., Ltd., a holding subsidiary of the Company, in which the Company holds 51% of equity interest
“Group”:	the Company and its subsidiary



Mr. Shen Renkang
Chairman

Chairman's Statement

In 2020, we managed to make remarkable achievements despite trials and hardships. Notwithstanding the profound influence of major changes, reforms and events, over the past year, with the support of investors and all walks of society, CZBank implemented a new development concept in a full manner. With a focus on the supply-side structural reform in the financial industry, CZBank innovatively promoted its platform-based business while making efforts to the pandemic prevention and control, as well as financial services, which had strong effectiveness as shown by a stable and sound operation and management throughout the year.

In the past year, we realized business innovation and transformational development through planning and coordination. As at the end of the reporting period, the Bank had total assets of more than RMB2 trillion, and recognized operating income of RMB47.771 billion, pre-provision operating profit of RMB34.529 billion and net profit attributable to shareholders of the Bank of RMB12.309 billion notwithstanding the provision made, respectively, all meeting the target specified in the "3rd Five-Year" plan. As we accelerated the upgrade of our platform-based products and business model, the financing balance via the platform-based services accounted for 37% of our total credit facilities. Our platform-based service company had a user base of 62,500 and has established strategic cooperation with many large-scale state-owned group companies and A-share listed companies. The significant increase in the proportion of retail deposits, the continuous increase in the proportion of each type of loans over total assets and the notable decrease in the average loan balance per new borrower indicated our business structure was improving.

In the past year, we improved our bank-wide internal control by optimizing governance structure. We optimized the Board composition as appropriate and revised and updated all rules and regulations in a timely manner to transform system advantages into governance efficiency. The Banks performed well during the first corporate governance assessment organized by the CBIRC. We further improved the unified credit management mechanism, proactively made adjustments to existing businesses based on our platform-based products and services, and accelerated the establishment of a big data-oriented risk control platform in order to further improve our comprehensive risk management system and make the quality of assets generally controllable. We have fully implemented the "five strict" (五個從嚴) basic requirements of internal control compliance management, strived to improve the establishment of the three long-term effective mechanisms of internal control, intensified the control over internal control compliance management system and continued to maintain major cases and major operational risks at a "zero" level.

In the past year, we improved the quality and efficiency of our real economy services by innovating service mode. Throughout the year, we cut rates and reduced interests and fees. We innovatively used our platform-based products and business mode to serve the real economy and provided targeted support to enterprises for the resumption of work, production and distribution to help maintain a safe and sound industrial chain and supply chain effectively. We endeavored to develop a comprehensive service platform of "technology + finance + industry + customer", which integrates banking business and services into the production, operation and capital management activities of enterprises with the support of financial technology and innovative business mode in order to help the enterprises to reduce cost and improve efficiency and construct a sound supply chain. We also followed the key development strategies of the government, and maintained an industry-leading position in terms of loans to private enterprises and inclusive small and micro enterprise loans, meeting its service target for private enterprises, manufacturing industry and small and micro enterprises fully.

Many a little makes a mickle. 2021 marks the start of China's "14th Five-Year Plan" and also the first year of the "Fourth Five-Year Plan" of CZBank. It is an era of hopes, and also an era where reforms racing against crises. To be clear about the development trend and keep pace with the times is a particularly important and ever-lasting issue. We are always committed to the target of maintaining the sustainable high-quality development of CZBank in an uncertain environment with opportunities and challenges. Various opportunities and challenges, obstacles and uncertainties ahead will continue to test our courage and wisdom. Only with a determined strategic focus could we cope with the changing environment not seen in a century and only with dialectical thinking could we correctly treat the "crises" and "opportunities" inherent in the environment to seize the transient opportunities and take the initiative of development.

At the significant junction of history, we will take advantage of the new opportunities and new conditions arising from the changes of the times, recognize the new conflicts and new challenges brought about by the complicated external environment, understand the new features and new requirements of the new development stage, maintain strategic focus, get to know the underlying laws of development, keep vigilant and mindful of potential threats and hold the line. With a focus on high-quality development, following the platform-based service strategy and with an aim to solidify our foundation, improve quality efficiency and create distinctiveness, we will consolidate and develop our distinctive liquidity service, industrial chain and supply chain service, and wealth management service ("three characteristics"), improve our ability of digitalization, professionalization and refinement ("three capabilities"), endeavor to innovate and make a breakthrough, and work hard against uncertainties with stronger confidence to open a new chapter for various works, provide stable and satisfactory returns to the wide investors and, as a Zhejiang merchant, contribute to the reform and development of China's financial industry.

In 2021, despite the trials and hardships along the way, we will pursue our dreams resolutely.

沈仁康

Shen Renkang
Chairman
March 30, 2021



Mr. Xu Renyan
President

President's Statement

Enabling organization resilience with innovation and starting a new chapter with strategic guidance. In 2020, against the backdrop of the effects of COVID-19 and the tough situation, the Bank followed the strategic deployment of the Central Committee of the Communist Party of China and the State Council, the party committee, government and regulatory authorities of Zhejiang Province by implementing the platform-based service strategy in all aspects led by the overall goal of "Two Most". With each work well underway, the Bank achieved its annual operation target and closed the "Third Five-Year Plan" of the Bank successfully.

Supporting pandemic prevention and control and maintaining a sound business condition. During the year mired in the pandemic, the Bank assumed its responsibility in performing the tasks of "six-stability" (六穩) and "six-security" (六保). The Bank further reduced fees and cut interest rates, deepened the inclusive finance, and addressed unusual issues with unusual moves to support the resumption of work, production and distribution along the whole industrial chain with innovative platform-based services. The Bank's anti-pandemic efforts and financial supports were proved to be highly effective and were recognized by clients, the party committee, the government and the regulatory authority. In 2020, the business scale of the Bank grew robustly, with total assets exceeding RMB2 trillion, stable operating results, optimizing business structure, high-quality new businesses, deepening refined management and all regulatory indicators meeting standards.

Further implementing the strategy and providing targeted and effective services to the real economy. During the year, the Bank implemented the platform-based strategy on a bank-wide basis, innovated financial technology applications, established a strong platform-based service system, further unblocked financing channels to provide effective services to the real economy, and launched a characterized supply chain financial business relied on platform-based services to explore a new path of providing effective real economy service while promoting high-quality self-development. The platform-based service becomes a core competency and distinctive feature of the Bank, which improved the leading position of the corporate business as a strategic guidance, enabled the small enterprise business to lead the growth amid the pandemic, brought effectiveness to the retail business transformation, improved the market reputation of the international business, deepened the transformation of the interbank business, improved the supporting role of the platform-based backstage and further increased the market competitive edge of the Bank.

Improving risk control capacity and consolidating and optimizing internal control foundation. During the year, the Bank insisted on the bottom-line thinking, improved the ability of risk forecasting, implemented unified, comprehensive and centralized risk management and maintained a "prudent and robust" risk appetite and a "diversified and small amount loan-focused" credit granting principle, which improved the risk management system, the credit approval mechanism, the effectiveness of the clearance and settlement of non-performing assets and the long-term effective internal control mechanism of the Bank, and maintained the major cases and major operational risks of the Bank at a "zero" level.

Discharging social responsibility and receiving wider public recognition. During the year, the Bank continued to serve the real economy, practiced green finance, supported the poverty-alleviation undertaking and implemented "One Bank to One School" paired assistance project. The poverty-alleviation work of the Bank was among the Top 50 Comprehensive Cases of Targeted Poverty Alleviation by Enterprises (企業精準扶貧綜合案例50佳) recognized by the State Council Leading Group Office of Poverty Alleviation and Development, the only national joint-stock commercial bank on the list; and the Bank ranked the 97th in terms of both tier-one capital and total assets in The Banker's "Top 1000 World Banks 2020" ranking.

Many hands make light work. Amid difficulties and challenges, the Bank will forge ahead in a diligent and pragmatic manner, emancipate the mind with a pioneering and innovative spirit, work hard with unremitting efforts to deepen the implementation of the platform-based service strategy, accelerate the transformation of development mode and driving force, focus on the forming of a new development pattern, and go through trials and hardships to draw a new picture of high-quality development.



Xu Renyan
President

March 30, 2021

Company Profile

- Company name in Chinese:** 浙商银行股份有限公司(Abbreviation in Chinese: 浙商银行)
Company name in English: CHINA ZHESHANG BANK CO., LTD.
(Abbreviation in English: CZBANK)
- Legal Representative:** Shen Renkang
- Registered address:** No. 1788, Hongning Road, Xiaoshan District, Hangzhou, Zhejiang Province, the PRC
Postcode: 311200
Principal office address: No. 288, Qingchun Road, Hangzhou, Zhejiang Province, the PRC
Postcode: 310006
E-mail: ir@czbank.com
Website: www.czbank.com
Customer service hotline: 95527
Tel for investor relations management: 86-571-88268966
Fax: 86-571-87659826
- Principal place of business in Hong Kong:** 15/F, Three Exchange Square, No. 8 Connaught Place, Central, Hong Kong
- Authorized representatives:** Xu Renyan, Liu Long
- Secretary to the Board and company secretary:** Liu Long
Representative of securities affairs: Chen Sheng
- A Shares**
Stock exchange where the securities are listed: Shanghai Stock Exchange
Stock abbreviation: CZBANK
Stock code: 601916
H Shares
Stock exchange where the securities are listed: Hong Kong Stock Exchange
Stock abbreviation: CZBANK
Stock code: 2016
Offshore Preference Shares
Stock exchange where the securities are listed: Hong Kong Stock Exchange
Stock abbreviation: CZB 17USD_PREF
Stock code: 4610

Company Profile

- 8. Share registrar:**
- A Shares:** China Securities Depository and Clearing Corporation Limited Shanghai Branch
No.188 South Yanggao Road, Shanghai
- H Shares:** Computershare Hong Kong Investor Services Limited
Shop 1712-1716, 17/F, Hopewell Centre,
183 Queen's Road East, Wanchai, Hong Kong
- 9. Legal advisers:**
- As to Mainland PRC Laws:** Zhejiang T&C Law Firm
- As to Hong Kong Laws:** Freshfields Bruckhaus Deringer
- 10. Accounting firms engaged by the Company:**
- Domestic auditor:** KPMG Huazhen LLP
Office address: 8/F, Tower E2, Oriental Plaza,
1 East Chang'an Avenue, Dongcheng District, Beijing
Signing certificated accountants: Chen Sijie, Shi Haiyun
- International auditor:** KPMG
Office address: 8/F, Prince's Building, 10 Chater Road,
Central, Hong Kong
- 11. Newspapers and websites designated for information disclosure:**
- Mainland China:** China Securities Journal, Shanghai Securities News, Securities Times and Securities Daily
Website of the Shanghai Stock Exchange (www.sse.com.cn)
Website of the Company (www.czbank.com)
- Hong Kong:** Website of the Hong Kong Stock Exchange (www.hkex.com.hk)
Website of the Company (www.czbank.com)
- Place for inspection of the annual report:** Office of the Board of the Company
(No. 288, Qingchun Road, Hangzhou, Zhejiang Province, the PRC)
- 12. Sponsor institution for A Shares:**
- Name of the institution:** CITIC Securities Co., Ltd.
- Office address:** North Tower, Excellence Times Plaza II, No. 8 Zhong Xin San Road, Futian District, Shenzhen, Guangdong Province
- Name of the undersigned sponsor representatives:** Cheng Yue, Jiang Ying
- The period of continuous supervision and guidance:** November 26, 2019 to December 31, 2021
- 13. Other information about the Company:** Uniform social credit code: 91330000761336668H
Financial institution license serial number: B0010H133010001
Registration date: July 26, 2004

Corporate Overview

As one of the twelve nationwide joint-stock commercial banks, CZBank officially commenced business on August 18, 2004, with its head office in Hangzhou, Zhejiang Province. CZBank was listed on the Hong Kong Stock Exchange with the stock code of “2016.HK” on March 30, 2016 and listed on the Shanghai Stock Exchange with the stock code of “601916” on November 26, 2019, being the 13th “A+H” listed bank in China.

Since its opening, CZBank has always gained a toehold in Zhejiang and steadily developed its businesses nationwide, according to the requirements specified by General Secretary Xi Jinping when he served Zhejiang. It has developed into a high-quality commercial bank with a solid foundation, strong profitability, rapid growth and prudent risk control.

In line with new trend of Internet information technology development and new requirements for customer value creation, based on the new stage of development, in compliance with the new concept of development, guided by “two most” overall goal, CZBank has fully implemented the platform-based service strategy, and insisted on the five operation principles of “serving the real economy, innovative transformation, compliant operation, risk prevention and dissolution, quality and efficiency improvement”, so as to build a dual engine driven by blockchain and IoT technologies, promote high-quality development and provide customers with comprehensive financial services which are open, efficient, flexible, shared and extremely simple.

As at the end of the reporting period, CZBank has established 272 branch outlets in 20 provinces, autonomous regions and municipalities directly under the Central Government and the Hong Kong Special Administrative Region, effectively covering the Yangtze River Delta, the Bohai Rim, the Pearl River Delta and West Strait Economic Zone and certain areas in the Midwestern China.

In 2020, CZBank’s operating income was RMB47.771 billion, representing an increase of 2.85 % over last year; net profit attributable to shareholders of the Bank was RMB12.309 billion, representing a decrease of 4.76% over last year. As at the end of the reporting period, the total assets were RMB2.05 trillion, representing an increase of 13.74% compared with that at the end of last year, and total loans and advances to customers were RMB1.20 trillion, representing an increase of 16.26%; the total liabilities were RMB1.92 trillion, representing an increase of 14.52% compared with that at the end of last year, and balance of customer deposits were RMB1.34 trillion, representing an increase of 16.78%; the non-performing loan ratio was 1.42% and allowance to non-performing loans was 191.01%; the capital adequacy ratio was 12.93%, the tier-one capital adequacy ratio was 9.88%, and the core tier-one capital adequacy ratio was 8.75%, all maintaining at a reasonable level.

In the “Top 1000 World Banks 2020” ranking by The Banker Magazine of the U.K., it was ranked 97th in terms of tier-one capital and total assets, respectively.

For more details, please refer to sections headed Chairman’s Statement and President’s Statement.

Development Strategies and Core Competitiveness

(I) Vision

To provide high-quality and efficient financial services to the society, and build CZBank into a first-class commercial bank.

(II) Overall Goal

Overall Objective of “Two Most”: The most competitive nationwide joint-stock commercial bank and Zhejiang’s most important financial platform.

“The Most Competitive Nationwide Joint-stock Commercial Bank” means the objective to become a first-class joint-stock bank that can provide target customers with professional services, possess distinct competitive advantages in terms of innovation, risk control, service provision in the market and value creation, reach the scale matching the identity of a national joint-stock commercial bank, and provide support for sustainable development of professionalism.

“Zhejiang’s Most Important Financial Platform” means the objective to become a representative financial group in Zhejiang featured by comprehensive functions, distinctive services, solid performance and sound reputation, stand at the forefront of the industry in terms of technological application, model innovation and efficient services and become a strategic partner of governments at all levels, financial institutions, core enterprises and a large number of strategic partners in Zhejiang.

(III) Strategic Positioning

Guided by Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, to enhance our digital, platform-based and professional capabilities, comprehensively implement the platform-based service strategy and focus on development of new growth momentum.

Platform-based service strategy: Guided by the “two most” overall goal, to incorporate platform-based elements, innovate the application of financial technology and build a strong platform-based service system; based on platform-based service, to drive innovation and development, expand customer base and business, optimize process and risk control, improve performance and management, enhance features and advantages, construct a platform-based service bank and continue to promote high-quality development.

(IV) Guiding Principle

To thoroughly implement the spirit of the 19th CPC National Congress, carry out new development concept, insist on the five operation principles of serving the real economy, innovative transformation, compliant operation, risk prevention and dissolution, quality and efficiency improvement; adopt the performance and risk control-oriented approach, abandon the obsession with scale, extensive operation and loose management, transform development mode, reduce consumption, increase revenue and save expenditure; establish platform-based thinking, redefine business model and operating management, incorporate differentiated management concept, improve lean management level; and strive to achieve high-quality, beneficial and sustainable development by balancing assets and capital, taking into account both quality and benefits as well as taking into consideration both cost and efficiency.

Development Strategies and Core Competitiveness

(V) Core Competitiveness

Clear and specific strategic positioning. Guided by the “two most” overall goal and with new trend of financial technology development and new requirements for customer value creation, the Company has thoroughly implemented the new development philosophy and fully implemented the platform-based service strategy for the construction of a comprehensive service platform of “Technology + Finance + Industry + Customer”, with an aim to better serve the real economy, foster new growth momentum and promote high-quality development.

Sound Corporate Governance. The Company strengthens the establishment of modern corporate systems under the leadership of the Party in all aspects and has improved the level of corporate governance continuously, with (1) a more diversified equity structure. Through listing in both mainland China and Hong Kong, the Company has established a stable, transparent, balanced and orderly ownership structure; (2) better governance systems. The Company has established the Board of Directors, the Board of Supervisors and General Meetings and has its senior management in place, each with clear-cut duties and responsibilities, thus forming a corporate governance structure appropriate for the Company; and (3) more standard information disclosure. The Company has improved the quality of information disclosure and made full use of the supervision role of the market in performing its responsibility.

Rapid and sustainable growth capability. Benefitting from its strategic national layout, efficient operation and management and the strong development base in Zhejiang province, the Company has developed itself into a fast-growing national joint-stock commercial bank with strong base, high profitability, high-speed growth and improved risk control system. Both the economic efficiency and scale of the Company grow in a rapid and sustainable manner with prominent new momentum and new advantages, indicating a broad prospect in the medium to long term.

Financial technology with distinctive edges. Sticking to the use of financial technology and implementing technology-driven transformation, the Company has taken the lead in exploring the deepened integration of the cutting-edge technologies, such as blockchain, IoT, artificial intelligence, biometric identification, NLSR, cloud computation and big data, with banking business, so as to build a strong technical support platform, realize the interconnection and collaboration between different systems, and export technology platforms and services. Gradually, it has established itself into a leading innovative brand in the financial technology industry.

Development Strategies and Core Competitiveness

Distinctive corporate businesses. With a focus on construction of a platform-based service bank, the Company has launched the pooled financing (池化融資) platform, Yiqiyin (易企銀) platform and accounts receivable chain (應收款鏈) platform to meet two core requirements of enterprises, namely “reducing financing costs and improving service efficiency”, and, on the basis of which, continued to innovate and launch a series of platform-based scenario application models and industry solutions. All the above constitutes a competitive edge of the Company in the market.

Leading professional services for the small and micro enterprises. As a pioneer in the small and micro enterprise business in the industry, the Company has formed various distinctive advantages in the aspect of mechanism, product, process, and risk control. The Company utilizes the internet technology and thinking actively to innovate the application of online procedures, thus to improve customer experience. The professional service ability of the Company has been highly recognized by the customers in the market.

Improving business system. Focusing on the improvement of its differentiated competitiveness, the Company is engaged in investment banking, asset custodian, financial market, capital market, financial institutions and asset management business. The iterative innovation in financial products and patterns of service and the combined use of various financial instruments enable the Company to provide a comprehensive and sustainable one-stop solution to financial services and continuously improve its profitability and space in a diversified manner.

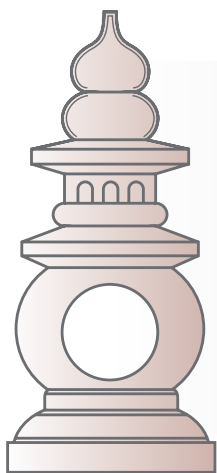
Prudent and healthy risk management. The Company maintains a prudent and healthy risk appetite. It intensifies vertical management, implements a distinctive risk controller dispatch system and keeps improving the risk management system, the unified credit management system and the credit risk limit framework system of the Company, thus maintaining stable asset quality.

Scientific and reasonable talent bank. The Company strengthens the build-up of its cadre team. The management of the Company has extraordinary strategic vision and business management capability, as well as extensive experience in business operation, financial management, risk control and information technology. It continues to promote a differentiated talent development model. The employees of the Company are young, energetic, highly-educated with strong professional competence.

Stable and diversified capital replenishment. The Company completed its capital operating plan in three steps: private placement, IPO of H Shares and IPO of A Shares. The formation of the “A+H” capital replenishment dual channel as well as the improvement of a stable and dynamic market-oriented capital replenishment system sustainable in a long term drives the business development and strategy implementation of the Company in an effective manner.

Pragmatic and innovative brand culture. The Company has included modernistic cultural elements that can better match its development strategies in the cultural system. Adhering to its corporate culture of “Flexible Innovation, Pragmatic Cooperation, Customer Oriented and Humanity Care”, the Company has established its brand value of “activating the vitality of financial ecosystem” and the “holistic, agile and vibrant” brand feature to create a lively brand image as a “post-2000s bank” and is committed to fulfilling its social responsibility and collaborating with customers to create values.

Honors and Awards



FEB 2020

“Outstanding Contribution Award” of Zhejiang Province Financing Smooth Project for 2019
(2019浙江省融資暢通工程「突出貢獻獎」)

The People's Government of Zhejiang Province
(浙江省人民政府)

MAR 2020

2019 Excellent Green Bank
(2019年度綠色銀行總體評價
先進單位)

China Banking Association
(中國銀行業協會)

MAR 2020

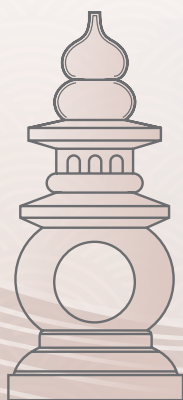
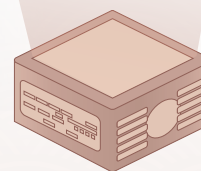
First prize of key research project of Zhejiang Finance Society for 2019
(2019浙江省金融學會重點研究課題一等獎)

Zhejiang Finance Society
(浙江省金融學會)

JUL 2020

97th (in terms of tier-one capital) and 97th (in terms of total assets) in the “Top 1000 World Banks” ranking
(「全球銀行1000強」榜單排名第97位
(以一級資本計), 第97位
(以總資產計))

The Banker Magazine of the U.K.
(英國《銀行家》雜誌)



JUL 2020

Best Targeted Poverty Alleviation Contribution Award
(最佳精準扶貧貢獻獎)

China Banking Association
(中國銀行業協會)

Honors and Awards

AUG 2020

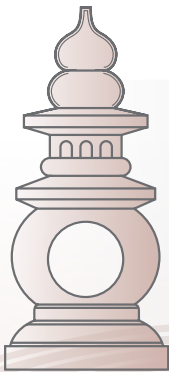
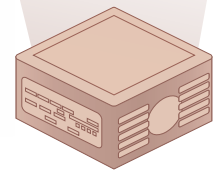
First Prize of Advanced Units in Supporting
Zhejiang Economic and Social Development
(支持浙江經濟社會發展
先進單位一等獎)

The People's Government of Zhejiang Province
(浙江省人民政府)

AUG 2020

Outstanding Unit in Supporting Private
Enterprises and Small and Micro Enterprises
Development
(支持民營企業、小微企業
發展優秀單位)

The People's Government of Zhejiang Province
(浙江省人民政府)



AUG 2020

Outstanding Unit in Reform and Innovation
(改革創新優秀單位)

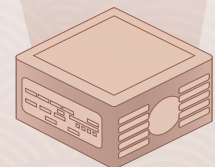
The People's Government of Zhejiang Province
(浙江省人民政府)

AUG 2020

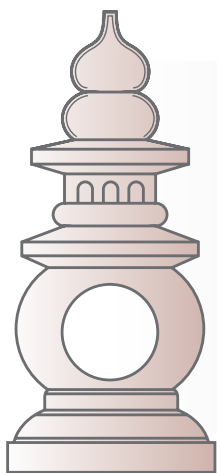
Excellent Awarded in the Assessment of 2019 Rural Revitalization Services
(2019年度服務鄉村振興情況考核評價獲評優秀)

Hangzhou Central Branch of PBOC
(中國人民銀行杭州中心支行)

Agricultural and Rural Department of Zhejiang Province
(浙江省農業農村廳)



Honors and Awards



SEP 2020

Elite of Clearing of the Year
(年度清算精英獎)

JPMorgan Chase Bank
(摩根大通銀行)

SEP 2020

2019 Banking Technology
Development Award
(2019年銀行科技發展獎)

PBOC
(中國人民銀行)

SEP 2020

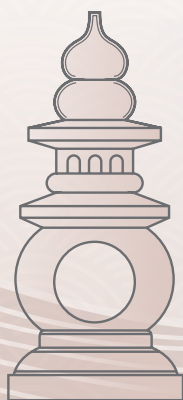
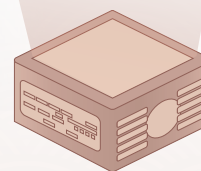
2020 Global Finance
"Stars of China"
(2020年環球金融
「中國之星」)

Global Finance

SEP 2020

Golden Great Wall Award – Excellent
Intelligent Manufacturing Service Bank
of the Year
(金長城獎 – 年度卓越智能
製造服務銀行)

21st Century Business Herald
(21世紀經濟報道)



SEP 2020

2020 Employer Excellence of China
(2020中國典範僱主)

51job
(前程無憂)

OCT 2020

2020 Tianji Award for Net Value
Financial Products
(2020年度淨值型理財產品天璣獎)

Securities Times
(證券時報)

Honors and Awards

NOV 2020

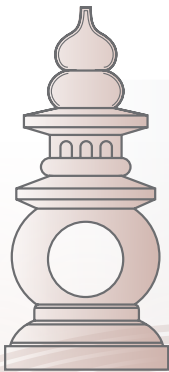
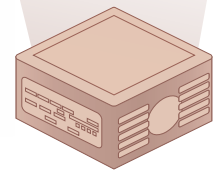
Best International Business Innovation
Award of the Year
(年度最佳國際業務創新獎)

Financial News
(金融時報社)

NOV 2020

Pioneer Organization for Targeted
Poverty Alleviation
(精準扶貧先鋒機構)

China Net
(中國網)



NOV 2020

2020 Investment Banking with
Excellent Competitiveness
(2020卓越競爭力投資銀行)

China Business Journal
(中國經營報)

DEC 2020

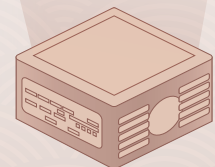
2020 Financial institution for
Financial Poverty Alleviation
(2020年度金融扶貧金融機構)

21st Century Business Herald
(《21世紀經濟報道》)

DEC 2020

Top 50 Comprehensive Cases of Targeted Poverty
Alleviation by Enterprises
(企業精準扶貧綜合案例50佳)

*State Council Leading Group Office of Poverty
Alleviation and Development*
(國務院扶貧辦)

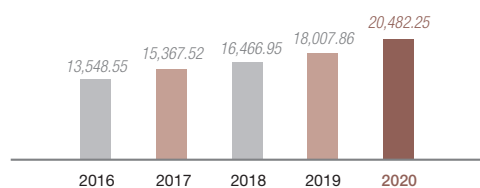


Financial Summary

(The financial data and indicators set forth in this annual report are prepared in accordance with IFRSs, are consolidated data of the Bank and its subsidiaries and presented in RMB, unless otherwise specified)

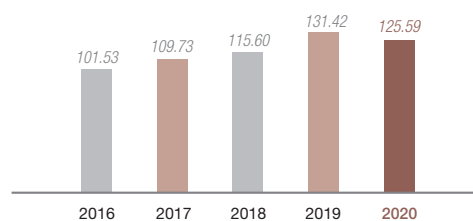
Total assets

In 100 millions of RMB



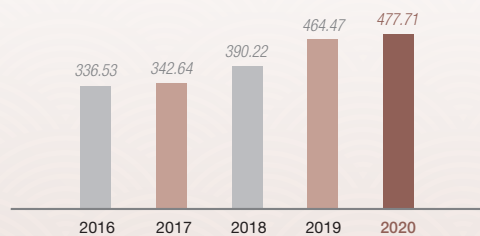
Net profits

In 100 millions of RMB



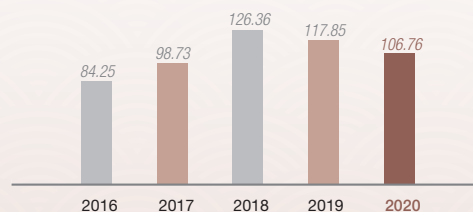
Operating income

In 100 millions of RMB



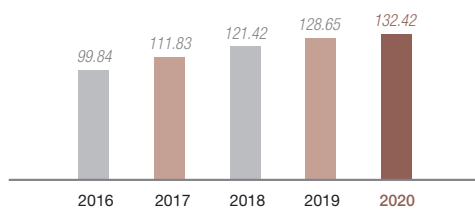
Net non-interest income

In 100 millions of RMB

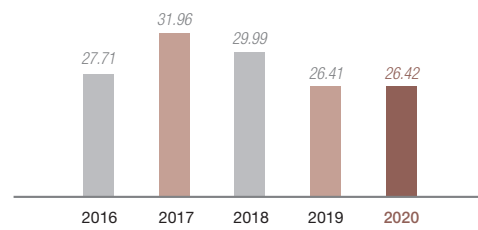


Financial Summary

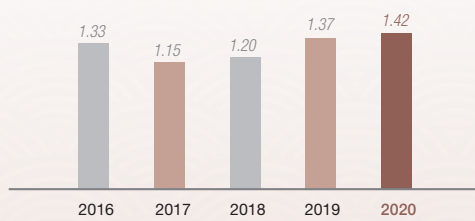
Operating expenses
In 100 millions of RMB



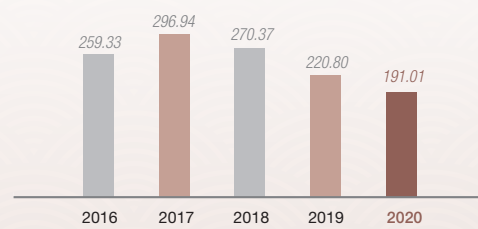
Cost-to-income ratio (%)



Non-performing loan ratio (%)



Allowance to non-performing loans (%)



Financial Summary

Key Financial Data and Indicators

	2020	2019	2018	2017	2016
Operating results (RMB million)					
Operating income	47,771	46,447	39,022	34,264	33,653
Profit before income tax	14,363	14,680	13,851	13,707	13,392
Net profit attributable to shareholders of the Bank	12,309	12,924	11,490	10,950	10,153
Scale indicators (at the end of the reporting period, RMB million)					
Total assets	2,048,225	1,800,786	1,646,695	1,536,752	1,354,855
Total loans and advances to customers	1,197,698	1,030,171	865,233	672,879	459,493
Total liabilities	1,915,682	1,672,759	1,544,246	1,447,064	1,287,379
Customer deposits	1,335,636	1,143,741	974,770	860,619	736,244
Equity attributable to shareholders of the Bank	130,512	126,246	100,885	88,195	67,475
Per share (RMB)					
Net assets per share at the end of the period attributable to shareholders of the Bank ⁽¹⁾	5.43	5.23	4.59	4.08	3.76
Basic earnings per share attributable to shareholders of the Bank ⁽²⁾	0.53	0.64	0.61	0.57	0.59
Diluted earnings per share attributable to shareholders of the Bank	0.53	0.64	0.61	0.57	0.59
Profitability indicators (%)					
Return on average total assets ⁽³⁾	0.65	0.76	0.73	0.76	0.85
Return on average equity ⁽⁴⁾	10.03	12.21	14.17	14.64	17.34
Net interest margin ⁽⁵⁾	2.19	2.39	1.93	1.81	2.07
Net interest spread ⁽⁵⁾	1.99	2.13	1.76	1.62	1.89
Net non-interest income to operating income	22.35	25.37	32.38	28.81	25.03
Cost-to-income ratio ⁽⁶⁾	26.42	26.41	29.99	31.96	27.71
Asset quality indicators (%)					
Non-performing loan ratio ⁽⁷⁾	1.42	1.37	1.2	1.15	1.33
Allowance to non-performing loans ⁽⁸⁾	191.01	220.80	270.37	296.94	259.33
Allowance to total loans ⁽⁹⁾	2.72	3.03	3.25	3.43	3.44
Capital adequacy indicators (%)					
Core tier-one capital adequacy ratio	8.75	9.64	8.38	8.29	9.28
Tier-one capital adequacy ratio	9.88	10.94	9.83	9.96	9.28
Capital adequacy ratio	12.93	14.24	13.38	12.21	11.79

Financial Summary

Notes:

- (1) Net assets per share attributable to shareholders of the Bank = (equity attributable to shareholders of the Bank minus other equity instruments) divided by the total number of ordinary shares at the end of the period.
- (2) Basic earnings per share attributable to shareholders of the Bank = Net profit attributable to shareholders of ordinary shares of the Bank (excluding net profit attributable to shareholders of preference shares of the Bank for the year) divided by weighted average number of ordinary shares outstanding.
- (3) Return on average total assets = Net profit divided by the average balance of total assets at the beginning and at the end of the period.
- (4) Return on average equity = Net profit attributable to shareholders of ordinary shares of the Bank (excluding net profit attributable to shareholders of preference shares the Bank for the year) divided by average balance of equity attributable to shareholders of ordinary shares of the Bank at the beginning and at the end of the period (excluding other equity instruments).
- (5) According to the “Notice on Strictly Implementing Accounting Standards for Enterprises and Effectively Strengthening 2020 Annual Reporting Work for Enterprises” (Cai Kuai [2021] No. 2) (《關於嚴格執行企業會計準則、切實加強企業2020年年報工作的通知》(財會〔2021〕2號)) by the Ministry of Finance, credit card instalment income is not included in the net fee income, which was reclassified to net interest income by the Group in 2020, and the net interest margin and net interest spread in 2019 were adjusted retrospectively.
- (6) Cost-to-income ratio = Operating expenses (excluding taxes and surcharges) divided by operating income.
- (7) Non-performing loan ratio = Balance of non-performing loans divided by total loans and advances to customers.
- (8) Allowance to non-performing loans = Balance of impairment allowances on loans divided by balance of non-performing loans. There is no difference between the indicator for the Group and the Bank, while the regulatory requirements specify that a legal person’s allowance to non-performing loans shall not be less than 140%.
- (9) Allowance to total loans = Balance of impairment allowances on loans divided by total loans and advances to customers. There is no difference between the indicator for the Group and the Bank, while the regulatory requirements specify that a legal person’s allowance to total loans shall not be less than 2.1%.

Explanation of Differences between Financial Statements Prepared under Domestic and International Accounting Policies

The net profit attributable to shareholders of the Bank for the reporting period ended December 31, 2020 and the equity attributable to shareholders of the Bank as at the end of the reporting period presented in the financial statements prepared by the Group under the China Accounting Standards are the same with that presented in the financial statements prepared by the Group under the International Financial Reporting Standards.

Management Discussion and Analysis

(I) Economic, Financial and Regulatory Environments

The COVID-19 epidemic plunged the global economy into a deep recession in 2020. The major global economies have adopted unconventional policies and measures to promote economic recovery, but the effect was limited. The economic recovery is expected to be full of instabilities and uncertainties. Epidemic-induced risks should not be ignored. Global trade and industrial chains have been materially and negatively affected, and the pattern of economic globalization will be restructured.

China was the only major global economy realising positive growth in 2020, with gross domestic product (GDP) of RMB101.6 trillion throughout the year, representing a year-on-year increase of 2.3%. China has made decisive achievements in three critical challenges, major progress in technology innovation, certain breakthrough in reform and opening-up, and effective guarantee for living standards. Facing a grim and complicated international situation, the arduous task of domestic reform, development and stability, especially the severe impact of the COVID-19 epidemic, it was really not easy for China to make such achievement. But we have to wake up to the fact that there are many uncertainties in the development of the epidemic and the external environment, and the foundation for China's economic recovery has not yet been solid.

The People's Bank of China implemented a more flexible and prudent monetary policy in 2020 by reducing the required reserve ratio for three times and providing RMB1.75 trillion of long-term liquidity, and the RMB exchange rate basically remained stable within a reasonable and balanced range. It has made full efforts to support for stabilizing enterprises and ensuring employment through financial policies and tools, further improved the macro-prudential policy framework, and made a major milestone achievement to prevent and resolve major financial risks. International financial cooperation has been strengthened, high-level opening-up of the financial industry has been expanded in an orderly manner, and financial reform has been further deepened and made new progress.

As at the end of 2020, the supply of the broad money M2 in China increased by 10.1% on a year-on-year basis, and the social financing scale's stock rose by 13.3% on a year-on-year basis. The assets of financial institutes in local and foreign currencies of the banking industry was RMB319.74 trillion, increased by 10.1% on a year-on-year basis; the liabilities of financial institutes in local and foreign currencies of the banking industry was RMB293.11 trillion, increased by 10.2% on a year-on-year basis; the balance of loan in local and foreign currencies of financial institutes was RMB178.4 trillion, increased by 12.5% on a year-on-year basis; and the balance of deposit in local and foreign currencies of financial institutes was RMB218.4 trillion, increased by 10.2% on year-on-year basis. The banking industry has continuously improved the quality and efficiency of its services to the real economy, increased investment in small and micro private enterprises, and implemented measures such as reducing fees and interest rates. As at the end of 2020, the balance of loans to private enterprises in China was RMB50 trillion, increased by 14% on year-on-year basis; and the balance of inclusive small and micro enterprise loans was RMB15.3 trillion, with growth rate of 18.1 percentage points higher than that of all loans. The commercial banks (on a legal person basis) achieved a net profit of RMB1.94 trillion, the balance of non-performing loans was RMB2.7 trillion with a non-performing loan ratio of 1.84%, and the asset quality remained stable.

Management Discussion and Analysis

(II) Analysis of Overall Operation Performance

Stable increase of business scale

As at the end of the reporting period, total assets of the Group amounted to RMB2,048.225 billion, representing an increase of RMB247.439 billion or 13.74% as compared to that at the end of last year, of which total loans and advances to customers amounted to RMB1,197.698 billion, representing an increase of RMB167.527 billion or 16.26% as compared to that at the end of last year. Total liabilities amounted to RMB1,915.682 billion, representing an increase of RMB242.923 billion or 14.52% as compared to that at the end of last year, of which customer deposits amounted to RMB1,335.636 billion, representing an increase of RMB191.895 billion or 16.78% as compared to that at the end of last year.

Stable and sound operating efficiencies

During the reporting period, operating income of the Group amounted to RMB47.771 billion, representing an increase of RMB1.324 billion or 2.85% as compared to that of last year, of which net interest income amounted to RMB37.095 billion, representing an increase of RMB2.433 billion or 7.02% as compared to that of last year, and net non-interest income amounted to RMB10.676 billion, representing a decrease of RMB1.109 billion or 9.41% as compared to that of last year. Net profit attributable to shareholders of the Bank amounted to RMB12.309 billion, representing a decrease of RMB615 million or 4.76% as compared to that of last year.

Maintaining sound asset quality

As at the end of the reporting period, the non-performing loan ratio was 1.42%, representing an increase of 0.05 percentage point as compared to that at the end of last year; allowance to non-performing loan ratio was 191.01%, representing a decrease of 29.79 percentage points as compared to that at the end of last year; the allowance to total loans ratio was 2.72%, representing a decrease of 0.31 percentage point as compared to that at the end of last year.

Maintaining capital adequacy ratio at reasonable level

As at the end of the reporting period, the capital adequacy ratio of the Group amounted to 12.93%, representing a decrease of 1.31 percentage points as compared with that at the end of last year. The tier-one capital adequacy ratio amounted to 9.88%, representing a decrease of 1.06 percentage points as compared with that at the end of last year, and the core tier-one capital adequacy ratio amounted to 8.75%, representing a decrease of 0.89 percentage point as compared with that at the end of last year.

Management Discussion and Analysis

(III) Analysis of Financial Statements

1. Analysis of consolidated statement of comprehensive income

In 2020, facing effect of COVID-19 and complicated situation, the Group comprehensively implemented the platform-based service strategy and continued to promote transformation and development based on the overall object of “Two Most”. In 2020, the Group achieved a net profit attributable to shareholders of the Bank of RMB12.309 billion, decreased by 4.76% as compared to that of last year; the return on average total assets was 0.65% and the return on average equity was 10.03%. Operating income was RMB47.771 billion, increased by 2.85% as compared to that of last year, including, among others, net interest income of RMB37.095 billion, increased by 7.02% as compared to that of last year; net non-interest income of RMB10.676 billion, decreased by 9.41% as compared to that of last year. Operating expense was RMB13.242 billion, increased by 2.93% as compared to that of last year; cost-to-income ratio was 26.42%, which was basically the same as compared to that of last year. Provision for expected credit losses was RMB20.166 billion, increased by 6.69% as compared to that of last year. The income tax expense was RMB1.804 billion, increased by 17.30% as compared to that of last year.

Changes of the main items in the consolidated statement of comprehensive income

In RMB million, except percentages

Item	2020	2019	Amount of increase	Growth rate (%)
Net interest income	37,095	34,662	2,433	7.02
Net non-interest income	10,676	11,785	(1,109)	(9.41)
Operating income	47,771	46,447	1,324	2.85
Less: operating expenses	13,242	12,865	377	2.93
Less: expected credit losses	20,166	18,902	1,264	6.69
Profit before income tax	14,363	14,680	(317)	(2.16)
Less: income tax expense	1,804	1,538	266	17.30
Net profit	12,559	13,142	(583)	(4.44)
Attributable to:				
Shareholders of the Bank	12,309	12,924	(615)	(4.76)
Non-controlling interests	250	218	32	14.68

Management Discussion and Analysis

(1) Net interest income

In 2020, net interest income was RMB37.095 billion, representing an increase of RMB2.433 billion or 7.02% as compared to that of last year, accounting for 77.65% of operating income; interest income was RMB86.224 billion, representing an increase of RMB5.948 billion or 7.41% as compared to that of last year; interest expense was RMB49.129 billion, representing an increase of RMB3.515 billion or 7.71% as compared to that of last year. Net interest spread and net interest margin were 1.99% and 2.19%, respectively, representing a decrease of 0.14 percentage point and 0.20 percentage point as compared to that of last year, respectively.

Average yields on interest-earning assets and average costs of interest-bearing liabilities

In RMB million, except percentages

Item	2020			2019		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Interest-earning assets						
Loans and advances to customers	1,149,612	64,313	5.59	956,697	55,902	5.84
Investments ⁽¹⁾	441,926	18,095	4.09	446,074	20,465	4.59
Due from banks and other financial institutions ⁽²⁾	116,372	1,816	1.56	106,657	2,166	2.03
Balances with central bank ⁽³⁾	135,699	2,000	1.47	116,375	1,743	1.50
Total interest-earning assets	1,843,609	86,224	4.68	1,625,803	80,276	4.94
Item	2020			2019		
	Average balance	Interest expenses	Average cost (%)	Average balance	Interest expenses	Average cost (%)
Interest-bearing liabilities						
Customer deposits	1,336,090	35,286	2.64	1,045,361	26,429	2.53
Due to banks and other financial institutions ⁽⁴⁾	201,557	4,625	2.29	262,549	7,961	3.03
Due to central bank	82,797	2,581	3.12	87,511	2,830	3.23
Debt securities issued ⁽⁵⁾	200,081	6,508	3.25	224,566	8,237	3.67
Lease liabilities	2,683	129	4.80	3,261	157	4.80
Total Interest-bearing liabilities	1,823,208	49,129	2.69	1,623,248	45,614	2.81
Net interest income		37,095			34,662	
Net interest spread			1.99			2.13
Net interest margin ⁽⁶⁾			2.19			2.39

Management Discussion and Analysis

Notes:

- (1) The investments include financial assets measured at amortized cost and financial assets at fair value through other comprehensive income.
- (2) Due from banks and other financial institutions include deposits with banks and other financial institutions, placements with banks and other financial institutions, and financial assets purchased under resale agreements.
- (3) Balances with the central bank include mandatory reserve deposits, surplus reserve deposits and foreign exchange reserve of deposits.
- (4) Due to banks and other financial institutions include deposits from banks and other financial institutions, placements from banks and other financial institutions, and financial assets sold under purchase agreements.
- (5) Debt securities issued include issued inter-bank certificates of deposits, financial bond, etc.
- (6) Net interest margin: the income generated from the business of financial assets at fair value through profit or loss was not classified as interest income categorised by accounting item, and its corresponding interest-bearing liabilities and interest expense shall be adjusted accordingly.

Analysis of changes in interest income and interest expense

In RMB million

Item	Comparison between 2020 and 2019		Net increase (decrease) ⁽³⁾
	Volume ⁽¹⁾	Interest rate ⁽²⁾	
Interest-earning assets			
Loans and advances to customers	11,273	(2,862)	8,411
Investments	(190)	(2,180)	(2,370)
Due from banks and other financial institutions	197	(547)	(350)
Balances with central bank	289	(32)	257
Changes in interest income	11,569	(5,621)	5,948
Interest-bearing liabilities			
Customer deposits	7,350	1,507	8,857
Due to banks and other financial institutions	(1,849)	(1,487)	(3,336)
Due to central bank	(153)	(96)	(249)
Debt securities issued	(898)	(831)	(1,729)
Lease liabilities	(28)	0	(28)
Changes in interest expense	4,422	(907)	3,515
Changes in net interest income	7,147	(4,714)	2,433

Management Discussion and Analysis

Notes:

- (1) Change in volume represents the average balance for the year minus the average balance for the previous year, multiplied by the average yield or average cost for the previous year.
- (2) Change in interest rate represents the average yield or average cost for the year minus the average yield or average cost for the previous year, multiplied by the average balance for the year.
- (3) Net increase or decrease represents interest income or expense for the year minus interest income or expense for the previous year.

(2) Interest income

Interest income from loans and advances to customers

Interest income from loans and advances to customers was RMB64.313 billion, increased by RMB8.411 billion or 15.05% as compared to last year, mainly due to the increase in the size of loans and advances to customers.

Interest income from loans and advances to customers

In RMB million, except percentages

	2020			2019		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Corporate loans and advances ⁽¹⁾	855,416	44,180	5.16	722,468	39,848	5.52
Personal loans and advances	294,196	20,133	6.84	234,229	16,054	6.85
Total loans and advances to customers	1,149,612	64,313	5.59	956,697	55,902	5.84

Notes:

- (1) including discounted bills.

Interest income from investments

Interest income from investments was RMB18.095 billion, decreased by RMB2.370 billion or 11.58% as compared to that of last year, mainly due to the decline in interest rate under the influence of market environment.

Interest income from due from banks and other financial institutions

Interest income from due from banks and other financial institutions was RMB1.816 billion, representing a decrease of RMB350 million or 16.16% as compared to that of last year, primarily due to the decreased interest rate of due from banks and other financial institutions.

Management Discussion and Analysis

(3) Interest expenses

Interest expense on customer deposits

Interest expense on customer deposits amounted to RMB35.286 billion, representing an increase of RMB8.857 billion or 33.51% as compared to that of last year, primarily due to the increase in the size of customer deposits and the rise of costs.

Interest expense on customer deposits

In RMB million, except percentages

	2020			2019		
	Average balance	Interest expenses	Average cost (%)	Average balance	Interest expenses	Average cost (%)
Corporate deposits and other deposits⁽¹⁾						
Time	710,168	21,855	3.08	608,025	18,801	3.09
Demand	381,683	5,023	1.32	301,028	3,278	1.09
Subtotal	1,091,851	26,878	2.46	909,053	22,079	2.43
Personal deposits						
Time	199,817	7,758	3.88	95,099	3,682	3.87
Demand	44,422	650	1.46	41,209	668	1.62
Subtotal	244,239	8,408	3.44	136,308	4,350	3.19
Total	1,336,090	35,286	2.64	1,045,361	26,429	2.53

Notes:

(1) Other deposits include remittance payables, temporary deposits and outward remittance, etc.

Interest expense on due to banks and other financial institutions

Interest expense on due to banks and other financial institutions amounted to RMB4.625 billion, representing a decrease of RMB3.336 billion or 41.90% as compared to that of last year, primarily due to the decrease in deposits from banks and other financial institutions and the decline of average cost.

Debt securities issued

Interest expense on debt securities issued amounted to RMB6.508 billion, representing a decrease of RMB1.729 billion or 20.99% as compared to that of last year, primarily due to the decrease in debt securities issued and decline in the average cost.

Management Discussion and Analysis

(4) Net non-interest income

Net non-interest income in 2020 amounted to RMB10.676 billion, representing a decrease of RMB1.109 billion or 9.41% as compared to that of last year. Specifically, the net fee and commission income was RMB4.250 billion, representing an increase of RMB459 million as compared to that of last year, while other net non-interest income was RMB6.426 billion, representing a decrease of RMB1.568 billion as compared to that of last year.

Net fee and commission income

In RMB million, except percentages

Item	2020	2019	Amount of increase or decrease	Growth rate (%)
Underwriting and consulting business	2,004	1,356	648	47.79
Commitment and guarantee business	726	652	74	11.35
Agency and entrusted business	706	883	(177)	(20.05)
Custodian and fiduciary business	517	539	(22)	(4.08)
Settlement and clearing business	371	363	8	2.20
Bank card business	277	340	(63)	(18.53)
Others	174	158	16	10.13
Fee and commission income	4,775	4,291	484	11.28
Less: fee and commission expense	525	500	25	5.00
Net fee and commission income	4,250	3,791	459	12.11

Fee income from underwriting and consulting business was RMB2.004 billion, representing an increase of RMB648 million as compared to that of last year, primarily due to the increased scale of the bond underwriting business.

Fee income from commitment and guarantee business was RMB726 million, representing an increase of RMB74 million as compared to that of last year, primarily due to the increased scale of the guarantee commitment business.

Fee income from agency and entrusted business was RMB706 million, representing a decrease of RMB177 million as compared to that of last year, primarily due to the decreased scale of the agency and entrusted business.

Fee income from custodian and fiduciary business was RMB517 million, which was basically the same as compared to that of last year.

Management Discussion and Analysis

Other net non-interest income

In RMB million, except percentages

Item	2020	2019	Amount of increase or decrease	Growth rate (%)
Net trading gains	4,367	6,222	(1,855)	(29.81)
Net gains on financial investments	1,552	1,361	191	14.03
Other operating income	507	411	96	23.36
Total	6,426	7,994	(1,568)	(19.61)

Other net non-interest income was RMB6.424 billion, representing a decrease of RMB1.568 billion or 19.61% as compared to that of last year.

(5) Operating expenses

In RMB million, except percentages

Item	2020	2019	Amount of increase or decrease	Growth rate (%)
Staff costs	8,197	8,242	(45)	(0.55)
General and administrative expenses	2,568	2,378	190	7.99
Depreciation and amortization	1,560	1,418	142	10.01
Tax and surcharges	620	598	22	3.68
Others	297	229	68	29.69
Total	13,242	12,865	377	2.93

Operating expenses amounted to RMB13.242 billion, representing an increase of 2.93% as compared to last year, primarily due to our business expansion and the increased number of our outlets.

(6) Expected credit losses

In RMB million, except percentages

Item	2020	2019
Deposits with banks and other financial institutions	295	52
Placements with banks and other financial institutions	119	29
Loans and advances to customers	9,877	7,640
Financial investments	9,064	8,370
Finance lease receivables	583	383
Off-balance sheet items	150	2,422
Other assets	78	6
Total	20,166	18,902

Management Discussion and Analysis

(7) Income tax expenses

The income tax expenses were RMB1.804 billion, representing a year-on-year increase of RMB266 million or 17.30%, and the effective tax rate was 12.56%. For the reconciliation statement of the income tax expenses calculated at statutory tax rate and the actual income tax expenses, please see “Notes to Financial Statements – 10 Income Tax Expenses”.

(8) Segment information

Segment operating results by business line

In RMB million, except percentages

Item	2020		2019	
	Amount	Proportion	Amount	Proportion
Corporate banking business	26,679	55.85	26,786	57.67
Retail banking business	10,552	22.09	8,536	18.38
Treasury business	9,003	18.85	9,954	21.43
Other businesses	1,537	3.21	1,171	2.52
Total operating income	47,771	100.00	46,447	100.00

Segment operating results by geographic region

In RMB million, except percentages

Item	2020		2019	
	Amount	Proportion	Amount	Proportion
Yangtze River Delta Region	25,954	54.32	25,981	55.93
Bohai Rim Region	8,339	17.46	8,322	17.92
Pearl River Delta and West Strait Economic Zone	3,891	8.15	3,751	8.08
Midwestern China Region	9,587	20.07	8,393	18.07
Total operating income	47,771	100.00	46,447	100.00

2. Analysis on Statement of Financial Position

In 2020, the Group thoroughly implemented the platform-based service strategy, continued to increase its efforts to serve the real economy, and explored a new path of promoting innovative transformation and development and reducing corporate financing costs based on platform-based services. By strengthening risk control and liquidity safety, the Group continued to adjust and optimize the structure of assets and liabilities, and improve the efficiency of resource allocation as well as the quality and efficiency of operations.

Management Discussion and Analysis

(1) Assets

As at the end of the reporting period, total assets of the Group amounted to RMB2,048.225 billion, representing an increase of RMB247.439 billion or 13.74% as compared to that at the end of last year, of which net loans and advances to customers amounted to RMB1,165.875 billion, representing an increase of RMB166.942 billion or 16.71% as compared to that at the end of last year. Financial investments amounted to RMB528.385 billion, representing an increase of RMB10.347 billion or 2.00% as compared to that at the end of last year. In terms of the structure, net loans and advances to customers accounted for 56.92% of total assets, increased by 1.45 percentage points as compared to that at the end of last year, and the financial investments accounted for 25.80%, decreased by 2.97 percentage points as compared to that at the end of last year.

Assets utilization

In RMB million, except percentages

Item	December 31, 2020		December 31, 2019	
	Amount	Proportion (%)	Amount	Proportion (%)
Total loans and advances to customers	1,197,698		1,030,171	
Less: the expected credit loss allowance for loans	(31,823)		(31,238)	
Net loans and advances to customers	1,165,875	56.92	998,933	55.47
Financial investments ⁽¹⁾	528,385	25.80	518,038	28.77
Cash and balances with central bank	137,441	6.71	131,029	7.28
Precious metal	19,478	0.95	21,251	1.18
Due from banks and other financial institutions ⁽²⁾	101,531	4.96	55,859	3.10
Other assets	95,515	4.66	75,676	4.20
Total assets	2,048,225	100.00	1,800,786	100.00

Notes:

- (1) The financial investments at the end of the year include financial assets at fair value through profit or loss, financial assets measured at amortized cost and financial assets at fair value through other comprehensive income.
- (2) Due from banks and other financial institutions include deposits with banks and other financial institutions, placements with banks and other financial institutions and financial assets purchased under resale agreements.

Management Discussion and Analysis

Loans

According to changes in domestic and foreign economic environment and financial supervision requirements, the Group has always adhered to the original aspiration and mission of serving the real economy, actively implemented the platform-based service strategy, continuously optimized credit structure, and focused on support to small and micro enterprises, manufacturing enterprises, private enterprises and green finance. As at the end of the reporting period, total loans and advances to customers of the Group amounted to RMB1,197.698 billion, representing an increase of RMB167.527 billion or 16.26% as compared to that at the end of last year.

Loan structure by business type

In RMB million, except percentages

Item	December 31, 2020		December 31, 2019	
	Amount	Proportion (%)	Amount	Proportion (%)
Corporate loans	788,066	65.80	679,610	65.97
Discounted bills	73,088	6.10	71,632	6.95
Personal loans	333,108	27.81	275,677	26.76
Changes in fair value through other comprehensive income	(152)	(0.01)	212	0.02
Accrued interest	3,588	0.30	3,040	0.30
Total	1,197,698	100.00	1,030,171	100.00

Corporate loans

The Group took full advantage of its platform-based service strategy to continuously improve its customer service capabilities and customer acquisition capabilities, with continuously optimized corporate loan structure and increasingly enhanced quality and efficiency of serving the real economy. As at the end of the reporting period, total corporate loans amounted to RMB788.066 billion, representing an increase of 15.96% as compared to that at the end of last year.

Discounted bills

The Group focused on credit-supporting bills, and improved the comprehensive returns on bill assets through optimization of structure, acceleration of turnover and innovation of products. As at the end of the reporting period, total discounted bills amounted to RMB73.088 billion, representing an increase of 2.03% as compared to that at the end of last year.

Management Discussion and Analysis

Personal loans

The Group continued to create and improve scenario-based applications, and relied on financial technology and business model innovation to broaden business coverage, introduce application scenarios, strengthen customer solicitation and continue to promote the growth of personal loans business. As at the end of the reporting period, total personal loans amounted to RMB333.108 billion, representing an increase of 20.83% as compared to that at the end of last year.

Financial investments

The Group made better use of capital and optimized investment portfolio and structure on the basis of ensuring liquidity and risk control. As at the end of the reporting period, total financial investments amounted to RMB528.385 billion, representing an increase of 2.00% as compared to that at the end of last year.

Financial investment composition

In RMB million, except percentages

Item	December 31, 2020		December 31, 2019	
	Amount	Proportion (%)	Amount	Proportion (%)
Fund investments	82,673	15.65	86,143	16.63
Bond investments	373,390	70.66	278,642	53.79
Trust schemes and asset management plans	75,499	14.29	129,502	25.00
Other financial investments	3,368	0.64	31,468	6.07
Accrued interest	6,986	1.32	5,449	1.05
Impairment provision	(13,531)	(2.56)	(13,166)	(2.54)
Total	528,385	100.00	518,038	100.00

Note: Other financial investments include equity investments and other debt instruments.

Management Discussion and Analysis

(2) Liabilities

As at the end of the reporting period, total liabilities of the Group amounted to RMB1,915.682 billion, representing an increase of RMB242.923 billion or 14.52% as compared to that at the end of last year.

Liabilities Composition

In RMB million, except percentages

Item	December 31, 2020		December 31, 2019	
	Amount	Proportion (%)	Amount	Proportion (%)
Due to central bank	84,768	4.42	94,065	5.62
Customer deposits	1,335,636	69.73	1,143,741	68.37
Due to banks and other financial institutions	197,716	10.32	172,805	10.33
Financial liabilities held for trading	9,231	0.48	15,143	0.91
Debt securities issued	236,682	12.35	206,241	12.33
Others	51,649	2.70	40,764	2.44
Total liabilities	1,915,682	100.00	1,672,759	100.00

Note: Due to banks and other financial institutions include deposits from banks and other financial institutions, placements from banks and other financial institutions, and financial assets sold under purchase agreements.

Customer deposits

The Group actively responded to the changes in market demand to optimize the deposit structure. As at the end of the reporting period, balance of customer deposits of the Group amounted to RMB1,335.636 billion, representing an increase of RMB191.895 billion or 16.78% as compared to that at the end of last year. With respect to customer structure, corporate deposits increased by RMB95.333 billion or 9.83%; and personal deposits increased by RMB93.381 billion or 58.49%. With respect to term structures, time deposits increased by RMB102.635 billion or 13.64%; and demand deposits increased by RMB86.079 billion or 22.85%.

Management Discussion and Analysis

Structure of our customer deposits by business type

In RMB million, except percentages

Item	December 31, 2020		December 31, 2019	
	Amount	Proportion (%)	Amount	Proportion (%)
Corporate deposits				
Demand	417,686	31.27	332,440	29.07
Time	647,265	48.46	637,178	55.71
Sub-total	1,064,951	79.73	969,618	84.78
Personal deposits				
Demand	45,164	3.38	44,331	3.88
Time	207,880	15.56	115,332	10.08
Sub-total	253,044	18.94	159,663	13.96
Other deposits	1,941	0.15	2,596	0.22
Accrued interest	15,700	1.18	11,864	1.04
Total	1,335,636	100.00	1,143,741	100.00

(3) Shareholder's equity

As at the end of the reporting period, equity attributable to shareholders of the Bank amounted to RMB130.512 billion in total, representing an increase of RMB4.266 billion or 3.38% as compared to that at the end of last year. Please see "Financial Statements – Consolidated Statement of Changes in Shareholders' Equity".

Management Discussion and Analysis

(IV) Analysis of the Loan Quality

1. Loan distribution by risk classification

In RMB million, except percentages

Item	December 31, 2020		December 31, 2019	
	Amount	Percentage	Amount	Percentage
Pass	1,156,347	96.55	988,779	95.98
Special mention	20,870	1.74	23,993	2.33
Non-performing	17,045	1.42	14,147	1.37
Substandard	9,913	0.83	6,854	0.67
Doubtful	4,146	0.34	5,056	0.49
Loss	2,986	0.25	2,237	0.22
Changes in fair value through other comprehensive income	(152)	(0.01)	212	0.02
Accrued interest	3,588	0.30	3,040	0.30
Total loans and advances to customers	1,197,698	100.00	1,030,171	100.00

The loan quality of our Group was kept at a stable level. As at the end of the reporting period, according to the risk classification of the supervision system, the pass loans amounted to RMB1,156.347 billion, representing an increase of RMB167.568 billion as compared with that at the end of last year, accounting for 96.55% of total loans and advances to customers. Loans classified as special mention were RMB20.870 billion, representing a decrease of RMB3.123 billion as compared with that at the end of last year, accounting for 1.74% of total loans and advances to customers. The non-performing loans were RMB17.045 billion, representing an increase of RMB2.898 billion as compared with that at the end of last year, with a non-performing loan ratio of 1.42%, representing an increase of 0.05 percentage point as compared with that at the end of last year.

Management Discussion and Analysis

2. Distribution of loans and non-performing loans by business type

In RMB million, except percentages

Item	December 31, 2020				December 31, 2019			
	Amount of loans	Percentage (%)	Amount of non-performing loans	Non-performing loan ratio (%)	Amount of loans	Percentage (%)	Amount of non-performing loans	Non-performing loan ratio (%)
Corporate loans	788,066	65.80	14,640	1.86	679,610	65.97	11,607	1.71
Personal loans	333,108	27.81	2,399	0.72	275,677	26.76	2,485	0.90
Discounted bills	73,088	6.10	6	0.01	71,632	6.95	55	0.08
Changes in fair value through other comprehensive income	(152)	(0.01)	N/A	N/A	212	0.02	N/A	N/A
Accrued interest	3,588	0.30	N/A	N/A	3,040	0.30	N/A	N/A
Total loans and advances to customers	1,197,698	100.00	17,045	1.42	1,030,171	100.00	14,147	1.37

As at the end of the reporting period, our non-performing corporate loans amounted to RMB14.640 billion, representing an increase of RMB3.033 billion as compared with that at the end of last year, with a non-performing loan ratio of 1.86%, representing an increase of 0.15 percentage point as compared with that at the end of last year. The personal non-performing loans were RMB2.399 billion, representing a decrease of RMB86 million as compared with that at the end of last year, with a non-performing loan ratio of 0.72%, representing a decrease of 0.18 percentage point as compared with that at the end of last year.

Management Discussion and Analysis

3. Distribution of loans and non-performing loans by industry

In RMB million, except percentages

Item	December 31, 2020				December 31, 2019			
	Amount of loans	Percentage (%)	Amount of non-performing loans	Non-performing loan ratio (%)	Amount of loans	Percentage (%)	Amount of non-performing loans	Non-performing loan ratio (%)
Corporate loans	788,066	65.80	14,640	1.86	679,610	65.97	11,607	1.71
Leasing and commercial services	168,182	14.04	1,316	0.78	150,011	14.56	639	0.43
Real estate	165,208	13.79	146	0.09	148,341	14.40	428	0.29
Manufacturing	136,187	11.37	8,187	6.01	114,722	11.14	6,203	5.41
Wholesale and retail trade	99,635	8.32	1,493	1.50	82,824	8.04	2,295	2.77
Administration of water conservancy, environment and public facilities	54,597	4.56	3	0.01	53,253	5.17	50	0.09
Construction	53,241	4.45	635	1.19	45,432	4.41	830	1.83
Financing	39,498	3.30	-	-	19,785	1.92	-	-
Transportation, storage and postal service	11,351	0.95	91	0.80	10,580	1.03	303	2.86
Electricity, heat, gas and water production and supply	10,900	0.91	44	0.40	9,562	0.93	375	3.92
Accommodation and Catering	10,711	0.89	41	0.38	8,857	0.86	83	0.94
Mining	3,895	0.33	-	-	6,722	0.65	-	-
Others ⁽¹⁾	34,661	2.89	2,684	7.74	29,521	2.86	401	1.36
Personal loans	333,108	27.81	2,399	0.72	275,677	26.76	2,485	0.90
Discounted bills	73,088	6.10	6	0.01	71,632	6.95	55	0.08
Changes in fair value through other comprehensive income	(152)	(0.01)	N/A	N/A	212	0.02	N/A	N/A
Accrued interest	3,588	0.30	N/A	N/A	3,040	0.30	N/A	N/A
Total loans and advances to customers	1,197,698	100.00	17,045	1.42	1,030,171	100.00	14,147	1.37

Note:

- (1) Others include various industries such as public administration and social organization; culture, sports and entertainment; information transmission, computer service and software; agriculture, forestry, animal husbandry and fishery; household services and other services; scientific research, technology services and geological exploration; education; health, social security and social welfare.

In 2020, our Group actively supported the development of the real economy and followed the national economic restructuring, with a priority focus on national economy basic industries and national strategic emerging industries. Differential risk prevention and control strategies were formulated for areas such as industries with excess production capacity, real estate, etc., with a view to optimizing the allocation of credit resources continually.

Management Discussion and Analysis

4. Distribution of loans and non-performing loans by geographic region

In RMB million, except percentages

Item	December 31, 2020				December 31, 2019			
	Amount of loans	Percentage (%)	Amount of non-performing loans	Non-performing loan ratio (%)	Amount of loans	Percentage (%)	Amount of non-performing loans	Non-performing loan ratio (%)
Yangtze River Delta Region	687,825	57.43	11,442	1.66	571,942	55.52	9,138	1.60
Midwestern China Region	203,660	17.00	2,826	1.39	198,548	19.27	2,627	1.32
Bohai Rim Region	167,846	14.01	1,846	1.10	165,623	16.08	1,337	0.81
Pearl River Delta and West Strait Economic Zone	134,931	11.27	931	0.69	90,806	8.81	1,045	1.15
Changes in fair value through other comprehensive income	(152)	(0.01)	N/A	N/A	212	0.02	N/A	N/A
Accrued interest	3,588	0.30	N/A	N/A	3,040	0.30	N/A	N/A
Total loans and advances to customers	1,197,698	100.00	17,045	1.42	1,030,171	100.00	14,147	1.37

As at the end of the reporting period, the region where the Group incurred a relatively large volume of non-performing loans was the Yangtze River Delta Region. Taking into account economic characters of various regions, the Group continued to optimize the regional credit allocation to actively prevent regional risks and support regional development.

5. Distribution of loans and non-performing loans by security type

In RMB million, except percentages

Item	December 31, 2020				December 31, 2019			
	Amount of loans	Percentage (%)	Amount of non-performing loans	Non-performing loan ratio (%)	Amount of loans	Percentage (%)	Amount of non-performing loans	Non-performing loan ratio (%)
Mortgage loans	531,033	44.34	4,145	0.78	461,556	44.81	4,634	1.00
Pledged loans	115,855	9.67	2,031	1.75	117,832	11.44	3,385	2.87
Guaranteed loans	177,085	14.79	9,664	5.46	193,199	18.75	4,615	2.39
Unsecured loans	297,201	24.81	1,199	0.40	182,700	17.73	1,458	0.80
Discounted bills	73,088	6.10	6	0.01	71,632	6.95	55	0.08
Changes in fair value through other comprehensive income	(152)	(0.01)	N/A	N/A	212	0.02	N/A	N/A
Accrued interest	3,588	0.30	N/A	N/A	3,040	0.30	N/A	N/A
Total loans and advances to customers	1,197,698	100.00	17,045	1.42	1,030,171	100.00	14,147	1.37

Management Discussion and Analysis

The secured loan structure of the Group basically remained stable. As at the end of the reporting period, the mortgage loans accounted for 44.34% of the total loans and advances to customers, which was a relatively high percentage; the mortgage loans balance was RMB531.033 billion, representing an increase of RMB69.477 billion compared with that at the end of last year; the balance of non-performing loans among mortgage loans was RMB4.145 billion, with the non-performing loan ratio of 0.78%, representing a decrease of 0.22 percentage point compared with that at the end of last year.

6. Top ten borrowers

In RMB million, except percentages

Top ten borrowers	Industry	Amount	Percentages of total loans and advances to customers (%)
A	Real estate	4,000	0.33
B	Leasing and commercial services	4,000	0.33
C	Real estate	3,514	0.29
D	Manufacturing	3,477	0.29
E	Leasing and commercial services	3,360	0.28
F	Real estate	3,200	0.27
G	Leasing and commercial services	3,100	0.26
H	Leasing and commercial services	3,038	0.25
I	Real estate	2,900	0.24
J	Construction	2,769	0.23
Total		33,358	2.79

As at the end of the reporting period, the balance of loans to the single largest borrower of the Group was RMB4.000 billion, representing 2.33% of the Group's net capital. The total loans to our top ten single borrowers amounted to RMB33.358 billion, representing 19.40% of the net capital and 2.79% of the total loans and advances to customers of the Group.

Management Discussion and Analysis

7. Overdue loans

In RMB million, except percentages

Overdue period	December 31, 2020		December 31, 2019	
	Amount	Percentages of total loans and advances to customers (%)	Amount	Percentages of total loans and advances to customers (%)
Overdue by 1 day to 90 days	6,609	0.55	9,387	0.91
Overdue by 90 days to one year	10,186	0.85	7,910	0.77
Overdue by one year to three years	4,720	0.39	3,645	0.35
Overdue by more than three years	144	0.01	126	0.01
Total	21,659	1.81	21,068	2.05

As at the end of the reporting period, the balance of overdue loans amounted to RMB21.659 billion, representing an increase of RMB0.591 billion as compared with that at the end of last year. Specifically, loans overdue by more than 90 days amounted to RMB15.050 billion, representing an increase of RMB3.369 billion as compared with that at the end of last year.

8. Renegotiated loans

The Group exercised strict and prudent control over loan renegotiation. As at the end of the reporting period, total renegotiated loans and advances amounted to RMB563 million, representing an increase of RMB96 million as compared with that at the end of last year. Among them, total renegotiated loans and advances that were overdue by more than 3 months amounted to RMB45 million, representing an increase of RMB19 million as compared with that at the end of last year.

9. Movements in the expected credit loss (“ECL”) allowance on loans

In RMB million

Item	Amount
Balance at the beginning of the year	31,238
Provision for the period	9,877
Unwinding of discount on ECL allowance	(98)
Write-offs	(7,211)
Transfer out	(1,923)
Recovered loans and advances previously written off	704
Impact of exchange rate fluctuations	(28)
Balance at the end of the year	32,559

Management Discussion and Analysis

(V) Capital Management

In accordance with the Administrative Measures for the Capital of Commercial Banks (Trial) 《商業銀行資本管理辦法(試行)》, the measurement range of the Group's capital adequacy ratio covers credit risk, market risk and operational risk. Among them, credit risk-weighted assets were measured by using weight method, market risk-weighted assets were measured by using standardized approach, and operational risk-weighted assets were measured by using the basic indicator approach.

As at the end of the reporting period, capital adequacy ratio of the Group was 12.93%, tier-one capital adequacy ratio was 9.88%, core tier-one capital adequacy ratio was 8.75%, and leverage ratio was 5.33%, all of which met regulatory requirements.

Capital adequacy ratio (the Group)

In RMB million, except percentages

Item	December 31, 2020	December 31, 2019
Net core tier-one capital	116,378	112,239
Other tier-one capital	15,125	15,098
Net tier-one capital	131,503	127,337
Tier-two capital	40,486	38,416
Net capital base	171,988	165,753
Risk-weighted assets	1,330,565	1,164,197
Core tier-one capital adequacy ratio (%)	8.75	9.64
Tier-one capital adequacy ratio (%)	9.88	10.94
Capital adequacy ratio (%)	12.93	14.24

Leverage ratio (the Group)

In RMB million, except percentages

Item	December 31, 2020	December 31, 2019
Net tier-one capital	131,503	127,337
Adjusted asset balance inside and outside the balance sheet	2,466,330	2,139,653
Leverage ratio (%)	5.33	5.95

As at the end of the reporting period, capital adequacy ratio of the Company was 12.94%, tier-one capital adequacy ratio was 9.87%, core tier-one capital adequacy ratio was 8.72%, and leverage ratio was 5.25%, all of which met regulatory requirements.

Management Discussion and Analysis

Capital adequacy ratio (the Company)

In RMB million, except percentages

Item	December 31, 2020	December 31, 2019
Net core tier-one capital	113,026	109,342
Other tier-one capital	14,958	14,958
Net tier-one capital	127,983	124,299
Tier-two capital	39,755	37,799
Net capital base	167,738	162,098
Risk-weighted assets	1,296,465	1,135,591
Core tier-one capital adequacy ratio (%)	8.72	9.63
Tier-one capital adequacy ratio (%)	9.87	10.95
Capital adequacy ratio (%)	12.94	14.27

Leverage ratio (the Company)

In RMB million, except percentages

Item	December 31, 2020	December 31, 2019
Net tier-one capital	127,983	124,299
Adjusted asset balance inside and outside the balance sheet	2,435,738	2,111,369
Leverage ratio (%)	5.25	5.89

(VI) Risk Management

1. Comprehensive risk management system

Guided by the platform-based service strategy, the Company adopts a “prudent and solid” risk appetite by persistently serving the real economy and strengthening innovation driving force. The Company facilitates the admission management to strengthen its customer base and optimize its business structure; strengthens the whole-process management to continuously promote the construction of big data risk control platform; accelerates the collection and resolution work to maintain the stability of asset quality; and gradually improves the comprehensive risk management system by creating a second development curve to ensure the Company’s development with high quality and facilitate the achievement of the “two most” overall objective in a stable manner.

The Board of Directors takes the ultimate responsibility for comprehensive risk management; the Board of supervisors is responsible for supervision of comprehensive risk management; and the senior management is responsible for implementing comprehensive risk management. The Company establishes the position of chief risk officer. The senior management has established special committees including the risk management and internal control committee, asset and liability management committee, credit, investment and transaction review committee, asset risk classification review committee and business continuity management committee.

Management Discussion and Analysis

The risk management department at our head office is the coordination department for comprehensive risk management and the leading executive department for management of the credit risk, market risk (excluding interest rate risk of banking book), country risk and information technology risk. The planning and finance department (the asset and liability management department) at our head office is the leading executive department for management of the interest rate risk of banking book and liquidity risk. The internal control, compliance and legal department at our head office is the leading executive department for operational risk and compliance risk management. The general office at our head office is the leading executive department for reputational risk management. The development and planning department at our head office is the leading executive department for strategic risk management.

The Company assigns risk monitoring officers to departments subject to higher business complexity and relatively concentrative risks at our head office. Risk monitoring officers are responsible for helping leading officers of accrediting departments organize risk management. They are independent of such departments and directly report to the president of our head office. They make business judgment and report on risk issues independently. The Company assigns to its branches risk monitoring officers, who help presidents of such branches organize comprehensive risk management with a focus on credit business related risk management, focus on the management and control over risks of large giving-credit customers as well as complicated and difficult businesses and are independent of such branches and directly report to the president of our head office. They make business judgment and report on risk issues independently.

2. Credit risk management

Credit risk refers to the risk of the Company suffering from losses due to defaults of debtors or counterparties or a decline in their credit. The Company's credit risk primarily lies in on- and off-balance sheet business, including loans, inter-bank lending, bond investments, bill acceptances, letters of credit, letters of guarantee, bond holdings and special purpose vehicle investments.

The objectives of our credit risk management are to control our credit risk within a reasonable range acceptable to us and maximize comprehensive benefits across the Bank denominated in local currency and adjusted with respect to risks.

The Company's credit risk management system consists of the Board of Directors, the Board of Supervisors, the Senior Management, the risk management and internal control committee, the credit, investment and transaction review committee of the head office, the credit, investment and transaction review committee of the branches, the credit review teams of sub-branches, the risk management department of the head office and other credit risk control departments, business operation and management departments, financial technology department, audit department, branches, sub-branches and subsidiaries. The Senior Management is responsible for implementing and organizing the credit risk management as well as the formulation and implementation of systems and policies relating to credit risk management.

The Company formulates fundamental credit policies based on changes in external operating environment and internal operating and risk conditions. Such policies expressly set out guidances on certain aspects of our credit business, such as customer structure, industry structure, regional structure and key business areas. In addition, the Company regularly adjusts its credit policies based on a continuous tracking of the development trends in the macro economy and the industry.

Management Discussion and Analysis

The Company classifies its credit assets by reference to the standards set forth in the Guidelines on Risk-Based Classification of Loans 《貸款風險分類指引》 of the CBIRC, comprehensively taking into account such factors as a borrower's ability to repay the loan, repayment record, willingness to repay the loans, profitability of a credit project and status of a guarantee. The Company's credit asset risks are initially classified by client managers, then reviewed by the head of the marketing department and examined by risk management personnel and finally determined by authorized people.

(1) Credit risk management for corporate customers

The Company conducts a unified credit management of corporate customers, and determines maximum comprehensive credit lines and business credit lines for customers based on comprehensive evaluation of customers and according to certain standards and procedures.

The Company strictly complies with relevant regulatory requirements of the CBIRC and puts loans (including trade financing), bill acceptances and discounting, overdrafts, bond investments, special purpose vehicle investments, opening letters of credit, factorings, guarantees, loan commitments and other businesses where credit risks are essentially borne by the Company under our unified credit extension management. In the full coverage of various types of credit businesses, the Company determines comprehensive credit limits of single corporate customers, group customers and industries.

The Company continuously enhances the construction of our credit system, formulates a unified credit quota management system for our corporate customers, intensifies our comprehensive management and unified control of the total credit quota amount of our corporate customers, improves standardized and normalized credit approval procedures, authorization system and position risk accountability mechanism, adjusts our credit policies in time and takes effective measures to prevent credit risks.

The Company further improves the concentration risk management, formulates the concentration risk management related systems, clarifies the responsibilities allocation and main methods of concentration risk management, and continues to promote the construction of concentration risk management.

The Company continuously enhances the management of loan risks related to financing platforms of local governments, strictly complies with various loan policies and regulatory requirements of the CBIRC on financing platforms of local governments, makes dynamic adjustments to targets of credit granting, and further optimizes the loan structure of financing platforms to prevent credit risks that may arise from local governments' financing platforms; sets credit limits for loans to local governments' financing platforms and enhances our monitoring and management on the risks.

The Company continuously enhances the management of real estate loan risks. The Company engages in real estate related credit business prudently, and adjusts our credit extension orientation for the real estate industry in a duly manner according to national policy and industrial operation situation. The Company sets dynamic credit limits for loans we grant to the customers in the real estate industry and adopts the name list system management, and continuously adjusts and optimizes the asset structure, as well as strengthens the monitoring and management of risks relating to existing loans.

The Company continuously enhances the management of loan risks for industries with excessive production capacity, and strictly controls loans that we grant to entities in industries with excessive production capacity.

Management Discussion and Analysis

(2) Credit risk management for small and micro enterprises

The Company conducts unified credit extension management for small and micro enterprise customers, and integrates all types of credit business of small and micro enterprise customers into our unified credit extension management. The Company actively explores a professionalized operating model, continuously improves our management system and further combs out and standardizes the procedures and requirements for credit extension to gradually cultivate a featured and standard credit extension model of the Company.

The Company continuously strengthens the management of credit risks of small and micro enterprise business and intensifies measures for risk mitigation. The Company strictly controls overdue loans and non-performing loans by tracking overdue loans and on-site and off-site monitoring.

(3) Credit risk management for retail customers

The Company actively builds its credit evaluation system for personal loans, develops and designs personal loan products with complete functions and strong risk resistance capability. The Company formulates the entry barriers for different groups of customers, adopts controls over overall limits of personal loans, restrains risks associated with loans with multiple borrowers as well as improves and optimizes the management mechanism of credit risks associated with personal loans. The Company continuously enhances selection and management of guarantees and improves its ability to mitigate credit risks. The Company continues to strengthen subsequent management of personal loans such as post-loan monitoring, collection of overdue loans and disposal of non-performing loans.

The Company has established a credit card risk management system featuring pre-business risk prevention, on-going risk monitoring during the process and post-business risk management. The Company has formulated a complete set of rules and regulations to standardize various credit card business procedures, such as marketing and promotion procedures of credit cards and credit extension approval procedures. The Company continues to improve the design and operation of procedures for card issuance business, the determination and control of overall business risk tolerance, as well as the identifying, measuring, monitoring, assessment, control, mitigation and disposal of risks during and after the grant of a loan.

(4) Credit risk management for financial institution customers

The Company includes financial institution customers in unified credit management. The Company has formulated unified management measures and relevant operating procedures for the unified line of credit of financial institution customers, improved a series of systems and procedures for the investigation, examination and approval of unified credit extension to financial institution customers.

The Company's business with financial institution customers involving customer credit risk is covered in our unified credit extension management. When conducting business, the Company will draw up the customers' credit lines in accordance with relevant policies for the management of the concentration of customer risks.

Management Discussion and Analysis

3. Market risk management

Market risk refers to the risk of losses of on- and off-balance sheet business arising from unfavorable changes in market prices including interest rates, exchange rates, stock prices and commodity prices. Market risk can be divided into interest rate risk, exchange rate risk, stock risk and commodity risk. The term “market risk” in this section refers specifically to market risk other than interest rate risk of banking book (for the interest rate risk of banking book, please refer to the relevant content of “7. Interest rate risk management of banking book” below).

The objectives of our market risk management are to control our market risks within a reasonable range acceptable to us and maximize comprehensive benefits across the Bank denominated in local currency and adjusted with respect to risks.

The Company’s market risk management system consists of the Board of Directors, the Board of Supervisors, Senior Management, risk management and internal control committee, risk management department, financial market department, financial technology department, audit department, other departments, as well as branches, sub-branches and subsidiaries. The Senior Management is responsible for implementing and organizing the market risk management, overseeing the implementation of market risk appetite as well as formulating and carrying out relevant systems and policies for market risk management and establishing market risk management information system, so as to ensure the Company can effectively identify, measure, monitor and control a series of market risks borne by various businesses.

The market risk measurement methods adopted by the Company include duration analysis, foreign exchange exposure analysis, scenario analysis, sensitivity analysis, Value at Risk (VaR) measurement etc., and the measures taken by the Company to control market risks include, among others, limit management, hedging, reducing risk exposures etc. The Company has established a market risk management system pursuant to the relevant measures and guidelines of the CBIRC. The Company has formulated market risk management policies and procedures applicable to the nature, scale, complexity and risk features of its business and aligned such policies and procedures with its overall business development strategy, management capabilities, capital strength and overall risk level that can be borne by the Company.

The Company regularly updates and improves its market risk appetite and limit management system, continues to improve the market risk management systems and market risk measurement systems. The Company conducts market risk measurement, monitoring and routine management by using the independent market risk management platform. The Company values positions of our trading book on a daily basis, continuously monitors non-stop-loss limits and stop-loss limits, and regularly evaluates market risks through stress testing and other methods.

Management Discussion and Analysis

4. Liquidity risk management

Liquidity risk refers to the risk of failure to obtain adequate funds in time at reasonable costs to repay debts when they are due, perform other payment obligations and meet other capital needs in the ordinary course of business. Factors affecting liquidity risks are divided into external factors and internal factors. The external factors include domestic and foreign financial conditions, macroeconomic regulation policies, depth and width of developments of financial markets and the competition status of the banking industry. The internal factors include maturities of assets and liabilities, business structures, stability of deposits, and ability to obtain financing in the market and various unexpected events, etc.

The objectives of our liquidity risk management are to ensure our liquidity needs can be satisfied in time at reasonable costs and to control our liquidity risks within a reasonable range acceptable to us.

The Company's liquidity risk management system consists of the Board of Directors, the Board of Supervisors, Senior Management, risk management and internal control committee, asset and liability management committee, risk management department, planning and finance department (the asset and liability management department), financial market department, financial technology department, audit department, other operation and management departments of the head office, as well as branches, sub-branches and subsidiaries. The Senior Management is responsible for implementing and organizing the liquidity risk management as well as the formulation and implementation of relevant systems and policies for liquidity risk management.

The Company managed the liquidity risk in a centralized manner. By establishing a scientific and complete liquidity risk management system, the Company can effectively identify, measure, monitor, control and report its liquidity risk. Specific measures for liquidity risk management include: continuously improving systems related to liquidity risk management, paying close attention to both domestic and foreign macroeconomic situations and market liquidity changes, as well as adjusting our asset and liability management strategy in a timely manner; strengthening debt management, making flexible use of active debt instruments, broadening long-term sources of fund, and continuously increasing the proportion of stable liabilities; promoting the diversification of financing channels construction and actively expanding financing channels while maintaining good relations with major financing counterparts; strengthening the early-warning monitoring and management of liquidity, optimizing our emergency response program for liquidity risk and conducting emergency drills on a regular basis; conducting stress tests for liquidity risk on a regular basis, identifying weak links in the Company's liquidity risk management based on results of such tests, adjusting liquidity risk management strategies and size and structure of high quality liquid assets if necessary, and modifying our liquidity risk management measures in a timely manner to improve our liquidity risk management mechanism.

As of the end of the reporting period, the Company's total liquidity ratio of the local currencies and foreign currencies was 42.41%. The Company's liquidity coverage ratio was 111.94%, of which our high-quality liquid assets amounted to RMB154.542 billion, and the net cash outflows over the next 30 days was RMB138.059 billion. The Company's net stable fund ratio was 111.66%, of which stable fund available was RMB1,164.115 billion and stable fund required was RMB1,042.598 billion.

Management Discussion and Analysis

As of the end of the reporting period, the Group's total liquidity ratio of the local currencies and foreign currencies was 42.52%. The Group's liquidity coverage ratio was 111.49%, of which our high-quality liquid assets amounted to RMB154.542 billion, and the net cash outflows over the next 30 days was RMB138.618 billion. The relevant information on the net stable fund ratio of the Group in the last two quarters was set out below:

Date	<i>Currency: total of local currencies and foreign currencies</i>		
	Net stable fund ratio (%)	Stable fund available (in 100 million of RMB)	Stable fund required (in 100 million of RMB)
As at December 31, 2020	110.43	11,765.81	10,654.14
As at September 30, 2020	112.55	11,859.51	10,537.51

5. Operational risk management

Operational risk refers to the risk of losses that may be incurred due to imperfect or problematic internal procedures, personnel and information technology systems, as well as external events. Types of incidents of losses due to operational risks that the Company may expose to mainly include seven categories, i.e. internal fraud, external fraud, employment systems and safety incidents at working places, incidents related to clients, product and business activity, damage to real property, incidents related to information technology system and incidents related to execution, closing and procedure management.

The Company's operational risk management system consists of the Board of Directors, the Board of Supervisors, Senior Management, risk management and internal control committee, risk management department, internal control and compliance and legal department, financial technology department, audit department, other departments of the head office, as well as branches, sub-branches and subsidiaries. The Senior Management is responsible for implementing and organizing its operational risk management as well as formulation and implementation of relevant systems and policies of the Bank for operational risk management.

The objectives of our operational risk management are to "control our operational risks within a reasonable range acceptable to us and maximize comprehensive benefits after risk adjustment". The Company has established an operational risk management system which was matched with our business nature, scale and complexity. The Company exercises a whole-process management of operational risks, and effectively identifies, evaluates, monitors, controls and mitigates the operation risks by enhancing our internal control as an effective means to operational risk management.

During the reporting period, the Company followed the management principles of "full coverage, clearly defined duties, honest reporting and quick response", adjusted its management strategies and priorities in due time according to changes in internal and external financial situations, continued to improve its operational risk management systems appropriate to our business nature, size and complexity to effectively identify, evaluate, monitor and control (mitigate) operational risks. The Company improved its operational risk management systems by optimizing risk management and control methods and management process; strengthened the systematic construction in key areas, with continuous efforts to optimize the functions of systems across the Bank to improve the rigid control and service capabilities

Management Discussion and Analysis

of these systems; identified and evaluated risk exposures to our operation based on current operation and management condition and continuously updated the key points of management and control with specific requirements so as to effectively prevent risks; strengthened legal risk prevention and control, for example, making timely revisions to contracts, and interpreting and analyzing hot events; improved staff management with closer controls over the performance of key positions and improved management systems in relation to abnormal employee behaviors; intensified supervision and inspection, in particular, identifying risks hidden in key areas and key processes, as well as improving its in-house ability in risk identification and correction; and improved safety and security management, with further application of intelligent security and strengthened prevention and controls over external fraud risk. During the reporting period, the operational risk management systems of the Company operated stably and the operational risk was generally under control.

6. Country risk management

Country risk refers to the risk incurred due to any economic, political or social change and incident in a country or region which results in the borrowers or debtors in such country or region being unable or refusing to repay their debts or results in any losses to the business presence of the Company in such country or region or any other losses to the Company.

The objectives of our country risk management are to control our country risk within a reasonable range acceptable to us and maximize comprehensive benefits across the Bank denominated in local currency and adjusted with respect to risks.

The Company's country risk management system consists of the Board of Directors, the Board of Supervisors, Senior Management, risk management and internal control committee, risk management department, planning and finance department (asset and liability management department), international business department, financial market department, retail banking department and other business operation and management departments of the head office, financial technology department and audit department, as well as branches, sub-branches and subsidiaries. The Senior Management is responsible for implementing and organizing the country risk management as well as the formulation and implementation of relevant systems and policies for country risk management.

The Company continuously advances the country risk management work pursuant to the relevant measures and guidelines of the CBIRC. The Company has formulated basic country risk management systems, limit management measures and schemes, clarified the organizational structure and division of responsibilities, limit framework, management mechanism, etc. with respect to country risk limit management, and set the index and threshold of country risk limits; regularly evaluated and monitored country risks and accrued a provision for country risks.

Management Discussion and Analysis

7. Interest rate risk management of banking book

Interest rate risk in the banking book refers to the risk of losses in the economic value and overall gain of the banking book arising from adverse changes in interest rate levels and term structure etc., mainly including gap risk, benchmark risk and option risk.

The objectives of our interest rate risk management of banking book are to control our interest rate risk of banking book within a reasonable range acceptable to us and maximize the comprehensive benefits denominated in local currency and adjusted with respect to risks.

The Company's interest rate risk management system of banking book consists of the Board of Directors, the Board of Supervisors, Senior Management, risk management and internal control committee, asset and liability management committee, risk management department, planning and finance department (the asset and liability management department), financial market department, financial technology department, audit department and other operation and management departments of the head office, as well as branches, sub-branches and subsidiaries. The Senior Management is responsible for implementing the interest rate risk management of banking book, establishing the framework for interest rate risk management and the system for measurement of interest rate risk of banking book, and promoting the effective implementation of relevant systems and policies for interest rate risk management of banking book.

The Company measures and evaluates our interest rate risk of banking book mainly through price resetting gap analysis, sensitivity analysis, scenario simulation analysis, stress test etc. During the reporting period, the Company continued to improve the management structure and system for interest rate risk of banking book and continuously raised the interest rate risk management level of banking book in accordance with the requirements in the Guidelines for the Management of Interest Rate Risk in the Banking Book of Commercial Banks (Revision) (Yin Bao Jian Fa [2018] No. 25) 《商業銀行銀行賬簿利率風險管理指引(修訂)》(銀保監發[2018]25號) issued by the CBIRC.

8. Reputational risk management

Reputational risk refers to the risk that any interested party will have a negative view of the Company as a result of our operation, management and other activities or external events.

Reputational risk management means the dynamic process of reputational risk identification, measurement or assessment, monitoring, control and reporting by the Company through formulation and implementation of a series of systems, measures and procedures, for achieving operational targets and building a good social image.

The objectives of our reputational risk management are to correctly handle news and public opinions on us, public relations and our relationships with customers, actively and effectively prevent reputational risks and respond to reputational events, so as to minimize the losses and negative impacts caused by such events on the Company, interested parties and the public. The Company has included reputational risk management in its corporate governance and comprehensive risk management system.

Management Discussion and Analysis

The Company's reputational risk management system consists of the Board of Directors, the Board of Supervisors, Senior Management, risk management and internal control committee, executive office, risk management department, financial technology department, other relevant departments of the head office, as well as branches, sub-branches and subsidiaries. The Senior Management is responsible for implementing and organizing the reputational risk management across the Bank as well as the formulation and implementation of relevant systems and policies for reputational risk management of the Company.

During the reporting period, the Company further improved the reputational risk management system, refined reputational risk management mechanisms, continuously enhanced the prior assessment of reputational risks, actively identified potential risks, formulated emergency plans in time, standardized reputational risk reporting and treatment processes, improved coordination and linkage mechanism for reputational risk management, provided trainings to our employees on how to respond to reputational risk, continuously optimized the toolbox for handling negative public opinion and enhanced the level and effectiveness of reputational risk prevention and control. Meanwhile, the Company further strengthened positive publicity, innovated communication methods, enhanced public opinion guidance and effectively improved the brand reputation of the Company.

9. Strategic risk management

Strategic risk refers to the risk arising from any improper operational strategy or change in the external business environments, including improper strategic design, inappropriate strategic implementation and inapplicable stated strategy as a result of changes in the internal and external environments.

The objective of our strategic risk management is to control our strategic risk within a reasonable range acceptable to us by continuously improving the strategic risk management system.

The Company's strategic risk management system consists of the Board of Directors, the Board of Supervisors, Senior Management, risk management and internal control committee, risk management department, development and planning department, audit department, financial technology department, other relevant departments of the head office, as well as domestic and foreign branches, sub-branches and subsidiaries.

Adhering to the principle of "clear responsibilities, proactive prevention, overall evaluation and timely adjustment", the Company constantly improves and refines the strategic risk management system suitable for the scale and features of its business, and has realized effective management of strategic risks. Our major management measures taken include: discussing the development plan for the next five years to facilitate the preparation of the "Fourth Five-Year Plan" in an orderly manner; minimizing the impact of the pandemic effectively with improved service quality and efficiency and the proper implementation of "six-stability" (六穩) and "six-security" (六保); highlighting innovation and transformation to further implement the platform-based service strategy; focusing on key regions to steadily improve the management of institution construction; and carrying out various forward-looking researches to improve the forecasting of macro policies and environment strategies.

Management Discussion and Analysis

10. Compliance risk management

Compliance risk refers to the risk of legal sanctions, regulatory penalties, significant financial losses and reputational losses that may result from the failure to comply with laws, rules and standards.

The objectives of our compliance risk management are to establish a sound compliance risk management framework and promote the development of a comprehensive risk management system which enables us to operate in a lawful and compliant manner.

The Company's compliance risk management system consists of the Board of Directors, the Board of Supervisors, Senior Management, the risk management and internal control committee, the risk management department, internal control, compliance and legal affair department, the audit department, other relevant departments of the head office as well as branches, sub-branches and subsidiaries. The Senior Management is responsible for implementing and organizing the compliance risk management as well as the formulation and implementation of each basic system and policy for compliance risk management.

During the reporting period, in light of the decision-making deployment and regulatory requirements of the CPC Central Committee and the State Council and aimed to establish an effective compliance risk management system and good compliance culture, the Company insisted on operating in compliance with laws and regulations, and continuously improved compliance risk management capabilities and levels. It continued to improve the rules and regulations of the Company systematically intensified overall system management and post-evaluation, and improved the quality and efficiency of system management. It actively promoted compliance philosophy, established an information exchange center for compliance culture, continued to fulfill the undertaking of internal control compliance and incident prevention and implement company-wide examinations on internal control compliance, carried out warning education activities and the internal control and compliance project on a regular basis, improved the prevention mechanism to prevent employees involving in illegal banking activities and continued to improve its employees' awareness of compliance and incident prevention. It also organized employees to review the historical market chaos governance, continued to conduct crime crackdown project and effectively improved regulation management. It increased risk warnings and case studies and proactively identified, assessed, mitigated and dissolved compliance risks. Besides, it launched the "Year of Consumer Protection System" (消保制度建設年) to improve the management of customer marketing and publicity and personal financial information protection thereby effectively protecting the rights and interests of consumers.

Management Discussion and Analysis

11. Information technology risk management

Information technology risk refers to any operational, legal and reputational risk arising from natural factors, human factors, technical bugs and management defects in connection with the application of information technologies by the Company.

The objectives of our information technology risk management are to control our information technology risk within a reasonable range acceptable to us, promote business innovation, enhance application level of information technology, and intensify core competence and sustainable development capability.

The Company's information technology risk management system consists of the Board of Directors, the Board of Supervisors, Senior Management, chief information officer, risk management and internal control committee, information technology management committee, business continuity management committee, the risk management department of the head office, the financial technology department of the head office, each of the relevant departments of the head office and audit department, as well as branches, sub-branches and subsidiaries. The Senior Management is responsible for implementing and organizing the information technology risk management as well as formulating and implementing relevant systems and policies for information technology risk management.

The Company has established a relatively well-organized information technology risk management mechanism and process system, and comprehensively formulated relevant system processes and implementation rules in accordance with the ISO20000, ISO22301 and ISO27001 management system and regulatory requirements; established relatively well-organized systems for business continuity management, information technology outsourcing risk management, information security management, information technology services management etc. and a relatively well-standardized information technology risk monitoring and assessment mechanism. During the reporting period, the Company continually strengthened network security, data security, business continuity and information technology outsourcing risk management and the production and operational management of "safety+"; strengthened personal financial information protection management; continually carried out monitoring and assessment of information technology risk; continually improved the disaster preparedness system of "three centres in two cities" (兩地三中心), and enhanced the business continuity guarantee capacity; continually promoted the emergency management during the "pandemic" period, and made arrangements for the annual emergency drill plan and improved emergency plans and held emergency drills. During the reporting period, the systems operated stably without occurring any substantial information technology risk event.

12. Anti-money laundering management

The Company has established and optimized the anti-money laundering operation mechanism under the comprehensive risk management framework in accordance with the anti-money laundering laws and regulations, including the Anti-money Laundering Law of the People's Republic of China (《中華人民共和國反洗錢法》), the Administrative Measures for Anti-money Laundering and Counter-terrorist Financing of Financial Institutions in the Banking Sector (《銀行業金融機構反洗錢和反恐怖融資管理辦法》) and the Guidelines for the Management of Money Laundering and Terrorist Financing Risks for Corporate Financial Institutions (for Trial Implementation) (《法人金融機構洗錢和恐怖融資風險管理指引(試行)》), so as to further solidify the foundation of anti-money laundering works and continuously improve the quality and efficiency of anti-money laundering management.

Management Discussion and Analysis

During the reporting period, in strict compliance with the laws and regulations concerning anti-money laundering, the Company fulfilled its legal obligation and social responsibility with respect to anti-money laundering, optimized the anti-money laundering management structure and operation mechanisms and improved the anti-money laundering system and business process. It enhanced customer identification and account management to improve the effectiveness of customer identification. By monitoring and reporting large-amount transactions and suspicious transactions and continuously optimizing monitoring model, it improved the quality and efficiency of suspicious transaction reports. Further, it provided business risk warnings to relevant departments, strengthened anti-money laundering supervision and inspection and business guidance, and enhanced monitoring, management and control over high-risk businesses and high-risk customers. With the intelligentization of anti-money laundering system and deepened information and data governance, the Company improved its money laundering risk prevention and control capabilities. During regulatory inspection, money laundering risk assessment and anti-money laundering investigation and assistant investigation, the Company provided full support to relevant authorities. It organized anti-money laundering publicity and trainings, and complied with all regulatory requirements in respect of anti-money laundering, ensuring the stable and orderly operation of its anti-money laundering work.

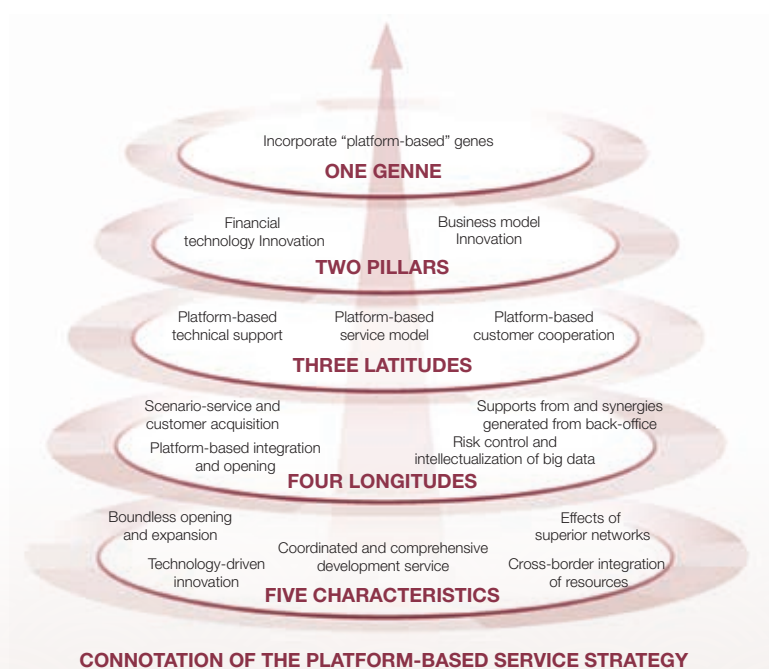
(VII) Business Summary

Oriented towards serving the real economy as well as focusing on the left side of balance sheet of enterprises and two major core requirements of enterprises, namely “reducing financing costs and improving service efficiency”, our Bank has, since 2014, been continuously innovating the platform-based service model as well as helping the enterprises to activate assets and resources of their own and from the supply chain, to reduce external financing and to reduce leverage and costs and increase efficiency. Thereby, our Bank has explored and worked out a differentiated and featured platform-based systematic financial solution serving the real enterprises, which has made significant achievement and is widely recognized by the customers and in the society.

Based on the abovementioned successful practices, CZBank identifies the platform-based service strategy as a new development strategy of our Bank, aiming to create a comprehensive service platform of “Technology + Finance + Industry + Customer” by innovating a new bank-enterprise cooperation model, integrating banking business and service into corporate production, operation and fund management activities as well as helping the enterprises to activate assets and resources of their own and from the supply chain, to regulate internal supply and demand and to construct a good supply chain ecosystem.

Management Discussion and Analysis

Connotation of the platform-based service strategy: Guided by the “two most” overall goal (i.e. the most competitive nationwide joint-stock commercial bank and Zhejiang’s most important financial platform), to incorporate platform-based genes, innovate the application of financial technology and build a strong platform-based service system; based on platform-based service, to drive innovation and development, expand customer base and business, optimize process and risk control, improve performance and management, enhance features and advantages, construct a platform-based service bank and continue to promote high-quality development. Specifically, the strategy can be summarized as “One Gene, Two Pillars, Three Latitudes, Four Longitudes and Five Characteristics”.

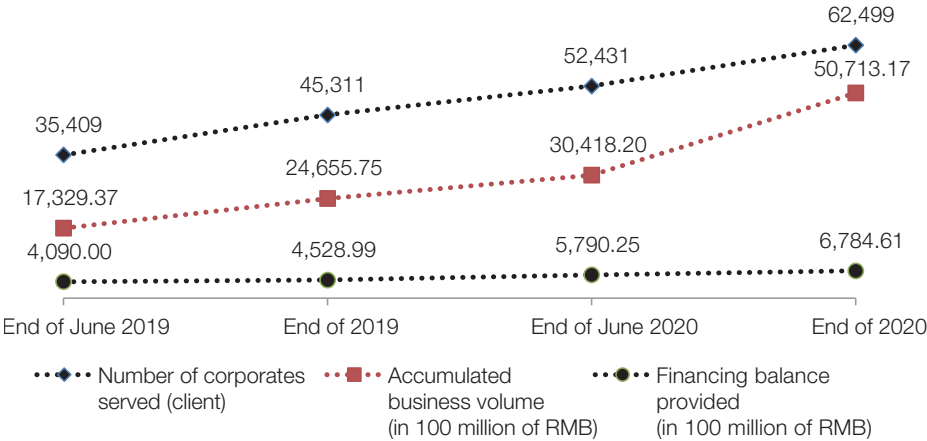


1. Corporate banking business and segment

(1) Corporate business

As of the end of the reporting period, the platform-based model has served 62,500 customers, with a financing balance of RMB678.461 billion.

Management Discussion and Analysis



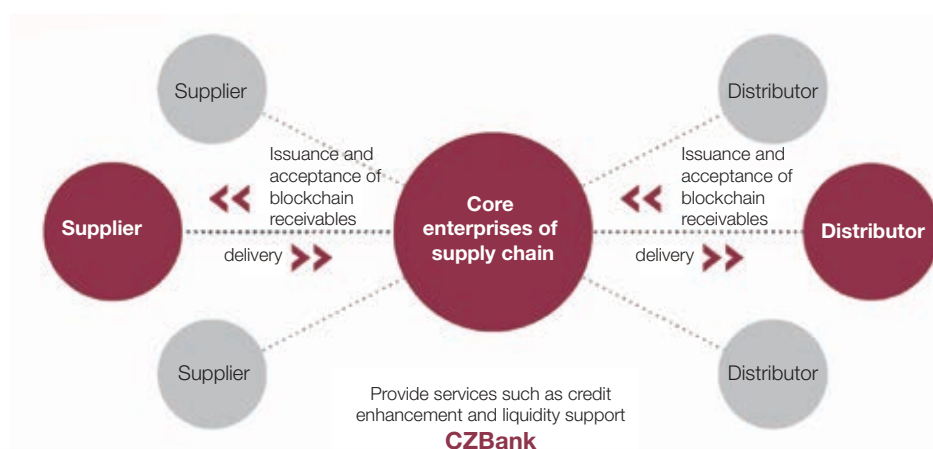
① Basic innovation of platform-based service

- ◆ **Pooled financing platform:** The pooled financing models of “Yongjin” (湧金) series including Bill Pool (票據池), Export Pool (出口池) and Asset Pool (資產池) are collectively referred to as the pooled financing platform. The pooled financing platform integrates asset and liability business, product and service with operation and management, through which our Bank provides corporate customers with comprehensive services for various financial assets, including pooling services, custody services, settlement services, value-added services and pledged financing services, enabling the corporate customers to pool assets at any time and handle financing business online whenever necessary. As of the end of the reporting period, 30,919 customers had enjoyed such services with a financing balance of RMB435.759 billion being provided, representing an increase of 30.84% as compared with that at the beginning of the year.

- ◆ **Yiqiyin platform:** Yiqiyin (易企銀) platform is an innovative and comprehensive financial service platform through which the Company innovates the philosophy of “Internet + Real-Economy Enterprise + Financial Service”, integrates professional technologies such as settlement, credit and financing, and innovates the model of cooperation with enterprise group, core supply chain enterprises and internet transaction platform, so as to provide cost-reducing, efficiency-increasing, safe and efficient services for its group members, upstream and downstream enterprises and member units. As of the end of the reporting period, 3,611 customers had enjoyed such services with a financing balance of RMB48.772 billion being provided, representing an increase of 105.47% as compared with that at the beginning of the year.

Management Discussion and Analysis

- ◆ **Accounts receivable chain platform:** The accounts receivable chain platform is an enterprise-bank business cooperation platform innovated and developed by utilizing cutting-edge financial technologies such as blockchain, through which our Bank provides the corporate customers with various services such as the issuance, acceptance, confirmation, repayment, transfer, pledge and honoring of blockchain receivables, so as to help the corporate to reduce liabilities and costs and increase efficiency. As of the end of the reporting period, 27,969 customers had enjoyed such services with a financing balance of RMB193.930 billion being provided, representing an increase of 101.78% as compared with that at the beginning of the year.



② Platform-based service: innovation in scenario application of the “Connect” (通) series

Since 2017, our Bank has strengthened the innovating application of financial technology such as blockchain with focus on the service demands of supply chain and industrial chain. Our Bank has successively innovated creative modes of scenario application including Order Connect (訂單通), Manifest Connect (倉單通), Distribution Connect (分銷通) and Instalment Connect (分期通) to offer enterprises customized financial service. In particular, against the background of fighting COVID-19 epidemic, it effectively advanced the resumption of work, production and sales by enterprises and supported the efforts to ensure “six-stability” (六穩) and “six-security” (六保). As of the end of the reporting period, 1,370 projects related to innovation in scenario application had been launched with a business balance of more than RMB55.0 billion recorded.

Order Connect: The core enterprises work with CZBank to provide the downstream distributors with ordering finance service. The downstream distributors only need to contribute a certain percentage of security deposits to issue order-based blockchain receivables for payment to the core enterprises through the Order Connect platform, which enables them to obtain title of goods in the future and subsequently take delivery of goods by payment in instalments that relieve the pressure of one-off payment. The blockchain receivables, upon receipt by the core enterprises, may be utilized to activate the future accounts receivable in advance through external payments or financial realisations, and to increase the sale scale. In the whole process, CZBank provides services such as fund supervision, notice of payment and taking delivery of goods, financing. By satisfying demands from the core enterprises and the downstream distributors in the process of placing purchase order, stabilizing supply chain relationship and reducing overall supply chain cost, the Order Connect is able to assist the core enterprises to establish a stable sales system and customer base.

Management Discussion and Analysis

Manifest Connect: The core enterprises (storing enterprises) work with CZBank to provide the storing parties and distributors the service of pledging of title of goods and financing service. The storing parties issue blockchain warehouse receipt based on receiving goods, and may conduct transactions such as circulation and transfer or pledge financing through the Manifest Connect platform, and may also take delivery of the stored goods from the storing enterprises. In case of sales to the downstream customers, the downstream customers may automatically finance through the platform by contributing a certain percentage of security deposits, so as to purchase the title of goods of the warehouse receipt. In the whole process, our Bank provides services such as fund supervision, warehouse receipt pledge, notice of payment and taking delivery of goods, financing. Integrating warehouse receipt with bill of lading, the blockchain warehouse receipt has enabled the storing parties to activate the title of goods and solve the problems of difficult and expensive financing, makes efficient and safe services including pledge financing, transactions and circulation services available to non-perishable bulk commodity and seasonal commodity and is able to assist the core enterprises to establish a stable sales system and customer base. Therefore, it is highly valuable to supply chain finance of bulk commodity.

Distribution Connect: With small and high-frequency settlement characteristics of core enterprises with downstream small and medium enterprises in specific industries, CZBank determines special credit lines for downstream small and medium enterprises based on their past transaction records, and provides corresponding financing for the purchase of goods by downstream small and medium enterprises within the special credit lines, which solves the procurement financing problem of downstream small and medium enterprises and helps core enterprises expand sales. After receiving the payment, the core enterprises apply it as a deposit to issue blockchain Distribution Connect receivables and make payments when purchasing from upstream enterprises. Our Bank provides a package of comprehensive online supply chain financial services during the process, such as financing, settlement and capital management.

Instalment Connect: Core enterprises cooperate with CZBank to meet the instalment procurement requirements of downstream enterprises or end consumers. Downstream enterprises or end consumers may issue Instalment Connect receivables to core enterprises according to actual needs, and pay in instalments to ease the pressure of one-time payment. Core enterprises may recognize sales collection in advance after receiving Instalment Connect receivables to expand sales.

(2) International business

The Company actively implemented the “six-stability” (六穩) and “six-security” (六保) policies, strengthened the innovative application of platform-based operation philosophy in foreign trade, focused on “Yongjin Export Pool” (湧金出口池) to optimize the liquidity services in foreign trade sector, and prompted the supply chain financial services integrating domestic and foreign trade, such as “Export Pooled Chain Connect” (出口池鏈通), “Import Pooled Financing Connect” (進口池融通), as well as big data credit models, such as “Export Exchange Collection Loan” (出口收匯貸), “Export Bank Tax Loan” (出口銀稅貸), so as to help stabilize foreign trade and supply chain. During the reporting period, the Company provided international settlement services of US\$105.113 billion, and the balance sheet and off-balance sheet international trade financing amount was US\$16.010 billion, of which US\$4.191 billion was provided through the platform-based model.

Management Discussion and Analysis

Following the trend of foreign exchange market closely, the Company has continuously enriched “Zheshang Huiliying” (浙商匯利盈), a product providing agency services for foreign exchange transactions, continuously optimized “Zheshang Trading Treasure” (浙商交易寶), a multi-functional comprehensive foreign exchange trading platform, and provided support to foreign trade enterprises, allowing them to handle foreign exchange transactions conveniently and fast and respond to exchange rate fluctuation risks effectively. During the reporting period, the amount of foreign exchange transaction services provided by the Company to its customers reached US\$56.444 billion, of which the transaction amount of “Zheshang Trading Treasure” (浙商交易寶) was US\$21.187 billion.

Through extensive studies on new foreign trade models such as cross-border e-commerce, integrated foreign trade platform and market procurement, combined with its characteristics such as diversified market entities, high-frequency online transactions and differentiated business models, and by the use of direct bank-enterprise connection, the Company has created a unique service model with one-click access and comprehensive services, enabling new foreign trades to expand and grow. During the reporting period, the amount of international settlement and foreign exchange transaction services provided by the Company for new foreign trades was US\$15.950 billion.

In light of the development trend of “contactless services”, the Company has comprehensively sorted out its application scenarios and customer contacts, and innovatively launched online services in diversified scenarios, such as “Speedy Online Document Issuance” (網銀極速開證) “Yongjin Global Exchange” (湧金全球匯). It continued to optimize business procedures and diversified service functions to provide an outstanding user experience, allowing users to have entire online service access without going to bank outlets and filling out various documents.

2. Investment banking and financial market business segment

Leveraging the unique advantages of the investment banking and financial market business segment of being customer-oriented and familiar with the market, the Company maintained flexible and innovative service features, closely followed the pace of economic and financial reform, deeply analyze the investment and financing needs of the real economy, flexibly expand financial market, capital market, investment banking, financial institution, asset management and asset custodian businesses, and accelerated business model innovation based on platform-based service strategies to enhance comprehensive financial service capabilities.

(1) Financial market business

In terms of financial market business, the Company continued to build a comprehensive FICC trading platform which integrates proprietary investment and financing, proprietary trading and trading agency service, continuously strengthened its capabilities of innovating businesses and its abilities to serve customers, and actively promoted business development. All kinds of licenses are available for the financial market business of the Company, covering domestic and foreign markets for fixed income, foreign exchange, precious metal, commodity, etc.; and there are various products. The Company also provided relevant agency and commissioned services for customers, such as Bond Trading Connect (債券通), agency in bond bidding, foreign exchange transaction agency (代客外匯), precious metal transaction agency, commissioned interest rate derivatives transaction etc. During the reporting period, various financial markets experienced ups and downs and even extreme situations, while the Company managed to control risks and grasp market opportunities, making it among the most active banks in domestic and foreign currency trading and precious metal trading market and further improving its

Management Discussion and Analysis

market influence. During the reporting period, the Company has successfully become the gold futures market maker and silver futures market maker of Shanghai Futures Exchange, thus further expanding the room for the development of financial market businesses of the Bank.

For the local currency transaction, in 2020, the Company adjusted the bond investment strategies in a timely manner according to the change in market environment, periodically captured the market opportunities of a downward trend of bond yield at the beginning of the year and a sharply rebound in bond yield from the second quarter, and strictly executed hedging operations and controlled risk exposures to better cope with the upward trend of market interest rate. During the reporting period, the Company was granted such awards as the “Core Trader of Inter-bank Local Currency Markets” (銀行間市場本幣市場核心交易商), “Excellent Trader of Bond Markets” (優秀債券市場交易商), “Excellent Trader of Currency Markets” (優秀貨幣市場交易商) and “Excellent Trader of Derivatives Markets” (優秀衍生品市場交易商) in 2020.

For foreign currency transactions, in 2020, the Company intensified studies on foreign exchange market and explored diversified portfolio strategies for the purpose of risk diversification. In terms of market making, the Company managed to overcome the impact of the pandemic to provide liquidity to the market. At the same time, the Company made deepened analysis on the foreign exchange market to provide advice to its customers and help them to weather market changes effectively. During the reporting period, with significant fluctuations of both yields on sovereign bonds of developed countries and credit spread of Chinese enterprises, the Company increased the scale and adjusted the duration of foreign currency dominated bonds in accordance with the market changes. During the reporting period, the Company was granted such awards as the “Most Potential Member for Spot Market-making in the Inter-bank Foreign Exchange Market” (銀行間外匯市場即期最具做市潛力會員), “Best Spot Member” (最佳即期會員), “Best Foreign Currency Repurchase Member” (最佳外幣回購會員) and “Best Institution for Technical Service Support” (最佳技術服務支持機構) in 2019.

For precious metal transactions, in 2020, the Company effectively captured trends of the precious metal market, actively conducted precious metal transactions and physical sales, and innovated and improved the precious metal service solution so as to support the real entity customers. During the reporting period, the Company took a leading position in the market in terms of proprietary trading of gold and the proprietary trading of silver both in Shanghai Gold Exchange and Shanghai Futures Exchange. During the reporting period, the Company was granted the “Third Prize of Financial Outstanding Member” (金融類優秀會員三等獎), “Best Bidding Trading Member of the Year” (年度最佳競價交易會員), “Best Proprietary Bidding Trading Member of the Year” (年度最佳競價交易自營會員) and “International Business Special Contribution Member of the Year” (年度國際業務特別貢獻會員) in 2019 of Shanghai Gold Exchange, as well as the “Excellent Member Silver Award” (優秀會員銀獎), “Market Progress Award” (市場進步獎) and “Gold Industry Service Award” (黃金產業服務獎) in 2019 of Shanghai Futures Exchange.

(2) Capital market business

Adhering to the basic requirement of “financial sector serving the real economy”, the Company actively implemented the central financial policies and focused on its platform-based service strategy to drive business transformation and provide services to the private enterprises and the small and micro businesses by utilizing equity-based financial instruments during the reporting period. Focusing on intelligent warehousing, intelligent manufacturing, semi-conductor and other emerging technology industries, the Company has developed direct equity investment, talent pool and other business, and provided long-term and stable fund support to the medium-sized and small growing enterprises by using a wide range of financial instruments.

Management Discussion and Analysis

With continuous equity investment, the Company established strategic customer cooperation. It participated in the mixed ownership reform made by the subsidiaries of State Grid Zhejiang Electric Power Co., Ltd. Through equity investment in 9 companies, the Bank took deposits from the State Grid of approximately RMB4 billion. The Bank extended credits to near 80 core companies, with over 1,200 suppliers registered with our online financing chain (網融鏈) platform which issued receivables of over RMB2.5 billion.

In strict compliance with regulatory requirements, the Company also developed the market-oriented debt-to-equity swap business in an active manner. It helped the quality enterprises to improve financial structure by using special bonds and debt-to-equity funds. As at the end of the reporting period, the Bank aggregately placed targeted reserve cut fund of RMB3.957 billion and unleashed social capital of RMB5.814 billion, exceeding the debt-to-equity target set by the regulatory authorities.

(3) Financial institution business

As for the financial institution business, the Company actively adapted to the new situation, focused on the “two most” (兩最) overall goal and the platform-based service strategy, insisted on the development direction of “going back to basics, deepening transformation, serving the general public and lawful operation”, and took advantage of the channels and platforms by relying on the financial institution customers, with a view to promoting asset sales, fund collection and service output.

By technological means, including the internet and blockchain, and with the “inter-bank asset pools” as the core carrier, the financial institution business created a “comprehensive service cloud platform of CZBank accessible to small and medium financial institutions”. Relying on the philosophy of “one-click credit” (一鍵式授信), it strengthened the “one-stop service” function to provide financial institution customers with a comprehensive financial service solution integrating overall financial asset management, liquidity service, transaction and circulation, and credit enhancement agency, help customer to keep dynamic balance between liquidity and efficiency, ease tensions in inter-bank lending markets, further deepen its services to corporate clients and establish a virtuous cooperation ecosphere for financial institutions. Relying on the whole bill products chain including bill acceptance, discount, inter-bank discount, rediscount, brokerage and standard bill businesses, the Company is committed to providing comprehensive bill instrument-based financial services to its customers and help them to solve the problem of financing.

The Company was honored with the “Outstanding Contribution Award for Collateral Business 2020” (擔保品業務卓越貢獻獎) presented by China Central Depository & Clearing Co., Ltd. and the “Outstanding Innovative Product Promotion Agency Award 2019” (2019年年度優秀創新產品推廣機構獎) presented by Shanghai Commercial Paper Exchange Corporation Ltd. As one of the first five pilot banks approved by the People’s Bank of China to carry out bill brokerage business in China, the Company led in all kinds of business data.

Management Discussion and Analysis

(4) Asset management business

The Company's asset management business is centered on serving our customers professionally, aiming to establish a professional platform that is equipped with cross-market and multi-tool applications, which enjoys professional efficiency higher than our peers and provides one-stop solutions to fulfil customers' investment and financing needs. The Company positively accommodated to the market and policy changes, thoroughly implemented the platform-based service strategies, fully improved its management level in respect of investment and research, products, sales and risk control, continued to enrich the product system, made full efforts to satisfy various investment and financing demands of customers, and strived to build a respectable asset management business brand featured by "professional management, customer first, differentiated competition and leading efficiency". With continuous efforts in the research and development of net-worth products, the Company has successively launched diversified wealth management products, including "Shengxinying" (升鑫赢), "Juxinying" (聚鑫赢) and "Yongxin" (湧薪), covering cash management, fixed income, "fixed income+" and equity, all of which have been issued successively.

As of the end of the reporting period, the balance of the Company's wealth management products amounted to RMB288.908 billion, representing a decrease of 12.58% as compared with that at the beginning of the year, of which, the proportion of funds for the individuals and institution customers was 87.89% and 12.11%, respectively. During the reporting period, the Company issued wealth management products with a total amount of RMB839.180 billion, representing an increase of 13.40% on a year-on-year basis, and realized handling fee income from asset management business of RMB274 million.

(5) Investment banking business

During the reporting period, the investment banking business of the Company continuously improved its market competitiveness and influence relying on its business model and channel innovation, and maintained a strong momentum of development to serve the real economy in a sustainable way.

For the bond underwriting business, the Company intensified its management team building, seeing a steady increase in the bond underwriting size. During the reporting period, the Company underwrote various direct financial instruments such as financial bonds, corporate bonds and asset-backed securities, with a total balance of RMB393.539 billion.

Meanwhile, the Company made full use of the advantages of its investment banking business to serve the real economy and ranked the first in terms of the volume of bond-financing support instrument for private enterprises in the inter-bank market according to the data from WIND.

For the syndicated loan and M&A loan business, the Company proactively developed business to provide indirect financing service related to investment banking to its customer. During the reporting period, the total amount of syndicated loan and M&A loan was RMB11.949 billion.

For credit asset securitization business, during the reporting period, the Company issued asset-backed securities in respect of the micro and small enterprise loans of RMB2.279 billion, asset-backed securities in respect of individual housing mortgage loan of RMB3.035 billion, and non-performing asset-backed securities of RMB0.16 billion.

Management Discussion and Analysis

During the year, the Company received more than 10 awards and recognitions for its investment banking business from the Chinese Banker, China Securitization Forum, China Business Journal and other mainstream medias, such as “Top 10 Supply Chain Financial Innovation Awards” (十佳供應鏈金融創新獎), “New Trading of the Year” (年度新銳交易獎), and “Competitive Investment Bank 2020” (2020卓越競爭力投資銀行).

(6) Asset custodian business

During the reporting period, the Company’s asset custodian business developed in a healthy and steady manner. As of the end of the reporting period, the assets balance held in custody by the Company reached RMB1.68 trillion. With a focus on the custody of public fund products, as of the end of the reporting period, the Company has entered into cooperation agreements with more than 60 public fund managers in relation to the custody of public fund products, covering up to 45% sectors. Over 130 public securities investment funds were held in custody, a significant increase over the previous year. During the reporting period, the Company’s income from the custodian business was RMB517 million.

During the reporting period, the Company’s asset custodian business was operated according to new development concepts and the platform-based service strategies under the persistent guidance of the “two most” overall goal, continued to enhance marketing efforts for the custodian business of the licensed financial institutions including funds, securities, insurance, futures, trusts, urban and rural commercial banks, and adhered to the comprehensive and coordinated development of efficiency, quality and scale.

During the reporting period, the Company continued to follow the market conditions and innovative hotspots closely, launched kinds of major custody products, and kept optimizing the structure of the Company’s custodian business. With a focus on public fund custodian business, the Company continuously increased the contribution of public funds business to the Bank’s custodian business. In the meantime, committed to serving real economy, the Company continued to leverage the custodian business as a platform connecting the asset side to the liability side and integrated various resources to fulfill the duties and responsibilities as an asset custodian and provide various licensed financial institutions with high-quality custodian services with distinctive characteristics, efficient operation and controllable risks.

Management Discussion and Analysis

3. Small enterprise business segment

During the reporting period, in further compliance with the economic and financial policies and the decision and arrangement of the PRC and in delivering its commitment for responsibility, the Company rendered services to the real economy of the small and micro businesses, made innovation to establish the resolution of CZBank for the small and micro financial services to meet the target of the regulatory policy. As of the end of the reporting period, 183 bodies specialized to provide small and micro financial business, with the balance of the small and micro enterprise loans¹ under inclusive finance of RMB203.513 billion, representing an increase of RMB32.409 billion (or an increase of RMB35.040 billion if including the two securitizations² during the reporting period) or 18.94% compared with that at the beginning of the year, which is 2.41 percentage points higher than the growth of loans by domestic institutions; the number of borrowers reached 104,400, representing an increase of 14,500 or 16.13% compared with that at the beginning of the year. The interest rate of new small and micro enterprise loans under inclusive finance continued to decrease and the comprehensive finance cost of new small and micro enterprise loans under inclusive finance decreased by 0.54 percentage point (according to the CBIRC) on year-on-year basis. The non-performing asset ratio of small and micro enterprise loans under inclusive finance was 0.996%, showing our asset quality remained excellent. During the reporting period, the Company won various honours, including the “Outstanding Unit in Supporting Private Enterprises and Small and Micro Enterprises Development” (支持民營企業、小微企業發展優秀單位) granted by the government of Zhejiang province, the “Best Targeted Poverty Alleviation Contribution Award” (最佳精準扶貧貢獻獎) of China Banking Association and the “Inclusive Finance Pioneer Bank in 2020” (2020普惠金融先鋒銀行) of People’s Daily.

Create development momentum to expand the coverage and increment. The Company promoted the innovative application of platform-based services, and vigorously supported the transformation and upgrading of small and micro manufacturing enterprises by introducing “financial living water” to the small and micro enterprise parks with “correlated industrial chains and supportive service chains”. As of the end of the reporting period, the Company supported a total of 602 small and micro enterprise park projects with credit line of RMB76.640 billion. The Company actively carried out the financing in the campaign of “Bank-Enterprise Cooperation” (百行進萬企) and continued to expand the “first-time loans”, thus to expand the coverage of financial services for small and micro enterprises. As of the end of the reporting period, the newly expanded “first-time loans” from the small and micro enterprises accounted for 25.78% of the cumulative loans for the small and micro enterprises of the year.

Support small and micro enterprises to jointly fight against the pandemic. The Company implemented the deferred principal and interest payment policy for small and micro enterprise loans, reduced or exempted loan interest and offered preferential interest rate to small and micro enterprises that had been severely affected by the pandemic, so as to effectively reduce the overall financing costs of the small and micro enterprises; improved “contactless” services mode by expanding the online business scope for the small and micro enterprises, with stabilizing and improving operations of the small and micro enterprises under the Company’s services. From the beginning of pandemic prevention to the end of the reporting period, the Company has helped 112,700 small and micro enterprises affected by the pandemic with loans of RMB181.107 billion; reduced loan interest of RMB168 million; exempted default interest of 13,800 loans for small and micro enterprises with loan amount of RMB11.013 billion.

1 According to information on small and micro enterprise loans under inclusive finance from the CBIRC.

2 The two securitizations represent ZHENJIN 2020 (臻金2020) and XUYUEHUICHENG 2020 (旭越惠誠2020).

Management Discussion and Analysis

Leverage technology advantages to facilitate financing. The Company innovatively applied financial technology to achieve “paperless forms, mobile operations, cloud video and process transparency”, effectively provided “One-Off” (最多跑一次) financial service for small and micro enterprises to greatly simplify the renewal process of small and micro enterprises, and achieved automotive, online and bulk handling. As of the end of the reporting period, both number and total amount of online drawdowns accounted for over 90%, which have significantly increased as compared with last year; more than 80% mortgage registrations in Zhejiang Province were handled online; the amount of renewing loans without repayment of principal accounted for over 20% during the reporting period.

4. Retail banking business segment

During the reporting period, the Company persisted in the bank-wide “two most” overall strategic objective for the retail banking business and further implemented the platform-based service strategy. With a focus on customers, the Company intensified business innovation efforts from three major aspects, i.e. “scenario + verticality + credibility”, and the innovative application of financial technologies, established “e-banking” into a comprehensive financial service platform and e-mall platform, continuously improved customer service capability and developed distinctive advantages and new growth drivers to establish itself into a “platform-based wealth management bank”. As of the end of the reporting period, the Company had 8,375,600 personal customers (including debit and credit card customers), representing an increase of 2.54% as compared with that at the beginning of the year, including 722,100 premium personal customers, representing an increase of 4.64% as compared with that at the beginning of the year, and 11,480 private banking customers with daily average financial assets in a month of RMB6 million or above, with balance of financial assets of private banking customers of RMB174.892 billion. The balance of personal financial assets reached RMB554.396 billion, representing an increase of 13.25% as compared with that at the beginning of the year.

(1) Personal deposits and loans

The Company stepped up efforts in the expansion of personal deposits and recorded a substantial increase in the size of personal deposits. As of the end of the reporting period, the Company had personal deposits balance of RMB253.044 billion, representing an increase of 58.49% as compared with that at the beginning of the year.

The Company’s personal loans recorded robust growth in 2020. As of the end of the reporting period, the balance of personal loans (including personal housing loans and personal consumption loans) was RMB181.814 billion, representing an increase of 24.56% as compared with that at the beginning of the year. For personal housing loans, the Company firmly implements the positioning of “houses are for living in, not for speculation”, strictly implements the national macro-control policies and supports the reasonable housing demand of residents, which has developed in a stable and healthy manner. For consumption loans, the Company continues to follow the development path of platform-based customer acquisition, online operation and intelligent risk control, and innovatively optimizes the “e-banking” asset pool platform, which has accumulated 501,000 contracted customers, with total pooled assets of RMB179.865 billion and financing balance of RMB61.678 billion; cooperates with external institutions for Internet personal loan business with principle of “independent risk control, equality and mutual benefit”; further develops the scenario-based instalment business depending on various consumption scenarios.

Management Discussion and Analysis

(2) Wealth management

Committed to establishing itself into a “platform-based wealth management bank” and by consolidating both internal and external resources, the Company has launched many net-value wealth management products, including “Shengxin Win” (升鑫赢), “Juxin Win” (聚鑫赢), “Yongxin Zengli Anxiang”(湧薪增利安享) and “Yongxin Zengli Zunxiang” (湧薪增利尊享). It also keeps diversifying the consigned wealth management products and optimizing “Zengjin Smart Investment” (增金智投), a fund portfolio investment service, to meet the demand of individual customers for comprehensive financial services. During the reporting period, the agency distribution of non-currency public funds increased by 495.90% year-on-year, and the agency distribution of collective asset management schemes increased by 162.75% year-on-year. It innovates marketing approaches and gradually builds up its platform-based, digitalized and socialized innovative marketing ability and customer service capability. Besides, it proactively establishes a personal customer loyalty management and equity incentive framework based on its “points reward system/e-mall platform” and uses the retailing comprehensive financial service platform to acquire, maintain and improve customers.

(3) Private banking

The Company’s private banking business adheres to the philosophy of “passing of wealth and wisdom for sustainable development”. The Company continues to improve its ability to serve customers, manage wealth and allocate assets by improving three main systems, namely product, featured value-added service and professional team, thus developing the core competitiveness of private banking. While expanding the exclusive portfolio of investment and wealth management products for private banking customers, the Company strongly promotes family trusts and insurance trust business to cater for the needs of private banking customers for wealth continuity. As of the end of the reporting period, the Company has made a breakthrough in family trust business in many cities, such as Beijing, Hangzhou, Xi’an, Nanjing and Wenzhou. Additionally, the Company makes continuous efforts to develop distinctive value-added services including “airport and highspeed rail 7×24 car pickup”, airport VIP lounge, private banking customer health interests and customized activities for ultra-high net worth customers.

(4) Credit card business

Making full use of internet and financial technologies, the credit card business of the Company follows the concept of “platform-based and online” development and gradually forms distinctive competitive edges. With continuous efforts in the research and development of credit card products, the Company has launched mobile “face-to-face” (當面辦) function to diversify its credit card products and services. The Company has established a special “e-banking” mall instalment area to continuously promote platform-based and online development of instalment business; continuously optimized existing instalments products for parking space, home decoration and MBA tuition fee and launched the “instalments for adding an elevator to an existing home”, in order to provide comprehensive financial services to customers. All the simplified procedures, automatic approval, credit granting in batches and instalment apportionment model enables the Company to improve customer experience and expand customer base. In a bid to improve customer stickiness and brand recognition, the Company makes continuous efforts in developing brand themes, for example, organizing a series of events themed “Fun Life” (趣生活), to diversify the scenarios of card usages.

As of the end of the reporting period, the Company had issued 3,792,400 credit cards, with credit-card loan balances of RMB17.318 billion. During the reporting period, the Company issued 131,100 credit cards and recognized credit card spending of RMB74.051 billion. Income from credit card business was RMB1.344 billion, including income from instalment business of RMB767 million.

Management Discussion and Analysis

(VIII) Financial Technologies

During the reporting period, the Company focused on its platform-based service strategy, highlighted the driving force and leading role of technologies, and built a new financial technology organization structure, so as to build a financial technology development ecosystem and continuously improve platform-based service products. It continued to build a dual driving engine of both blockchain and Internet of Things technologies to serve real entities, innovate business model, improve operation management efficiency, enhance risk control and improve customer experience, thus to enhance core competitiveness and facilitate the construction of a platform-based service bank.

1. Focus on the real economy and continue to innovate platform-based products

The Company focused on the upstream and downstream platform-based and scenario-based application of the supply chain to develop an industrial chain solution of “technology + finance + industry + customer”, and continued to develop the “three major platforms” and application of such “Connect” (通) series platform-based strategic products as Distribution Connect (分銷通) and Joint Loan Connect (聯貸通), so as to build a basic platform that adapts to different industries and integrates technological sharing and business services. It adopted a new distributive, microservice and container-based structure to continuously improve such new retail platforms as e-mall and “e-banking”, and establish a “retail comprehensive financial service platform” to realize crossover cooperation with such scenarios as well-known e-commerce, healthcare, government agencies and community properties. The Company continued to build an application scenario platform based on OpenAPI technology and provide customized technologies, products and solutions to consumption, medical, manufacturing and property industries, and had 596 interfaces in aggregate.

2. Build a dual driving engine of both blockchain and Internet of Things technologies led by financial technologies

The Company established a blockchain technology application institute to improve the independent and controllable, continuous innovation and export capabilities of blockchain technology, and promote such basic research and development as cross-chain, flexible consensus and network topology simplification, and such ecological construction as blockchain BaaS (blockchain as a service) platform. It participated in the formulation of 25 domestic and overseas standards, being the first domestic company that passed all test certification of the Institute of Electronic Standards of the Ministry of Industry and Information Technology. The Company established a joint research laboratory for the Internet of Things with Ganzhi Group (感知集團) to accelerate the integration and innovation between the Internet of Things and financial services, independently design data collection, cochain, modeling and external service systems, research and develop the Internet of Things perception platform, and innovate the risk management model with a focus on property rights control and dynamic monitoring of production and operation, so as to construct an objective digital credit system based on “things” and realign risk control capabilities.

Management Discussion and Analysis

3. **Strengthen independent and controllable capacities, and actively promote the construction of a technology-based platform**

For big data, the Company continued to deepen data governance and application, and improve data sharing, interconnection, insight and exploitation capabilities. The big data risk control platform provides nearly a hundred models, including access and quota. For cloud computing, the Company continued to promote the construction of independent and controllable IaaS and PaaS cloud platforms, and the overall cloudification ratio of the system reached 93%. For artificial intelligence, the Company flexibly employed such technologies as machine learning, Natural Language Processing (NLP), Optical Character Recognition (OCR), Robotic Process Automation (RPA) for credit approval, risk management, targeted marketing and intelligent banking. For basic technology platform, the Company comprehensively promoted the transformation of IT structure to distributive structure, and independently build enterprise-level basic technology platforms, including distributive application platform, distributive data platform, distributive database, distributive storage platform, mobile development platform and automated test platform, to significantly improve the quality and efficiency of system construction. For 5G technology, the Company proactively promoted the research and application of 5G technology, and pushed on the construction of such projects as 5G message banking and network model optimization. It comprehensively applied new technologies and new interactive models, continued to promote online service transformation and customer experience enhancement, and launched over ten online contactless digital and intelligent financial services, such as customer acquisition via QR code and remote underwriting and approval.

4. **Hold fast to the bottom line of safety and ensure the stable operation of production**

The Company continued to improve the lean and automation level of operation and maintenance management, carried forward the construction of the disaster recovery system of three centres in two cities (Hangzhou and Xi'an), and completed the inter-city disaster recovery exercise and the disaster recovery active-active construction for core, counter, online banking and mobile banking systems, so as to improve business continuity. It implemented MLPS 2.0 requirements by building a multi-level, three-dimensional and intelligent network security defense system, and establishing a data hierarchical and classified protection mechanism through the entire life cycle of data. It strictly implemented the information technology protection requirements during such important periods of NPC&CPPCC and the pandemic prevention and control, and the information system maintained safe and stable throughout the year.

Management Discussion and Analysis

5. Proactively transform the technology management system and mechanism, and innovate external cooperation mechanism

The Company built a new financial technology organizational structure that meets the development requirements of the platform-based service strategies, implemented product-centric innovation and synergy mechanism, and carried out an integrated flexible R&D mechanism; continued to increase its investment in technology and the introduction of top talents to develop financial technology compound talents and enrich the financial technology team, with the number of technicians (including outsourced) exceeded 1,800; intensified the deep integration of industry, university and research, established Zhejiang University-Zheshang Bank Joint Research Center, and jointly published “White Paper on Supply Chain Finance based on Blockchain Technology (2020)” 《基於區塊鏈技術的供應鏈金融白皮書(2020)》 with Zhejiang University, Hyperchain and Zhejiang Lab; continued to strengthen intellectual property protection, and applied for 37 financial technology patents throughout the year.

As of the end of the reporting period, the financial technologies of the Bank have won over 20 awards from a variety of influential medias, among which, 2 achievements won the Annual Bank Technology Development Award of the People’s Bank of China, the “FinTech Innovator Award” from the Global Finance, the “Top Ten FinTech Innovator Award” from The Banker and the “Blockchain Technology and Application Innovation Achievements” of China Institute of Communications, and won the first prize (individual) and second prize (team) in Zhejiang Banking and Insurance Industry Network Security Competition.

(IX) E-Finance Channels

During the reporting period, the Company has formed a complete E-finance service system consisting of online banking, mobile banking, telephone banking, WeChat banking and self-service banking. The replacement rate of transactions via electronic channels reached 99.49%, taking a leading position in the industry.

Online banking

During the reporting period, based on the genuine need of enterprises, the Company enhanced the corporate group service function of its corporate internet banking, increased service scenarios, and innovatively launched the function of “customized menu” to provide personalized service to corporate customers. The Company continuously simplified those frequently-used functions and further reduced customer operations to optimize customer experience. And with the implementation of various anti-fraud and anti-attack process control strategies, the risk control level of the Company was significantly improved. As of the end of the reporting period, the Company had 159,100 customers with corporate online banking certificates, representing a year-on-year increase of 14.14%, including 97,800 monthly active customers, representing a year-on-year increase of 16.71%. During the reporting period, the Company conducted 67,277,700 transactions totaling RMB13,585.131 billion via corporate online banking for the reporting period.

During the reporting period, the Company continuously optimized personal online banking and realized the comprehensive upgrading of multiple business modules. Being customer-oriented, the Company simplified the operations of frequently used functions, enriched channel service scenarios and extended customer channel services. As of the end of the reporting period, the Company had 1,490,600 customers with personal online banking certificates, representing a year-on-year increase of 10.98%, including 77,300 monthly active customers. During the reporting period, the Company conducted 53,976,700 transactions totaling RMB1,822.851 billion via personal online banking.

Management Discussion and Analysis

Mobile banking

During the reporting period, relying on artificial intelligence, big data and other advanced technologies, the Company's personal mobile banking intensified the application of interactive intelligence to improve customer experience and provide one-stop comprehensive financial service to customers in an efficient, safe and convenient manner. During the reporting period, depending on the demand of the middle-aged and elderly customers and minimalists for financial services, the Company launched the clean version of mobile banking with big fonts, convenient operating procedures, simplified functions and distinctive services to improve its online service capability. By using QR code technology, the Company concluded sales without time, space and personal limits that offline sales usually have. Via QR code, the Company made full use of online channels and business resources to establish a multi-channel online service and marketing system covering "mobile banking APP, online banking, H5 webpage and WeChat mini program". Customers can get access to the business processing page by scanning only and it is convenient for customers to operate. As of the end of the reporting period, the Company had 4,037,600 personal mobile banking customers, representing a year-on-year increase of 19.57%, including 1,082,200 monthly active customers, representing a year-on-year increase of 6.05%. During the reporting period, as an important collaborative channel of corporate online banking, the Company's corporate mobile banking allowed the legal person and financial officer of an enterprise to handle transfers and remittances, bank wealth management, international settlement, electronic notes and other corporate financial management matters in an efficient and convenient manner and at any time in any place, in addition to distinctive services available for small enterprise owners, such as small amount transfers and loans.

Telephone banking

The Company upheld the service philosophy of "customer-oriented, beyond expectation" and broke the traditional mindset on customer service. By applying multi-channel service platform, big data and intelligent technology and expanding all-media service channels continuously, it established an intelligent customer service system offering inclusive financial services to its customers in an efficient and cost-saving manner. Leveraging on intelligent voice, intelligent online robot, telephone operator service, online manpower service, WeChat, email and other means, the Company provided customers with rapid, comprehensive and professional high-quality services and was committed to establishing a 7×24 comprehensive one-stop service platform.

During the reporting period, the Company's mobile banking further optimized identity verification. For businesses with frequent callings and need a long time to solve, the Company optimized the operating procedures, and linked to the customer by message simultaneously and then instructed the customer to complete self-service, hence improving the intelligence level. During the reporting period, the Company's mobile bank received 2,113,300 calls from customers, of which 1,569,000 were passed to operators, with customer satisfaction of 99.77%. It served online customers for 711,700 times, and recorded a complaint resolution rate of 100%. During the assessment of banking customer service center and remote banking, the Company won prizes in "comprehensive capacity assessment", "customer service capacity assessment", "emergency management capacity assessment".

Management Discussion and Analysis

WeChat banking

During the reporting period, the Company was committed to developing WeChat banking into an important platform for the introduction of new financial services and brand marketing. The WeChat banking consists of a WeChat official account and a WeChat official mini program. The WeChat official account provides various functions, such as debit card, credit card and service square. The WeChat official mini program' functions include personal e-deposits (個人e存款), personal loans, outlet appointment and recommendation with gift (推薦有禮). As of the end of the reporting period, the Company had approximately 2,470,000 WeChat banking users and messages sent by the WeChat banking received over 2,750,000 views accumulatively.

Self-service banking

During the reporting period, the Company continued to step up the construction of traditional self-service equipment, including the automated teller machines, cash recycling systems and other 7×24 self-service banking services, available for customers to make deposits, withdrawals, account transfers, balance checks, password reset and other financial service needs. Meanwhile, in order to further promote the construction of intelligent outlets and meet customers' needs for opening an account via self-service banking, the Company provided intelligent self-service machines, such as intelligent teller machines, intelligent printers and online queueing machines to the outlets with large customer flows and business volumes, which greatly solved the problem of long-time queueing. As of the end of the reporting period, the Company had 270 self-service banks providing 7×24 services and 1,539 self-service machines of various types in its outlets.

(X) Business of Overseas Branch

The Company's Hong Kong Branch was established in 2018 and is the first branch established overseas. As a fully licensed bank, Hong Kong Branch can operate a full range of commercial banking services currently focusing on wholesale business. In 2020, Hong Kong Branch overcame the difficulties of the ongoing COVID-19 Epidemic and continued to focus on strategic opportunities including the "Guangdong-Hong Kong-Macao Greater Bay Area" and the "Belt and Road Initiative", promoted cross-border linkage business, continued to expand the local customer base and expand market share, so as to provide customers with professional cross-border financial solutions and financial services. Through close cooperation with customers and banking peers, the Company realized sustainable growth of trade finances, bilateral loans, syndicated loans and domestically guaranteed loans. Meanwhile, it also engaged in financial market business activities including trading agency, proprietary trading, banking account bond investments and monetary market transactions. During the reporting period, Hong Kong Branch actively implemented the platform-based service strategy to give full play to the interactive role of the platform and accelerated the exploration of distinctive businesses. As a result, the customer base and size of our Hong Kong asset pool increased continuously; both the volume and coverage of our cross-border business were effectively expanded; and the functions of our core and peripheral systems were further improved, all of which lay a solid foundation for our innovative business development.

As of the end of the reporting period, the total assets of Hong Kong Branch of the Company were HK\$31.927 billion, of which financial assets at fair value through other comprehensive income amounted to HK\$14.268 billion, accounting for 44.69%; and net loans and advances to customers amounted to HK\$11.308 billion, accounting for 35.42%. During the reporting period, the net profit was HK\$316 million.

Management Discussion and Analysis

(XI) Major Subsidiaries and Equity Participation Companies

1. Major Subsidiaries

Zheyin Financial Leasing is a 51%-owned subsidiary of our Bank, with paid in capital of RMB3 billion. Established on January 18, 2017, The principal business scope of Zheyin Financial Leasing covers leasing, transfer and grant of financial leasing assets, investment in fixed-income securities, acceptance of lease deposits from lessees, acceptance of fixed deposits of 3 months (inclusive) or longer from non-bank shareholders, inter-bank lending, borrowing from financial institutions, overseas borrowing, sale and disposal of leasehold, economic consulting as well as other businesses approved by the CBIRC. Since its establishment, Zheyin Financial Leasing has upheld its mission of serving entity and the philosophy of prudent operation, with an aim to build it into a first-class professional platform-based digital financial leasing company. Committed to providing professional financial services to quality customers in the sector of smart manufacturing, modern agriculture and husbandry, supply chain, environment protection and marine economy, it received various awards, including “Zhejiang Advanced Entity in Supporting Economic and Social Development” (浙江省支持經濟社會發展先進單位) and “Zhoushan Social Contribution Award for Supporting Local Economic Development” (舟山市支持地方經濟發展社會貢獻獎) successively. As of the end of the reporting period, Zheyin Financial Leasing has 122 employees, with total assets of RMB33.728 billion and net assets of RMB4.145 billion. It realized a net profit of RMB510 million for the year.

2. Equity Participation Companies

Equity Participation Company	Place of Incorporation	Date of Incorporation	Number of Shares	Investment Amount
China UnionPay Co., Ltd	Shanghai	2002-3-26	10 million	RMB25 million
National Financing Guarantee Fund Co., Ltd	Beijing	2018-7-26	750 million	RMB750 million

Management Discussion and Analysis

(XII) Outlook

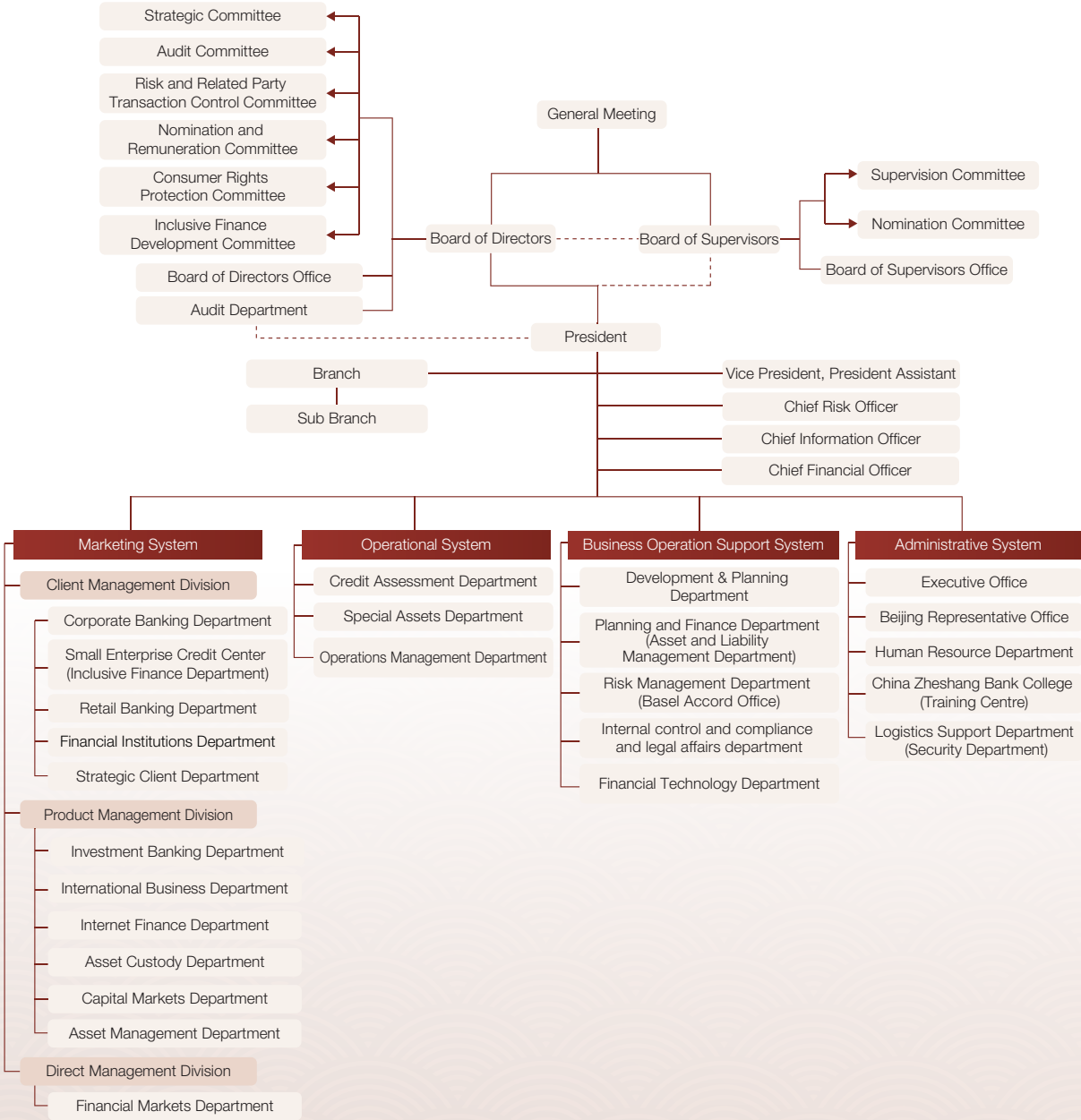
2021 is a year of particular importance for the modernization of China, the 100th anniversary of the foundation of the Communist Party of China, and the first year of the “14th Five-Year Plan” of China. Under the general principle of seeking progress while maintaining stability, based on the new stage of development and committed to the new development concept, China will build a new development pattern with a theme of promoting high-quality development, with a focus on deepening supply-side structural reform, with reform and innovation as driving forces and with an aim to meet the growing needs of people for a better life, and accelerate the construction of a new development pattern where the domestic big cycle is the main body and the domestic and international double cycles supplement each other. China will maintain a continuous, stable and sustainable macro policy, implement a proactive fiscal policy and a prudent monetary policy and put necessary efforts in supporting economic recovery. A proactive fiscal policy will improve quality and efficiency, be more sustainable, and take the initiative in promoting technological innovation, accelerating economic restructuring, and adjusting income distribution. A prudent monetary policy will be more flexible, precise, reasonable and moderate, maintain the growth of broad money supply and social financing basically matching nominal economic growth, and help to maintain the balance between economic recovery and risk prevention.

In 2021, the financial regulatory authorities will further guide financial institutions to serve the real economy, promote economic restructuring and structural adjustment and make the domestic big cycle unblocked, with optimized financial resources allocation, increased financial support to scientific and technological innovation, small and micro enterprises and green development, and improved inclusive finance services. The financial regulatory authorities will also provide guidance to financial institutions on how to mitigate various existing risks and prevent potential risks, improve the governance of financial institutions and prevent financial risk exposure in key areas precisely. Meanwhile, strengthening anti-monopoly efforts and preventing the disorderly expansion of capital will become regulatory priorities, and financial innovation must be carried out under the premise of prudential supervision.

In 2021, guided by Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, the Company will fully implement the decisions and arrangements of the CPC Central Committee, the State Council, the CPC Zhejiang Provincial Committee and the Provincial Government and implement various regulatory requirements, with a theme of promoting innovative transformation and high-quality development and with a focus on further implementing the platform-based service strategy for the primary purpose of solidifying basics and foundations, improving quality and efficiency, and building characteristics. It will adhere to the concept of systems, materialize services to the real economy, consolidate and expand its three major characteristic services, i.e. the “liquidity service”, the “industrial chain & supply chain service” and the “wealth management service”, and, driven by the blockchain and internet of things technology, accelerate the transformation of development mode and growth momentum, further implement restructuring, lay a foundation for high-quality development, and insist on innovation and transformation to ensure the “Fourth Five-Year Plan” of the Company starts well and lay a more solid foundation for the realization of our “two most” general goal and building our Bank into a “first-class commercial bank”.

Corporate Governance Report

(I) Chart of Organizational Structure



Corporate Governance Report

(II) Overview of Corporate Governance

The Company always makes unremitting efforts to pursue standardized business operation and extraordinary corporate governance since improving corporate governance is the top priority of achieving high-quality development. The Company continuously improves corporate governance structure set by the Shareholder's General Meeting, the Board of Directors, the Board of Supervisors and the Senior Management according to the relevant laws, regulations and regulatory requirements, which perform each of their duties and responsibilities in a balanced and coordinated manner.

In 2020, the Company strived to establish an operating mechanism of corporate governance and organization based on "leadership by the Party Committee, strategic decision by the Board of Directors, implementation by the senior management, and supervision by the supervisors in accordance with law", actually integrating the Party's leadership into every aspect of its corporate governance; guided by the Three-year Action Plan for Perfecting Corporate Governance of Banking and Insurance Industry (2020-2022) 《健全銀行業保險業公司治理三年行動方案(2020-2022年)》 issued by the CBIRC, the Company have practically improved the quality and efficiency of corporate governance; in addition, the Company have comprehensively reviewed the compliance and effectiveness of the corporate governance mechanism, conducted self-assessment, optimized and enhanced the corporate governance practice level.

The meetings held during the reporting period were as follows: one annual general meeting, one A shareholders' class meeting, one H shareholders' class meeting; ten meetings of Board of Directors, one meeting of Strategic Committee, five meetings of Audit Committee, eight meetings of Risk and Related Party Transaction Control Committee, five meetings of Nomination and Remuneration Committee, two meetings of Consumer Rights Protection Committee and one meeting of Inclusive Finance Development Committee.

(III) General Meeting

Pursuant to the Articles of Association, the shareholders' general meeting is the top governing body of the Company, which manages and supervises the Company through the Board of Directors and the Board of Supervisors. The Company raised an independent resolution for each actually independent matter at the general meeting, and voted by ballot to ensure that all shareholders fully and equally enjoy the right to know, the right to speak, the right to raise questions, the right to vote and other rights.

Corporate Governance Report

During the reporting period, the Company held the 2019 annual general meeting, the 2020 first Class meeting for A shareholders and the 2020 first Class meeting for H shareholders on June 16, 2020. For details of relevant proposals and relevant announcements about resolutions adopted at the meetings, please refer to the circular for the general meetings and poll results announcement in connection with the general meetings published by the Company on the websites of the Shanghai Stock Exchange, the Hong Kong Stock Exchange and the Company.

The convening, notifying, holding and voting procedures for the meetings are in compliance with the relevant provisions of the Company Law, the listing rules of both the domestic and overseas listing venues of the Company and the Articles of Association. The Chairman of the meetings has explained the detailed procedures for voting by poll to the Shareholders at the general meetings. Lawyers were invited to witness onsite and provide legal opinions for the meetings.

(IV) Board of Directors

1. Composition of the Board of Directors

As at the end of the reporting period, the Board of Directors of the Company comprised 15 Directors, of which 2 were executive Directors, namely Mr. Shen Renkang and Mr. Xu Renyan; 6 were non-executive Directors, namely Mr. Wang Jian, Mr. Ren Zhixiang, Ms. Gao Qinhong, Mr. Hu Tiangao, Mr. Zhu Weiming and Ms. Lou Ting; 7 were independent non-executive Directors, namely Mr. Tong Benli, Mr. Dai Deming, Mr. Liu Pak Wai, Mr. Zheng Jindu, Mr. Zhou Zhifang, Mr. Wang Guocai and Mr. Wang Wei. Not less than 1/3 of the members of the Board of Directors of the Company were independent non-executive Directors, and at least one of the independent non-executive Directors fully complied with the Rule 3.10(2) of the Hong Kong Listing Rules, who had appropriate professional qualifications or accounting or related financial management expertise. The number and composition of independent non-executive Directors are in compliance with relevant laws, regulations and requirements of the Hong Kong Listing Rules.

The Board of Directors of the Company was rationally structured with experienced members. The executive Directors are diligent, professional and efficient, while the non-executive Directors are equipped with rich banking or enterprise management experiences, and the independent non-executive Directors' knowledge and background covering various areas including economy, finance, securities, accounting and law.

During the reporting period, all Directors diligently performed their duties, being present or in attendance at relevant meetings in a timely manner; actively participated in discussion on affairs, trainings, thematic study and discussion activities; prudently expressed professional opinions; paid continuous attention to conditions of operation and management of the Company; proactively improved their ability to perform their duties; continuously improved the scientificity and efficiency of decisions, with their high sense of responsibility and excellent professionalism; ensured that commercial activities of the Company complied with national laws and regulations and requirements of regulatory authorities; and effectively protected legitimate rights and interests of shareholders.

Corporate Governance Report

2. Board Diversity Policy

The Company considers the diversity of the members of the Board of Directors as an important impetus to support the Company in enhancing the corporate governance level and achieving sustainable development. The Company has formulated the Board Diversity Policy of China Zheshang Bank Co., Ltd. according to the relevant provisions of the Hong Kong Listing Rules. It is expressly provided in the Policy that the Board of Directors shall consider various aspects and diversified factors when determining the composition of the Board, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and/or service period, thus ensuring the Board of Directors have diversified viewpoints and angles in performing their duties, and forming into a composition model of the Board matched with the Company's development model.

The Board Diversity Policy of the Company comprises of chapters such as purpose, philosophy, policy statement, expected objective, supervision and reporting, with the main purpose of recognizing and accepting the philosophy of building a diversity of the Board to strengthen the execution of the Board, and affirming the importance of diversity of the Board to achieve strategic objectives. During the reporting period, the geographical distribution, educational background and professional experience of members of the Board are relatively diversified. Among the incumbent 15 Directors, two of them are female, and 13 are with post graduate diploma or master's degree or above, including four with doctoral diploma and one director ordinarily residing in Hong Kong. The diversified composition of the Board brings a broad vision and a high level of professional experience to the Board and maintains an independent element within the Board to ensure that the Board is able to effectively make independent judgments and scientific decision when studying and considering material issues.

3. Responsibilities of the Board of Directors

According to the Articles of Association, the Board of Directors is the decision-making organ of the Company and shall undertake ultimate responsibility for the operation and management of the Company. The main responsibilities are as follows: to convene general meetings, present proposals and report to shareholders at the general meetings; to implement the resolutions of the general meetings; to formulate medium and long-term development plans and development strategies of the Bank and supervise the implementation of such development plans and development strategies; to decide the annual appraisal indices for the operation of the Bank and approve the annual operation plans of the Bank; to formulate our annual financial budgets and final accounts; to formulate our profit distribution plans and plans for recovery of losses; to formulate proposals for increase or decrease of our registered capital, issuance of shares or bonds with the capital replenishment nature; to decide on issuance of bonds other than those with the capital replenishment nature by the Bank; and to formulate proposals for merger, demerger, dissolution and liquidation of the Bank.

The Senior Management of the Company has the rights to make decision in daily operation independently under the authority of the Board, and the Board will not intervene in specific daily affairs of operation and management of the Company.

The Board of the Company is responsible for carrying out the corporate governance functions and has fulfilled their duties and responsibilities, as set out in Code Provision D.3.1 of the Corporate Governance Code. The Board acknowledges that it is responsible for the risk management and internal control systems and for reviewing its effectiveness on an annual basis. During the reporting period, the Board and its committees reviewed the Company's compliance with laws, regulatory provisions and the Corporate Governance Code and disclosures in the Corporate Governance Report, reviewed and monitored the training and continuous professional development of Directors and senior management, strengthened the Company's risk management and internal control, and further enhanced the Company's corporate governance policy and regular practice.

Corporate Governance Report

4. Meetings and Proposals of Board of Directors

During the reporting period, the Company held ten meetings of Board of Directors, among which four were regular meetings and six were interim meetings. The main proposals considered at the Board meetings were as follows:

Work Report of the Board of Directors of China Zheshang Bank Co., Ltd. for 2019

Work Report of President of China Zheshang Bank Co., Ltd. for 2019

2019 Annual Report and its Summary of China Zheshang Bank Co., Ltd.

(Domestic Standards and International Standards)

Social Responsibility Report of China Zheshang Bank for 2019

Final Financial Report of China Zheshang Bank for 2019

Profit Distribution Plan of China Zheshang Bank for 2019

Work Report of Independent Directors of China Zheshang Bank for 2019

Proposal on Results of 2019 Performance Evaluation of Directors by the Board of Directors of CZBank

Proposal on Results of 2019 Performance Evaluation of Senior Management by
the Board of Directors of CZBank

Proposal on 2019 Annual Remuneration Packages of the Senior Management of the Bank

Proposal on the Measures for Performance Appraisal and Rewards & Punishments of
Senior Management for 2020 of China Zheshang Bank Co., Ltd. (Draft)

2020 Annual Budget Report of China Zheshang Bank Co., Ltd.

Report on the Management and Implementation of the Consolidation of Statements of
China Zheshang Bank for 2019

Internal Audit Work Report of China Zheshang Bank for 2019

Internal Capital Adequacy Assessment Report of China Zheshang Bank for 2020

Report on Comprehensive Risk Management of China Zheshang Bank for 2019

Report on Implementation of Risk Preference for 2019 and Proposal on Risk Preference for
2020 of China Zheshang Bank

Report on the Implementation of Green Finance of China Zheshang Bank for 2019

Report on Implementation of Related Party Transaction Management System and Particulars of
Related Party Transactions of China Zheshang Bank for 2019

Internal Control Evaluation Report of China Zheshang Bank for 2019

2019 CZBank Work Report on Protection of Consumer Rights and Interests

2019 CZBank Work Report on Anti-money Laundering and Counter-terrorist Financing

Administrative Measures for Anti-money Laundering and Counter-terrorist Financing of
China Zheshang Bank (2020)

2020 Inclusive Finance Work Plan of China Zheshang Bank

Proposal on the Nomination of Mr. Wang Jian as a Director Candidate of China Zheshang Bank Co., Ltd.

Proposal on the Nomination of Mr. Ren Zhixiang as a Director Candidate of
China Zheshang Bank Co., Ltd.

Proposal on the Nomination of Mr. Wang Wei as an Independent Director Candidate of
China Zheshang Bank Co., Ltd.

Proposal on the Engagement of Liu Guishan, etc.

2019 Special Report and the Assurance Report on the Deposit and Actual Use of
the Proceeds Raised by China Zheshang Bank Co., Ltd.

Corporate Governance Report

5. Attendance of Directors at the Meetings

The following table sets forth the records of attendance in person of each director at the meetings convened by the Board of Directors and by special committees under Board of Directors and at the shareholders' general meetings held in 2020.

Directors	Board of Directors	Strategic Committee	Audit Committee	Risk and Related Party Transaction Control Committee	Nomination and Remuneration Committee	Consumer Rights Protection Committee	Inclusive Finance Development Committee	General Meeting
Executive Directors								
Shen Renkang	10/10	1/1	-	-	-	-	1/1	3/3
Xu Renyan	10/10	1/1	-	-	-	-	1/1	3/3
Non-executive Directors								
Wang Jian	-	-	-	-	-	-	-	-
Ren Zhixiang	-	-	-	-	-	-	-	-
Gao Qinrong	10/10	-	-	-	-	-	-	3/3
Hu Tiangao	10/10	-	5/5	-	-	-	-	3/3
Zhu Weiming	10/10	1/1	-	-	-	-	1/1	3/3
Lou Ting	8/10	-	-	-	-	-	-	3/3
Independent non-executive Directors								
Tong Benli	10/10	-	5/5	-	5/5	-	-	3/3
Dai Deming	10/10	-	5/5	-	-	-	-	0/3
Liu Pak Wai	10/10	1/1	-	-	-	-	1/1	3/3
Zheng Jindu	9/10	1/1	-	-	4/5	-	1/1	3/3
Zhou Zhifang	10/10	-	-	8/8	5/5	2/2	-	3/3
Wang Guocai	10/10	-	-	8/8	-	2/2	-	3/3
Wang Wei	-	-	-	-	-	-	-	-
Resigned Directors								
Zhang Luyun	4/4	-	-	-	-	-	-	-
Huang Zhiming	8/10	1/1	-	-	-	-	1/1	3/3
Wei Dongliang	10/10	1/1	-	-	-	-	1/1	3/3
Xia Yongchao	-	-	-	-	-	-	-	-
Yuan Fang	10/10	-	-	8/8	-	2/2	-	3/3

Corporate Governance Report

Notes:

- (1) Times of attention in person/number of meetings that he/she should attend during the reporting period.
- (2) The above Directors who did not attend the meetings in person had appointed other Directors to attend such meetings on their behalf.
- (3) For details of the change of Directors, please see “Information on Directors, Supervisors, Senior Management, Employees and Institutions”.
- (4) The Chairman held a meeting with independent non-executive Directors without the attendance of other Directors.
- (5) In November 2020, Wang Jian, Ren Zhixiang and Wang Wei have obtained approval of appointment from the CBIRC as to their qualifications to serve as Directors.

6. Information on Survey and Training of the Directors

During the reporting period, certain Board members visited Ningbo Branch, Guiyang Branch and four shareholder units and carried out field research to collect primary data and understand specific conditions of grass-roots organizations as to strategy implementation, risk management and otherwise, and heard the opinions and suggestions of the branches and relevant units on operation and management of the Board and the head office, targetedly put forward guiding opinions, and in a timely manner, submitted to the Senior Management, relevant opinions and suggestions.

The Company has always paid attention to continuous training of Directors to ensure that all Directors properly understand the operation and businesses of the Company, and their responsibilities under relevant laws and regulatory requirements. During the reporting period, the Company invited intermediary agencies to provide lectures on the “Key Modified Points of the New Securities Law and Prohibited Act of Directors, Supervisors and Senior Management of Listed Companies” for Board members. In addition, the Board members actively participated in the first training course for directors and supervisors of listed companies in Zhejiang Province for 2020, the second follow-up training for independent directors of listed companies for 2020 and other lectures and trainings, thus effectively widening their vision for macro decision-making, improving the ability to understand policies and further improving their ability to perform their duties.

Corporate Governance Report

According to the training records for 2020 kept by the Company, the status of relevant trainings for Directors is as follows:

Directors	Scope of Provision of Information and Trainings		
	Corporate Governance	Finance/Business	Compliance/Operation
Executive Directors			
Shen Renkang	✓	✓	✓
Xu Renyan	✓	✓	✓
Non-executive Directors			
Wang Jian	–	–	–
Ren Zhixiang	–	–	–
Gao Qinhong	✓	✓	✓
Hu Tiangao	✓	✓	✓
Zhu Weiming	✓	✓	✓
Lou Ting	✓	✓	✓
Independent non-executive Directors			
Tong Benli	✓	✓	✓
Dai Deming	✓	✓	✓
Liu Pak Wai	✓	✓	✓
Zheng Jindu	✓	✓	✓
Zhou Zhifang	✓	✓	✓
Wang Guocai	✓	✓	✓
Wang Wei	–	–	–
Resigned Directors			
Zhang Luyun	✓	✓	✓
Huang Zhiming	✓	✓	✓
Wei Dongliang	✓	✓	✓
Xia Yongchao	✓	✓	✓
Yuan Fang	✓	✓	✓

Corporate Governance Report

7. Performance of Independent Non-executive Directors

As of the end of the reporting period, the Company had seven independent non-executive Directors, the number and percentage were in compliance with the relevant laws, regulations and regulatory requirements. The Audit Committee, Risk and Related Party Transaction Control Committee, Nomination and Remuneration Committee and Consumer Rights Protection Committee under the Board of the Company were all chaired by independent non-executive Directors, and the independent non-executive Directors formed majority in such committees. During the reporting period, the independent non-executive Directors actively participated in and provided suggestions and advices at the meetings of Board of Directors and the special committees to make effective contribution. Besides, they maintained effective communication with the Company through various means, including site visits, special surveys and attending trainings etc.

The independent non-executive Directors of the Company have presented their professional advice on the resolutions considered by the Board of Directors, including offering independent written opinions on significant matters, such as the Profit Distribution Scheme, the appointment of Senior Management, the engagement of auditors and significant related party transactions. In addition, for the special committees under the Board of Directors, the independent non-executive Directors made full advantage of their professional edge, provided professional and independent advice regarding corporate governance and operation management of the Company, and thereby ensured the scientific decision-making of the Board of Directors.

The Company has received the annual confirmations from the independent non-executive Directors according to Rule 3.13 of the Hong Kong Listing Rules regarding their independence, and considered that none of the independent non-executive Directors was involved in any factor set out in Rule 3.13 of the Hong Kong Listing Rules that may cast doubt on their independence. Therefore, the Company believes that all independent non-executive Directors meet the independence criteria as set out in the Hong Kong Listing Rules.

8. Responsibilities of Directors in Preparation of Financial Reports

The Directors of the Company acknowledged that they were responsible for preparing the financial report of the Company for the year ended December 31, 2020. The Board of Directors undertook that there were no material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern, save for the information disclosed in this annual report of the Company.

The Directors shall review and confirm the financial reports for each accounting period, so as to ensure that the financial reports truly and fairly reflect the financial status, operation results and cash flow of the Company.

When preparing the financial report for the year ended December 31, 2020, the Directors adopted and applied suitable accounting policies and made prudent and reasonable judgment.

Corporate Governance Report

9. Election, change and removal of Directors

According to the Articles of Association, directors shall be elected or replaced at the general meeting and may be dismissed by the general meeting prior to the expiration of their term of office. Directors shall each serve a term of three years. Directors may, after expiry of their term of office, hold a consecutive term upon re-election. The term of a director shall start from the date on which the said director assumes office to the expiry of the current Board.

A director may be removed by an ordinary resolution at a general meeting before the expiry of his/her term of office in accordance with relevant laws and regulations (however, any claim which may be made under any contract will not be affected).

For the change of Directors during the reporting period, please refer to “Information on Directors, Supervisors, Senior Management, Employees and Institutions” of this report.

(V) Special Committees under Board of Directors

There are six special committees under the Board of Directors of the Company, namely Strategic Committee, Audit Committee, Risk and Related Party Transaction Control Committee, Nomination and Remuneration Committee, Consumer Rights Protection Committee and Inclusive Finance Development Committee.

1. Strategic Committee

The Strategic Committee of the Company consisted of seven Directors. Mr. Shen Renkang, chairman and executive Director of the Board, served as the committee chairman. Other committee members included Mr. Xu Renyan, executive Director, Mr. Wang Jian, non-executive Director, Mr. Ren Zhixiang, non-executive Director, Mr. Zhu Weiming, non-executive Director, Mr. Liu Pak Wai, independent non-executive Director, Mr. Zheng Jindu, independent non-executive Director.

According to the Articles of Association, the main duties of the Strategic Committee are as follows: to research and formulate business targets, medium and long-term development plans and development strategies of the Company; to supervise and inspect the implementation of annual business plans and investment plans; and to deal with other matters as authorized by the Board.

During the reporting period, the Strategic Committee mainly considered Final Financial Report of China Zheshang Bank for 2019, Profit Distribution Plan of China Zheshang Bank for 2019, 2020 Annual Budget Report of China Zheshang Bank Co., Ltd. and Report on the Implementation of Green Finance of China Zheshang Bank for 2019, as well as other resolutions or reports.

Corporate Governance Report

2. Audit Committee

The Audit Committee of the Company consisted of three Directors. Mr. Dai Deming, independent non-executive Director, served as the committee chairman. Other committee members included Mr. Hu Tiangao, non-executive Director, and Mr. Tong Benli, independent non-executive Director.

According to the Articles of Association, main duties of the Audit Committee are to examine our accounting policies, financial position, financial reporting procedures, and risk and compliance status; to propose the appointment or replacement of external auditors; to supervise our internal audit system and its implementation; to facilitate communication between internal auditors and external auditors; to review our financial information and the related disclosure and prepare conclusive reports on the authenticity, accuracy, completeness and timeliness of the audited financial reports to be submitted to our Board of Directors for consideration; to deal with other matters as prescribed by relevant laws, regulations, departmental rules and regulations of the securities regulatory authority in the place(s) of listing of the Company's shares and as authorized by the Board of Directors.

During the reporting period, the Audit Committee mainly considered or heard the Report on the Financial Position for 2019, 2019 Annual Report and its Summary of China Zheshang Bank Co., Ltd. (Domestic Standards and International Standards), Report on the Management and Implementation of the Consolidation of Statements of China Zheshang Bank for 2019, 2019 Special Report on the Deposit and Actual Use of the Proceeds Raised, Internal Audit Work Report of China Zheshang Bank for 2019, Social Responsibility Report of China Zheshang Bank for 2019, Internal Control Evaluation Report of China Zheshang Bank for 2019, Report on the Performance of the Audit Committee of the Board of Directors of China Zheshang Bank Co., Ltd. for 2019, Resolution on the Change of the Accounting Firms as well as other resolutions or reports. The Audit Committee also reviewed the independence of external auditors and provided recommendations to the Board on the appointment of external auditors, and considered the audit fees of external auditors for 2020.

During the reporting period, no former partners of any auditing firm which was responsible for auditing accounts of the Company were appointed by the Company as members of the Audit Committee.

3. Risk and Related Party Transaction Control Committee

The Risk and Related Party Transaction Control Committee of the Company consisted of three Directors. Mr. Zhou Zhifang, independent non-executive Director, served as the committee chairman. Other committee members included Mr. Wang Guocai, independent non-executive Director, and Mr. Wang Wei, independent non-executive Director.

According to the Articles of Association, main duties of the Risk and Related Party Transaction Control Committee are to supervise the risk control by Senior Management of the Company; to assess our risk profile; to offer proposals on improving our risk management and internal controls; to review and approve general related party transactions of the Company or accept the filing of general related party transactions; to review and approve of major related party transactions of the Company or the transactions which are subject to reporting, announcement and/or independent shareholders' approvals under the relevant stipulations of securities regulatory authority in the place(s) of listing of the Company's shares, which shall be submitted to the Board of Directors by the committee for approval; and to deal with other matters as authorized by the Board.

Corporate Governance Report

The Risk and Related Party Transaction Control Committee will review the effectiveness of the Company's risk management procedures and internal control procedures, to ensure the efficiency of the Company's business operations and achieve the Company's objectives and strategies.

During the reporting period, the Risk and Related Party Transaction Control Committee primarily examined the Report on the Management and Implementation of the Consolidation of Statements of China Zheshang Bank for 2019, Internal Capital Adequacy Assessment Report of China Zheshang Bank for 2020, Internal Control Evaluation Report of China Zheshang Bank for 2019, 2019 CZBank Work Report on Anti-money Laundering and Counter-terrorist Financing, Administrative Measures for Anti-money Laundering and Counter-terrorist Financing of China Zheshang Bank (2020), Report on Comprehensive Risk Management of China Zheshang Bank for 2019, Report on Implementation of Risk Preference for 2019 and Proposal on Risk Preference for 2020 of China Zheshang Bank, Report on the Implementation of Green Finance of China Zheshang Bank for 2019, Resolution on the Estimate 2020 Annual Caps for Connected Transactions Entered into in the Ordinary Course of China Zheshang Bank Co., Ltd., Report on Implementation of Related Party Transaction Management System and Particulars of Related Party Transactions of China Zheshang Bank for 2019, the 2020 List of Related Parties of the Company as well as other resolutions or reports.

4. Nomination and Remuneration Committee

The Nomination and Remuneration Committee of the Company consisted of three Directors. Mr. Tong Benli, independent non-executive Director, served as the committee chairman. Other committee members included Mr. Zheng Jindu, independent non-executive Director, and Mr. Zhou Zhifang, independent non-executive Director.

According to the Articles of Association, main duties of the Nomination and Remuneration Committee are to propose to the Board on the membership of the Board based on the business operations, asset size and equity structure of the Company; to draft the standard and procedure for the selection of Directors and senior management, and propose the same to the Board; to recommend candidates for Chairman and Vice Chairman to Board of Directors, and provide review comments on the candidates of Directors and senior management members including the President, Vice President, Financial Principal, Secretary to the Board and etc.; to draft the remuneration policy and scheme for Directors and senior management, and make proposals to the Board; and to deal with other matters as prescribed by relevant laws, administrative regulations, departmental rules and regulations of the securities regulatory authority in the place(s) of listing of the Company's shares and as authorized by the Board of Directors.

The Nomination and Remuneration Committee under the Board makes recommendations to the Board on the remuneration package of individual executive Directors and senior management.

The nomination procedures for a director candidate of the Company are: the eligible shareholders will recommend candidates for directorship to the Company for consideration; the Nomination and Remuneration Committee will conduct examination of such candidates for directorship and then make recommendations to the Board; following consideration and approval of the Board, the candidates for directorship will be submitted in the general meeting by written resolutions. For details, please refer to the section headed "Directors and Board of Directors" in Articles of Association.

Criteria for selection and recommendation of candidates for directorship is that Directors shall have professional knowledge and work experiences necessary for performing their duties and meet conditions specified by the CBIRC, with their qualification for appointment subject to approval by the CBIRC.

Corporate Governance Report

The Company appoints or re-appoints its Directors in strict compliance with the Articles of Association of the Company. Pursuant to the Board diversity policy requirements in the Board Diversity Policy of China Zheshang Bank Co., Ltd., the Nomination and Remuneration Committee shall also pay attention to complementarities among candidates for directorship in terms of knowledge structure, professional competence and experience, cultural and educational background, gender and otherwise, to ensure that the Directors are well equipped, experienced and have diversified perspectives and views.

During the reporting period, the Nomination and Remuneration Committee mainly considered the Work Report of Independent Directors of China Zheshang Bank for 2019, Proposal on Results of 2019 Performance Evaluation of Directors by the Board of Directors of CZBank, Proposal on Results of 2019 Performance Evaluation of Senior Management by the Board of Directors of CZBank, Proposal on 2019 Annual Remuneration Packages of the Senior Management of the Bank, Proposal on the Measures for Performance Appraisal and Rewards & Punishments of Senior Management for 2020 of China Zheshang Bank Co., Ltd. (Draft), Proposal on the Review of Qualifications to Serve as a Director, Proposal on the Review of Qualifications to Serve as a Senior Management, Proposal on the Nomination of Mr. Wang Wei as an Independent Director Candidate of China Zheshang Bank Co., Ltd., Proposal on the by-election of the Members of the Fifth Special Committees of the Board and other resolutions or reports.

The Nomination and Remuneration Committee has established a policy on Directors' remuneration and regularly evaluated the performance of the executive Directors and approved the terms of service contracts of executive Directors. In addition, the Nomination and Remuneration Committee has implemented the policies on the nomination of directors as well as the nomination procedures and selection and recommendation criteria on candidates for directors. The Nomination and Remuneration Committee has reviewed the structure, number and composition of the Board (including skills, knowledge and experience) during the reporting period to make recommendations on any changes proposed on members of the Board for the purpose of complying with the long-term strategies of the Company.

5. Consumer Rights Protection Committee

The Consumer Rights Protection Committee of the Company consisted of three Directors. Mr. Wang Guocai, independent non-executive Director, served as the committee chairman. Other committee members included Mr. Zhou Zhifang, independent non-executive Director, and Mr. Wang Wei, independent non-executive Director.

According to the Articles of Association, main duties of the Consumer Rights Protection Committee are to formulate strategies, policies and objectives of the consumer rights protection work; to guide, urge and supervise the Senior Management to effectively execute and implement relevant work, and regularly listen to the Senior Management's special reports on the progress of consumer rights protection work; to supervise and evaluate the comprehensiveness, timeliness and effectiveness of our consumer rights protection work as well as relevant duty performance status of the Senior Management; and to deal with other matters as authorized by the Board.

During the reporting period, the Consumer Rights Protection Committee mainly considered the 2019 CZBank Work Report on Protection of Consumer Rights and Interests, CZBank Work Report on Protection of Financial Consumer Rights and Interests for the First Half of 2020 and Interests and other resolutions or reports.

Corporate Governance Report

6. Inclusive Finance Development Committee

The Inclusive Finance Development Committee of the Company consisted of seven Directors. Mr. Shen Renkang, chairman and executive Director of the Board, served as the committee chairman. Other committee members included Mr. Xu Renyan, executive Director, Mr. Wang Jian, non-executive Director, Mr. Ren Zhixiang, non-executive Director, Mr. Zhu Weiming, non-executive Director, Mr. Liu Pak Wai, independent non-executive Director, Mr. Zheng Jindu, independent non-executive Director.

Main duties of the Inclusive Finance Development Committee are to formulate the development planning of inclusive finance business, deliberate the operation plans, and evaluate the assessment methods.

During the reporting period, the Inclusive Finance Development Committee mainly considered the 2020 Inclusive Finance Work Plan of CZBank and other resolutions.

(VI) Board of Supervisors

The Board of Supervisors is a supervisory body of the Company and is accountable to the general meetings, and oversees the strategic planning, business decisions, financial activities, risk management, internal control and corporate governance of the Company, and the duty performance of the Directors and the senior management with an aim to protect the legitimate rights and interests of the Company, Shareholders, employees, creditors and other stakeholders.

1. Composition of Board of Supervisors

The Board of Supervisors of the Company consists of nine members, among them, two of the shareholder Supervisors are from large enterprises and have extensive experience in business management and professional knowledge in finance; the three employee Supervisors have participated in banking operation and administration for a long time, and thus accumulated rich professional experience in finance; and the four external Supervisors have been engaged in finance, economics, accounting, taxation, international trade, etc., and have thus accumulated extensive experience in those fields and unique perspectives. The composition of the Board of Supervisors of the Company has adequate expertise and independence which ensures the effective supervision by the Board of Supervisors.

A Supervision Committee and a Nomination Committee are established under the Board of Supervisors of the Company.

Corporate Governance Report

2. Performance of Board of Supervisors

The Board of Supervisors performs its supervisory duties primarily by holding regular meetings of supervisors and special committees to consider relevant issues, attending shareholders' general meetings, board meetings and special committee meetings; attending related meetings on operation and management held by the Senior Management; reviewing related work reports or professional reports of the Senior Management and departments; making performance appraisal on directors, supervisors or senior management; reviewing various documents, information and statements of the Company; carrying out special investigations and surveys at branches; putting forward work suggestions to the Board of Directors and Senior Management; appointing third-party professional agency to carry out 10 special audit; organizing 2 questionnaire surveys to research and enhance the supervision quality and effectiveness of the Board of Supervisors, and analyze and evaluate the impact of the pandemic on banking enterprises etc.

During the reporting period, the Board of Supervisors convened eleven meetings, of which seven were onsite meetings and four were by way of telecommunications. 26 proposals were considered and 35 reports were considered and listened to regarding corporate governance, regular report, evaluation of the duty performance of the Directors, Supervisors and Senior Management, development plans, business operations, risk management, financial activities, internal control and case prevention and internal audit, etc.

According to the provisions of relevant laws, regulations and the Articles of Association of the Company, the supervisors attended all general meetings, all meetings of the Board of Directors and some special committees under the Board of Directors, and performed supervision on legal compliance of holding general meetings and Directors' meetings, the procedures for voting by poll as well as the Directors' attendance of meetings, providing opinions and voting, etc.

All the four external Supervisors of the Company can exercise the supervision function independently. In performing their duties, the external Supervisors took the initiative to know about the Company's operation and management situations by attending meetings of the Board of Supervisors, convening meetings of the special committees under the Board of Supervisors, being present at the meetings of the Board of Directors and its special committees, participating in the survey activities of the Board of Supervisors on branch outlets, and reviewing carefully all kinds of documents, data and statements. Meanwhile, they expressed their independent opinions or suggestions about major issues, and exchanged opinions with the Board of Directors and Senior Management about the problems found out, which played an active role for the Board of Supervisors to perform their supervision duties.

During the reporting period, the Board of Supervisors of the Company had no objection to the matters supervised.

Corporate Governance Report

3. Information on training and survey of Supervisors

The Board of Supervisors actively organized Supervisors to participate in training lectures and activities. Specifically, the Supervisors participated in the training course for directors and supervisors of listed companies in Zhejiang Province for 2020 organized by Zhejiang Securities Regulatory Bureau, through which they further understood the duties, obligations and prohibited acts of a supervisor of listed companies; they also participated in the training on key modified points of the new Securities Law held by Zhejiang T&C Law Firm.

In the year, Supervisors were organized to carry out investigations in 11 branches, namely Nanjing Branch, Ningbo Branch, Beijing Branch, Xi'an Branch, Nanchang Branch, Shaoxing Branch, Hefei Branch, Zhengzhou Branch, Wenzhou Branch, Shanghai Branch and Suzhou Branch, understood the implementation of head office system and decision and the transformation and development of branch and risk management, and proactively provided advices and recommendations.

(VII) Special Committees under Board of Supervisors

The Supervision Committee under the Board of Supervisors consisted of three Supervisors, and the Nomination Committee consisted of five Supervisors, and the external Supervisor served as the committee chairman.

1. Supervision Committee under Board of Supervisors

The members of Supervision Committee under Board of Supervisors are Mr. Yuan Xiaoqiang (committee chairman), Mr. Zheng Jianming and Ms. Cheng Huifang.

The main duties of the Supervision Committee are as follows: to draft plans of supervision on the financial activities of the Company and conducting relevant inspections; to supervise the Board of Directors' adoption of prudent business philosophy and value standards and formulate development strategies in line with the actual situations of the Company; to regularly evaluate and report on the scientificity, rationality and effectiveness of the development strategies formulated by the Board of Directors for compilation of evaluation reports; to instruct the work of the internal audit department of the Company; to carry out a review of any resigning senior management when necessary; to supervise the duty performance by Directors, Supervisors and senior management; to supervise and inspect major operational decisions of the Company; to supervise and inspect risk management of the Company; to supervise and inspect the soundness and effectiveness of the internal control of the Company; and to deal with other matters as authorized by the Board of Supervisors.

During the reporting period, the Supervision Committee held a total of 4 meetings, considering the 2019 Annual Report of the Company, the management and implementation of the consolidation of statements for 2019, 2019 Special Report and the Assurance Report on the Deposit and Actual Use of the Proceeds Raised, Social Responsibility Report for 2019, Internal Audit Work Report for 2019, Internal Control Evaluation Report for 2019, the First Quarterly Report of 2020, the 2020 Interim Report, the Third Quarterly Report of 2020 and otherwise, and listening to the reports on the financial position of the Company in 2019 etc. Moreover, the members of the Supervision Committee also attended eight meetings of the Risk and Related Party Transaction Control Committee under the Board of Directors, supervised the process of consideration on related party transactions and Directors' duty performance.

Corporate Governance Report

2. Nomination Committee under Board of Supervisors

The members of Nomination Committee under Board of Supervisors are Mr. Wang Jun (committee chairman), Mr. Yu Jianqiang, Mr. Wang Chengliang, Mr. Chen Zhongwei and Mr. Huang Zuhui.

The main duties of the Nomination Committee are as follows: to draft standards and procedures of electing and appointing Supervisors; to recommend qualified candidates of external Supervisors; to make an initial evaluation on the qualifications of candidates of shareholders serving as Supervisors and external Supervisors and give suggestions to the Board of Supervisors; to propose to the Board of Supervisors candidates of Chairman and Vice Chairman of the Board of Supervisors based on the actual condition of the Company; to propose to the Board of Supervisors candidates of chairmen of various special committees; to supervise the election and appointment of Directors; to draft remuneration plans for Supervisors, make proposals to the Board of Supervisors and supervise the implementation of the said plans after they have been considered by the Board of Supervisors and have been submitted to the general meetings for consideration; to supervise the scientificity and rationality of the remuneration system and policy of the whole Bank as well as the remuneration scheme of senior management; to be responsible for drafting measures for evaluating the duty performance of Directors, Supervisors and senior management, making proposals to the Board of Supervisors and implementing these measures after submitting them to the Board of Supervisors for consideration and decision-making; to assist the Board of Supervisors office with the establishment of a duty performance supervision recording system for Directors, Supervisors and senior management and complete the duty performance supervision records; and to deal with other matters as authorized by the Board of Supervisors.

During the reporting period, the Nomination Committee of the Board of Supervisors held a total of 2 meetings, mainly considering the results of 2019 performance evaluation of Directors, Supervisors and senior management of the Company, the resolution of nominating new shareholder Supervisor and other resolutions.

(VIII) Company Operation and Decision-Making System

The general meeting is the Company's power organ which manages and supervises the Company through the Board of Directors and Board of Supervisors. The President is employed by the Board of Directors to take charge of the daily operation and management of the Company. The Company adopts the one-level legal person system. All the branches and sub-branches are non-independent accounting units. They carry out the operation and management activities according to the authorization of the head office and are accountable to the head office.

According to the Articles of Association, the Board of Directors exercises the functions and powers of appointing or dismissing the Bank's president, listening to the work report of the president and reviewing his performance, monitoring and ensuring the Senior Management's efficient fulfillment of management duties. The Company adopts a system by which the President shall assume overall responsibility in operation and management of the Company, and the President shall be accountable to the Board of Directors.

The Company has no controlling Shareholder and de facto controller. The Company and the Shareholders are completely independent in terms of assets, businesses, personnel, organizations and finance, etc. The Company has complete and independent operation capacity. The Board of Directors, Board of Supervisors and internal units of the Company operate independently.

Corporate Governance Report

(IX) Chairman and President

In the Company, the positions of Chairman and President are served by different persons, and each position has clearly defined responsibilities, fulfilling regulatory requirements and the requirements of the Hong Kong Listing Rules. Mr. Shen Renkang serves as the Chairman of the Company and exercises his duties to preside over the general meetings, convene and preside over the meetings of Board of Directors and supervise and inspect the implementation of the resolutions of the Board of Directors. Mr. Xu Renyan is the President of the Company and exercises his duties to lead the operation and management of the Company, reports to the Board of Directors and organizes the implementation of the resolutions of the Board of Directors, the annual operation plan and investment scheme of the Company.

(X) Company Secretary

Mr. Liu Long is the company secretary of the Company, mainly responsible for facilitating the operation of the Board of Directors, ensuring the effective communication between the members of the Board of Directors and the observation of the policies and procedures of the Board of Directors, and ensuring the compliance with Hong Kong Listing Rules and other regulations by the Company. Any Director can discuss with, seek advice from and obtain information from the company secretary.

During the reporting period, Mr. Liu Long was complied with the requirements of Rule 3.29 of the Hong Kong Listing Rules.

(XI) Securities Transactions of Directors and Supervisors

The Company has adopted a code of conduct for securities transactions by directors and supervisors no less exacting than the Model Code in the Appendix 10 of the Hong Kong Listing Rules. The Company had inquired all the Directors and Supervisors and confirmed that they had been complying with the aforesaid code of conduct during the reporting period.

(XII) Relationship between Directors, Supervisors and Senior Management

There is no financial, business, family or other material/affiliated relationship between the Directors, Supervisors and senior management of the Company.

Corporate Governance Report

(XIII) Shareholders' Rights

The Shareholders shall enjoy the following rights in accordance with the Articles of Association:

1. To hold extraordinary general meeting

At the request of the Shareholders separately or jointly holding 10% or more of the total Shares, the Company shall hold an extraordinary general meeting within two months.

When the Shareholders request to convene an extraordinary general meeting or a Shareholders' class meeting, the following procedures shall be observed: the Shareholders separately or jointly holding 10% or more of the total Shares submit a written proposal to the Board of Directors and explain the meeting topics. The Board of Directors shall reply in written form within ten days after receiving the proposal as for agreeing or disagreeing to convene the extraordinary general meeting or a Shareholders' class meeting.

If the Board of Directors agrees to convene an extraordinary general meeting or a Shareholders' class meeting, a notice of convening the general meeting shall be sent within five days after the resolution made by the Board of Directors. Any change to the original proposal in the notice shall be approved by the relevant Shareholders.

If the Board of Directors does not agree to convene the extraordinary general meeting or a Shareholders' class meeting, or fails to reply within ten days after receiving the proposal, the Shareholders separately or jointly holding 10% or more of the total Shares have the right to propose to the Board of Supervisors to hold the extraordinary general meeting or a Shareholders' class meeting, provided that written request shall be submitted to the Board of Supervisors.

If the Board of Supervisors agrees to convene an extraordinary general meeting or a Shareholders' class meeting, the notice of convening the general meeting shall be sent within five days after the receipt of the request. Any change to the original proposal in the notice shall be approved by the relevant Shareholders.

If the Board of Supervisors fails to provide the notice of holding general meeting or a Shareholders' class meeting within the specified period, it shall be deemed that Board of Supervisors will not convene and preside over the general meeting or a Shareholders' class meeting, the Shareholders separately or jointly holding 10% or more of the total Shares may convene and preside over such meetings at their own discretion.

If the Board of Supervisors or the Shareholders decide to convene the general meeting on their own, they shall notify the Board of Directors in writing and file with the local banking supervisory authorities and other regulatory authorities. The Board of Directors and the secretary to the Board of Directors shall cooperate. The Board of Directors shall provide the register of members as of the record date, and the reasonable cost required for the meeting shall be borne by the Company, which shall be deducted from the payment due to the default Directors.

Corporate Governance Report

2. To make proposal to the general meeting

The Shareholders separately or jointly holding 3% or more of the voting Shares have the right to make proposals to the general meeting.

The Shareholders separately or jointly holding 3% or more of the voting Shares may make temporary proposal and submit in written form to the convener ten days before the holding date of the general meeting or at least two days before the deadline for providing supplementary notice of general meeting as stipulated by Hong Kong Listing Rules (whichever is earlier). The convener shall issue the supplementary notice of the general meeting within two days after receiving the relevant proposal to disclose the contents of the temporary proposal. For the contact details, please refer to “Company Profile” of this report.

3. To hold interim meeting of Board of Directors

At the request of the shareholders separately or jointly holding 10% or more of the total Shares, the chairman shall convene and preside over an interim meeting of Board of Directors within ten days after receiving the proposal.

4. To make inquiries with the Board of Directors

The shareholders have the right to obtain the relevant information according to the laws, regulations and Articles of Association. They can obtain the copies of the Articles of Association after paying the relevant costs. They have the right to access and copy the following information after paying reasonable fees: any and all parts of the share register; personal information of the Directors, Supervisors and senior management of the Company; the Company’s equity status; the report of total par values, quantity, maximum price and minimum price of each class of shares repurchased by the Company since the last financial year as well as the total expenses the Company paid for this; meeting minutes of general meetings, resolutions of the meetings of Board of Directors, resolutions of the meetings of Board of Supervisors; bond stubs of the Company; the audited financial report, report of Board of Directors, report of Board of Supervisors, and report of auditors for the last fiscal period, the annual report for the last fiscal period that has been filed with the State Administration for Market Regulation or other regulatory authorities. For the contact details, please refer to “Company Profile” of this report.

(XIV) Implementation of Information Disclosure

The Company always attaches importance to information disclosure, and strictly complies with various regulatory rules of the place of listing of the Company. On the basis of comprehensively implementing various regulatory rules, the Company continuously sorts out and perfects the implementation details of information disclosure management matter from the aspect of system construction and work procedure design.

The Company prohibits its staff from trading or recommending others to trade by making use of inside information. The Company established information disclosure management system, which has identified the department responsible for inside information disclosures, to disclose information in a timely and compliant manner according to the requirements and procedures of Rules Governing the Listing of Stocks on Shanghai Stock Exchange and the Hong Kong Listing Rules.

Corporate Governance Report

During the reporting period, the Company truly, accurately and completely carried out information disclosure work in a timely manner, strictly in accordance with the requirements of relevant information disclosure laws and regulations. The Company disclosed a total of 121 various announcements for A Shares on the newspapers designated by the CSRC, including China Securities Journal, Shanghai Securities News, Securities Times and Securities Daily, the websites of the Shanghai Stock Exchange and the Company, and disclosed a total of 127 various announcements for H Shares on the websites of the Hong Kong Stock Exchange and the Company, which ensured that all shareholders had equal opportunity to get relevant information of the Company, and enhanced the transparency of the Company's governance.

(XV) Investor Relations Management

The Company consistently conducts good management on investor relations and promotes integration of market capitalization and intrinsic value. Aimed to maximize the investors' profit and protect their legitimate rights and interests, the Company forms a corporate cultural concept of serving and respecting investors and procures sound interaction between the Company and the investors, thereby enhancing investors' understanding and recognition of the Company.

During the reporting period, by holding the A+H 2019 annual results conference for the first time in the form of simultaneous domestic and foreign webcast, and repeatedly promoting its platform-based service strategy to the capital market online and offline, the Company strengthened domestic and foreign market communication and introduction. They made in-depth exchange with the investors and the analysts, timely answered the questions that are concerns of the investors, and effectively expanded the coverage of the investors.

During the reporting period, the Company in accordance with the regulatory requirements of the place of listing and practical experience, managed the investor relations in various forms, and consistently enhanced service level of investors. Through reverse roadshow, website of investor relations, telephone, e-mail and other means, the Company handled the matters in connection with investor relations, timely answered and fed back the questions raised by the investors, which effectively procured the further understanding of investors and analysts on the Company's investment value and enhanced the Company's influence at capital market.

Aiming to get more attention and recognition from investors, the Company consistently improves the management of web-page of investor relations, timely updates the content on the web-page, answered nearly a hundred questions from investors on the "Shanghai Stock Exchange e Interactive" platform, earnestly collects investor information, duly traces the reports from analysts, strengthens dynamic monitor of media opinions and actively learns about advice and proposals for the Company's operation and development from capital market.

Corporate Governance Report

(XVI) Major Changes of the Articles of Association

The Company held the Annual General Meeting of Shareholders for 2019, the First Meeting of A Share Class Shareholders for 2020 and the First Meeting of H Share Class Shareholders for 2020 on June 16, 2020. The resolution on the proposed change of the Articles of Association of China Zheshang Bank Co., Ltd. was considered and passed at the meetings. For details of the resolution, please see the general meeting circular of the Company published on the websites of the Shanghai Stock Exchange, the Hong Kong Stock Exchange and the Company. The amendment to the Articles of Association were approved by the CBIRC on October 29, 2020.

(XVII) Statement of Compliance with the Corporate Governance Code as Set Out In Hong Kong Listing Rules

The Company agrees to the principles of Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Hong Kong Listing Rules. The Company has been in full compliance with the code provisions set out in the Code during the reporting period.

(XVIII) Risk Management and Internal Control

In accordance with the requirements of Commercial Banking Law of the People's Republic of China (《中華人民共和國商業銀行法》), Basic Rules on Enterprise Internal Control (《企業內部控制基本規範》), Internal Control Guidelines for Commercial Banks (《商業銀行內部控制指引》) and other laws and regulations, the Company has established standardized corporate governance structure and defined the scope of rights, responsibility assignment and rules of procedures for the general meeting, Board of Directors, Board of Supervisors and Senior Management. Such organizations as Audit Committee and the Risk and Related Party Transaction Control Committee have been established under the Board of Directors to take charge of the establishment and implementation of sufficient and effective risk management and internal control system and review of the sufficiency and effectiveness of such systems. The Supervision Committee has been established under the Board of Supervisors to take charge of the supervision on sufficiency and effectiveness of internal control systems of the Board of Directors and Senior Management. The risk management and internal control committee has been established under the Senior Management to take charge of the organization and coordination of internal control management as well as establishment and improvement of the concept, system and organizational structure of internal control.

The Company has strictly complied with the relevant requirements of the Rules Governing the Listing of Stocks on Shanghai Stock Exchange and the Hong Kong Listing Rules, established and continuously improved internal control and risk management system by taking account of the practical situation of the Company to reasonably ensure that the operation management complies with the laws and rules, that the assets are safe and that the financial reports and relevant information are true and complete to improve the operating efficiency and effectiveness and to promote the fulfillment of development strategy. The risk management and internal control system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and the Board can only provide reasonable and not absolute assurance against material misstatement or loss.

Corporate Governance Report

During the reporting period, the Company focused on “implementing internal control mechanisms and preventing operational risks”, adhered to the philosophy of “internal control first” and “compliance-based”, and implemented the internal control compliance management requirements of “strict governance of the Bank, strict management and control, strict inspection, strict accountability, strict punishment” to continuously deepen internal control measures and improve internal control efficiency. Three permanent internal control mechanisms, namely circular improvement mechanism, issues identification and rectification mechanisms, and accountability and inspection rewards and punishment mechanism, were continuously implemented; Pursuant to the requirements of business development and internal control, the Company continued to improve the internal control system, strengthen regime construction, and standardize the implementation; The organizational structure was improved, the supervision and guidance of branches were strengthened, and the establishment and staffing of internal institutions were optimized; Using big data, artificial intelligence and other technological innovations, the Company actively take measures to strengthen internal control and improve risk identification and assessment capabilities to continuously improve its level of informatization, technology and intelligence in internal management; Strengthening supervision and assessment and paying close attention to data governance, system construction, source rectification and service guarantee, the Company adhered to strict governance of the Bank and the implementation of entities responsibilities to enhance the effectiveness and adequacy of internal control, and promote its standardized and stable operation.

While disclosing the annual report, the Company also disclosed the Internal Control Evaluation Report of China Zheshang Bank Co., Ltd. for 2020 in accordance with the requirements of the CSRC and Shanghai Stock Exchange. The report stated that the Bank had maintained effective internal control over financial reporting in all material aspects in accordance with the standard system for enterprise internal control and relevant rules as at December 31, 2020 (benchmark date). KPMG Huazhen LLP has audited the effectiveness of the Bank’s internal control over financial reporting as at December 31, 2020 and issued the standardized audit report on internal control.

(XIX) External Auditors and Their Remuneration

For the Company’s external auditors and their remuneration, please see “Directors’ Report – Employment of Accounting Firms and Sponsors” of this report.

The responsibility statement of the Company’s external auditors on its financial statements is set out in “Independent Auditor’s Report” of this report.

(XX) Internal Audit

The Company has established the independent and vertical internal audit organization system, and as required, will establish an audit agency. As of the end of the reporting period, the head office had established an audit department, under which a separate audit department in Hong Kong branch and 19 domestic branch audit departments were established. Independently performing the audit, supervision, evaluation and consultation functions, the internal audit department is responsible and reports to the Board of Directors and the Audit Committee thereof, while guided and supervised by the Board of Supervisors as well. The audit department is mainly responsible for promoting the effective implementation of relevant national financial laws and regulations and regulatory rules, and the Bank's operating policies and rules and regulations to continuously improve the risk management, internal control and compliance and corporate governance structures, and urge relevant audit objects to effectively perform their duties. The internal audit department has built an internal audit system based on the internal audit charter, supplemented by the basic internal audit system, and guided by the operation specification of internal audit standards, as well as the combination of onsite and offsite inspection model and the audit quality "three-level re-check" mechanism. The internal audit staffing complies with the regulatory requirements and the auditors enjoy sufficient training courses and relevant budgets. In 2020, the audit department of the head office won the commendation of "Provincial Internal Audit Advanced Collective in 2017-2019" issued by Zhejiang Provincial Audit Department.

During the reporting period, mainly focusing on the general objective of "Two Most", the Company thoroughly implemented the platform-based service strategy. Oriented towards policy and regulatory requirements, compliance and risk management, the Company highly strengthened the audit supervision of the process and results of implementing the development strategy and major decisions of the Bank by each department and authority. It revealed and punished the material breach of regulations and disciplines and potential risks and hazards to promote the scientific decision-making, standardization of internal management, and normalization of risk prevention and control, in order to provide a solid guarantee for the realization of high-quality development of the Bank.

Changes in Shares and Information on Shareholders

(I) Changes in Ordinary Shares

1. Table of Changes in Ordinary Shares

Unit: Share, %

	December 31, 2019		Increase/Decrease during the reporting period (+, -)					December 31, 2020		
	Number	Proportion (%)	Issuance of New Shares	Bonus Issue	Share Capital converted		Other	Subtotal	Number	Proportion (%)
					from reserve	fund				
I. Shares Subject to Selling Restrictions	14,647,129,491	68.87	-	-	-	-4,943,078,897	-4,943,078,897	9,704,050,594	45.63	
1. Shares Held by State	-	-	-	-	-	-	-	-	-	
2. Shares Held by State-owned										
Legal Persons	3,811,588,677	17.92	-	-	-	-314,967,151	-314,967,151	3,496,621,526	16.44	
3. Other Domestic Shares	10,835,413,694	50.95	-	-	-	-4,627,984,626	-4,627,984,626	6,207,429,068	29.19	
Including: Shares Held by Domestic Non-State-owned										
Legal Persons	10,743,182,630	50.51	-	-	-	-4,535,753,562	-4,535,753,562	6,207,429,068	29.19	
Shares Held by Domestic Natural Persons	92,231,064	0.43	-	-	-	-92,231,064	-92,231,064	-	-	
4. Foreign Shares	127,120	0.00	-	-	-	-127,120	-127,120	-	-	
Including: Shares Held by Foreign Legal Persons	127,120	0.00	-	-	-	-127,120	-127,120	-	-	
Shares Held by Foreign Natural Persons	-	-	-	-	-	-	-	-	-	
II. Listed Shares without Selling Restrictions	6,621,567,287	31.13	-	-	-	+4,943,078,897	+4,943,078,897	11,564,646,184	54.37	
1. RMB Ordinary Shares	2,067,567,287	9.72	-	-	-	+4,943,078,897	+4,943,078,897	7,010,646,184	32.96	
2. Domestic Listed Foreign Shares	-	-	-	-	-	-	-	-	-	
3. Overseas-listed Foreign Shares	4,554,000,000	21.41	-	-	-	-	-	4,554,000,000	21.41	
4. Other	-	-	-	-	-	-	-	-	-	
III. Total Ordinary Shares	21,268,696,778	100.00	-	-	-	-	-	21,268,696,778	100.00	

As of the end of the reporting period, the issued shares of the Bank were 21,268,696,778 ordinary shares, including 16,714,696,778 A Shares and 4,554,000,000 H Shares.

2. Description on Change in Ordinary Shares

During the reporting period, changes in ordinary shares were mainly due to the listing on the Shanghai Stock Exchange of restricted shares (A shares) subject to lock-up periods of 6 months and 12 months from IPO.

3. Effects of Change in Ordinary Shares on Financial Indicators such as Earnings per Share and Net Assets per Share for the Latest Year and Period

Nil

Changes in Shares and Information on Shareholders

4. Changes in A Shares Subject to Lock-up

Unit: Share

Name of shareholders	Number of shares subject to lock-up at the beginning of the year	Number of shares unlocked during the year	Increase in number of shares subject to lock-up during the year	Number of shares subject to lock-up at the end of the year	Reasons for lock-up	Date of unlocking
Minsheng Life Insurance Company Ltd.	803,226,036	803,226,036	-	-	Lock-up for A-share IPO Shareholders Commitment	November 26,2020
Zhejiang Yongli Industry Group Co., Ltd.	548,453,371	548,453,371	-	-	Lock-up for A-share IPO Shareholders Commitment	November 26,2020
Zhejiang RIFA Holding Group Co., Ltd.	518,453,371	518,453,371	-	-	Lock-up for A-share IPO Shareholders Commitment	November 26,2020
Zhejiang China Light & Textile Industrial City Group Co., Ltd.	457,816,874	457,816,874	-	-	Lock-up for A-share IPO Shareholders Commitment	November 26,2020
Jinggong Group Co., Ltd.	454,403,329	454,403,329	-	-	Lock-up for A-share IPO Shareholders Commitment	November 26,2020
Lizi Industry Group Co., Ltd.	419,354,705	419,354,705	-	-	Lock-up for A-share IPO Shareholders Commitment	November 26,2020
Zhejiang Huatong Holding Group Co., Ltd.	310,029,905	310,029,905	-	-	Lock-up for A-share IPO Shareholders Commitment	November 26,2020
Shaoxing City Keqiao District Development and Operation Group Co., Ltd.	302,993,318	302,993,318	-	-	Lock-up for A-share IPO Shareholders Commitment	November 26,2020
Zhejiang Xin'ao Industry Co., Ltd.	186,278,473	186,278,473	-	-	Lock-up for A-share IPO Shareholders Commitment	November 26,2020
Zhejiang Jingfa Industry Group Co., Ltd.	175,303,564	175,303,564	-	-	Lock-up for A-share IPO Shareholders Commitment	November 26,2020
Nice Group Co., Ltd.	144,034,642	144,034,642	-	-	Lock-up for A-share IPO Shareholders Commitment	November 26,2020
Zhuji Lizi Automobile Transportation Co., Ltd.	57,973,110	57,973,110	-	-	Lock-up for A-share IPO Shareholders Commitment	November 26,2020

Changes in Shares and Information on Shareholders

Name of shareholders	Number of shares subject to lock-up at the beginning of the year	Number of shares unlocked during the year	Increase in number of shares subject to lock-up during the year	Number of shares subject to lock-up at the end of the year	Reasons for lock-up	Date of unlocking
Hangzhou Huiying Investment Management Co., Ltd.	45,595,486	45,595,486	-	-	Lock-up for A-share IPO Shareholders Commitment	November 26,2020
West Lake Branch of Hangzhou United Rural Commercial Bank Co. Ltd.	28,420,000	28,420,000	-	-	Lock-up for A-share IPO Shareholders Commitment	November 26,2020
Hangzhou Minsheng Pharma Holdings Group Co., Ltd.	17,770,000	8,310,000	-	9,460,000	Lock-up for A-share IPO Shareholders Commitment	November 26,2020
Subtotal	4,470,106,184	4,460,646,184	-	9,460,000	/	/
A-share IPO off-line placing accounts subject to lock-up	482,432,713	482,432,713	-	-	Lock-up for A-share IPO off-line placing	May 26, 2020
Total	4,952,538,897	4,943,078,897	0	9,460,000	/	/

(II) Issuance and Listing of Securities

1. Issuance of Securities during the Reporting Period

During the reporting period, the Company had not issued any new ordinary shares.

During the reporting period, 482,432,713 shares of A-share IPO off-line placing subject to lock-up were unlocked on May 26, 2020 and listed thereafter, while 4,460,646,184 shares of IPO subject to lock-up period of 12 months were unlocked on November 26, 2020 and listed as well.

2. Description on Change in Asset and Liability Structure

Nil

(III) Information on Shareholders of Ordinary Shares

Number of Shareholders of Ordinary Shares and Their Shareholdings

As of the end of the reporting period, the Bank had 329,293 shareholders of ordinary shares in total, including 329,171 shareholders of A Shares and 122 shareholders of H Shares. As of the end of the last month before the publication date of this Annual Report, there were 310,919 shareholders of ordinary shares, including 310,797 shareholders of A Shares and 122 shareholders of H Shares.

Changes in Shares and Information on Shareholders

As of the end of the reporting period, the table of shareholdings of the top ten shareholders and top ten shareholders of circulating shares (or shareholders without selling restrictions) was as follows:

Unit: Share

Name of Shareholder (full name)	Increase/Decrease during the reporting period	Shareholdings of Top Ten Shareholders			Pledge and freezing		Nature of shareholders
		Number of shares held at the end of period	Proportion (%)	Number of shares held subject to selling restrictions	Status of Shares	Number	
HKSCC Nominees Limited	+ 22,950	4,553,781,800	21.41	-	Unknown	-	-
Zhejiang Provincial Financial Holdings Co., Ltd.	-	2,655,443,774	12.49	2,655,443,774	-	-	State-owned Legal Person
Traveller Automobile Group Co., Ltd.	-	1,346,936,645	6.33	1,346,936,645	Freezing	1,346,936,645	Domestic Non-State-owned Legal Person
Hengdian Group Holdings Limited	-	1,242,724,913	5.84	1,242,724,913	-	-	Domestic Non-State-owned Legal Person
Zhejiang Provincial Energy Group Co., Ltd.	-	841,177,752	3.96	841,177,752	-	-	State-owned Legal Person
Minsheng Life Insurance Company Ltd. – self – owned capital	-	803,226,036	3.78	-	-	-	Domestic Non-State-owned Legal Person
Zhejiang Yongli Industry Group Co., Ltd.	-	548,453,371	2.58	-	Pledge	544,419,371	Domestic Non-State-owned Legal Person
Tong Lian Capital Management Co., Ltd.	-	543,710,609	2.56	543,710,609	-	-	Domestic Non-State-owned Legal Person
Zhejiang Hengyi High-tech Material Co., Ltd.	-	508,069,283	2.39	508,069,283	Pledge	508,069,283	Domestic Non-State-owned Legal Person
Zhejiang Hengyi Group Co., Ltd.	-	494,655,630	2.33	494,655,630	Pledge	494,655,630	Domestic Non-State-owned Legal Person

Changes in Shares and Information on Shareholders

Shareholdings of Top Ten Shareholders without Selling Restrictions

Name of Shareholder	Number of circulating shares held without selling restrictions	Class and number of Shares	
		Class	Number
HKSCC Nominees Limited	4,553,781,800	H Shares	4,553,781,800
Minsheng Life Insurance Company Ltd.	803,226,036	A Shares	803,226,036
Zhejiang Yongli Industry Group Co., Ltd.	548,453,371	A Shares	548,453,371
Zhejiang RIFA Holding Group Co., Ltd.	478,509,000	A Shares	478,509,000
Zhejiang China Light & Textile Industrial City Group Co., Ltd.	457,816,874	A Shares	457,816,874
Jinggong Group Co., Ltd.	454,403,329	A Shares	454,403,329
Lizi Industry Group Co., Ltd.	380,292,205	A Shares	380,292,205
Shaoxing City Keqiao District Development and Operation Group Co., Ltd.	302,993,318	A Shares	302,993,318
Zhejiang Huatong Holdings Group Co., Ltd.	206,136,242	A Shares	206,136,242
Zhejiang Xin'ao Industry Co., Ltd.	186,278,473	A Shares	186,278,473
Description on the connected relationship and action in concert of the shareholders above	As of the end of the reporting period, except Zhejiang Hengyi High-tech Material Co., Ltd. and Zhejiang Hengyi Group Co., Ltd., and Zhejiang China Light & Textile Industrial City Group Co., Ltd. and Shaoxing City Keqiao District Development and Operation Group Co., Ltd. have a connected relationship, the Company was not aware of other connected relationship between any other shareholders above or whether they were parties acting in concert.		
Description on shareholders of preference shares with restoration of voting rights and their number of shares held	Nil		

Note: The number of shares held by HKSCC Nominees Limited was the sum of shares of the Company's holders of H shares which were trading in its transaction system. Except for 490,000,000 shares held by Zhejiang Seaport (Hong Kong) Co., Limited and 934,000,000 shares held by Yancoal International (Holding) Co., Limited were pledged, whether the rest of the H Shares were pledged was unknown to the Company.

Changes in Shares and Information on Shareholders

Number of Shares Held by Top Ten Shareholders Subject to Selling Restrictions and Conditions of Selling Restrictions

Unit: Share

No.	Name of Shareholders subject to Selling Restrictions	Listing and Trading of Shares Subject to Selling Restrictions			Conditions of Selling Restriction
		Number of Shares Held Subject to Selling Restrictions	Listing and Trading Date	Number of Additional Listing and Trading Shares	
1	Zhejiang Provincial Financial Holdings Co., Ltd.	2,655,443,774	2022-11-28	0	Selling Restriction for Initial Offering
2	Traveller Automobile Group Co., Ltd.	1,346,936,645	2022-11-28	0	Selling Restriction for Initial Offering
3	Hengdian Group Holdings Limited	1,242,724,913	2022-11-28	0	Selling Restriction for Initial Offering
4	Zhejiang Provincial Energy Group Co., Ltd.	841,177,752	2022-11-28	0	Selling Restriction for Initial Offering
5	Tong Lian Capital Management Co., Ltd.	543,710,609	2022-11-28	0	Selling Restriction for Initial Offering
6	Zhejiang Hengyi High-tech Material Co., Ltd.	508,069,283	2022-11-28	0	Selling Restriction for Initial Offering
7	Zhejiang Hengyi Group Co., Ltd.	494,655,630	2022-11-28	0	Selling Restriction for Initial Offering
8	Xizi Elevator Group Co., Ltd.	469,708,035	2022-11-28	0	Selling Restriction for Initial Offering
9	Guangsha Holding Group Co., Ltd.	457,005,988	2022-11-28	0	Selling Restriction for Initial Offering
10	Shanghai Xizi United Investment Co., Ltd.	380,838,323	2022-11-28	0	Selling Restriction for Initial Offering

Description on the connected relationship and action in concert of the shareholders above

As of the end of the reporting period, except Zhejiang Hengyi High-tech Material Co., Ltd. and Zhejiang Hengyi Group Co., Ltd., and Xizi Elevator Group Co., Ltd. and Shanghai Xizi United Investment Co., Ltd. have a connected relationship, the Company was not aware of other connected relationship between any other shareholders above or whether they were parties acting in concert.

Changes in Shares and Information on Shareholders

(IV) Information on the Controlling Shareholders and De Facto Controllers

As of the end of the reporting period, the Bank had no controlling shareholders and de facto controllers.

(V) Information on the Company's Largest Shareholder of Ordinary Shares

As of the end of the reporting period, Zhejiang Provincial Financial Holdings Co., Ltd. held 12.49% of the shares of the Company and was the Company's largest shareholder of ordinary shares.

Zhejiang Provincial Financial Holdings Co., Ltd. was established in September 2012 with the uniform social credit code of 913300000542040763 and its legal representative was Zhang Qicheng (章啟誠). With a registered capital of RMB12.0 billion, the company is a financial investment management platform established by Zhejiang Provincial Government. The company is a state-owned enterprise directly subordinated to the provincial government and is supervised and managed by Zhejiang Provincial Department of Finance with the authorization from Zhejiang Provincial Government. The company is mainly engaged in financial equity investment, government equity investment fund management, asset management and other business.

(VI) Information on Substantial Shareholders of Ordinary Shares

As at December 31, 2020

Unit: Share, %

No.	Name of Shareholder	Number of shares held (Share)	Separately shareholding ratio	Jointly shareholding ratio	Reasons for being the Substantial Shareholders	Number of pledged shares	Controlling shareholders	De facto controllers	Parties acting in concert	Ultimate beneficial owners
1	Zhejiang Provincial Financial Holdings Co., Ltd.	2,655,443,774	12.49	12.49	Holding 5% or more of our Bank's shares	-	Zhejiang Provincial Department of Finance	Zhejiang Provincial Department of Finance	Nil	Zhejiang Provincial Financial Holdings Co., Ltd.
2	Zhejiang Provincial Energy Group Co., Ltd.	841,177,752	3.96	6.99	Holding 5% or more of our Bank's shares in total with the related parties	-	State-owned Assets Supervision and Administration Commission of the People's Government of Zhejiang Province	State-owned Assets Supervision and Administration Commission of the People's Government of Zhejiang Province	Nil	Zhejiang Provincial Energy Group Co., Ltd.
3	Zhejiang Energy Capital Holdings Co., Ltd. (H share)	365,633,000	1.72			-	Zhejiang Provincial Energy Group Co., Ltd.		Nil	Zhejiang Energy Capital Holdings Co., Ltd.
4	Zhejiang Energy International Co., Ltd. (H share)	280,075,000	1.32			-	Zhejiang Provincial Energy Group Co., Ltd.		Nil	Zhejiang Energy International Co., Ltd.

Changes in Shares and Information on Shareholders

No.	Name of Shareholder	Number of shares held (Share)	Separately shareholding ratio	Jointly shareholding ratio	Reasons for being the Substantial Shareholders	Number of pledged shares	Controlling shareholders	De facto controllers	Parties acting in concert	Ultimate beneficial owners
5	Traveller Automobile Group Co., Ltd.	1,346,936,645	6.33	6.33	Holding 5% or more of our Bank's shares	-	-	-	-	-
6	Zhejiang Hengyi High-tech Material Co., Ltd	508,069,283	2.39	5.84	Holding 5% or more of our Bank's shares in total with the related parties	508,069,283	Zhejiang Hengyi Petrochemical Co., Ltd.	Qiu Jianlin (邱建林)	Nil	Zhejiang Hengyi High-tech Material Co., Ltd
7	Zhejiang Hengyi Group Co., Ltd.	494,655,630	2.33			494,655,630	Qiu Jianlin (邱建林)		Nil	Zhejiang Hengyi Group Co., Ltd.
8	Zhejiang Hengyi Petrochemical Co., Ltd.	240,000,000	1.13			240,000,000	Hengyi Petrochemical Co., Ltd.		Nil	Zhejiang Hengyi Petrochemical Co., Ltd.
9	Hengdian Group Holdings Limited	1,242,724,913	5.84	5.84	Holding 5% or more of our Bank's shares	-	Dongyang Hengdian Association For Economics Corporation	Dongyang Hengdian Association For Economics Corporation	Nil	Hengdian Group Holdings Limited
10	Zhejiang Seaport (Hong Kong) Co., Limited (H share)	925,700,000	4.35	4.99	Jointly dispatch Directors to our Bank	490,000,000	Zhejiang Seaport Asset Management Co., Limited	State-owned Assets Supervision and Administration Commission of the People's Government of Zhejiang Province	Nil	Zhejiang Seaport (Hong Kong) Co., Ltd.
11	Zhejiang Provincial Seaport Investment & Operation Group Co., Ltd. (H share)	135,300,000	0.64			-	State-owned Assets Supervision and Administration Commission of the People's Government of Ningbo Municipal		Nil	Zhejiang Provincial Seaport Investment & Operation Group Co., Ltd.
12	Guangsha Holding Group Co., Ltd	457,005,988	2.15	4.49	Jointly dispatch Directors to our Bank	457,004,756	Lou Zhongfu (樓忠福)	Lou Zhongfu (樓忠福)	Nil	Guangsha Holding Group Co., Ltd
13	Zhejiang Dongyang Third Construction Co., Ltd.	354,480,000	1.67			352,228,000	Guangsha Holding Group Co., Ltd		Nil	Zhejiang Dongyang Third Construction Co., Ltd.
14	Zhejiang Guangsha Co., Ltd.	143,169,642	0.67			143,169,600	Guangsha Holding Group Co., Ltd		Nil	Zhejiang Guangsha Co., Ltd.

Changes in Shares and Information on Shareholders

No.	Name of Shareholder	Number of shares held (Share)	Separately shareholding ratio	Jointly shareholding ratio	Reasons for being the Substantial Shareholders	Number of pledged shares	Controlling shareholders	De facto controllers	Parties acting in concert	Ultimate beneficial owners
15	Minsheng Life Insurance Company Ltd.	803,226,036	3.78	3.78	Dispatch Supervisors to our Bank	-	China Wanxiang Holding Co., Ltd	Lu Weiding (魯偉鼎)	Nil	Minsheng Life Insurance Company Ltd.
16	Zhejiang China Light & Textile Industrial City Group Co., Ltd.	457,816,874	2.15	3.58	Jointly dispatch Supervisors to our Bank	-	Keqiao District Shaoxing Development & Operation Group Co., Ltd.	Shaoxing City Keqiao Finance Bureau	Nil	Zhejiang China Light & Textile Industrial City Group Co., Ltd.
17	Keqiao District Shaoxing Development & Operation Group Co., Ltd	302,993,318	1.42			-	Shaoxing City Keqiao District State-owned Assets Investment and Operation Co., Ltd.		Nil	Keqiao District Shaoxing Development & Operation Group Co., Ltd

Note:

- (1) For the definition of substantial shareholders, controlling shareholders, de facto controllers, related parties, parties acting in concert and ultimate beneficial owners, please see the relevant requirement of the Interim Measures for the Shareholding Management of Commercial Banks 《商業銀行股權管理暫行辦法》 issued by the CBIRC. The substantial shareholders of the Company has reported their related parties, and the Company regularly maintains and updates the list of related parties to continuously lift the level of management of related party transactions. The Company has disclosed the related party transactions for 2020 in this annual report. Due to limitations on space, this annual report does not provide the list of related parties of substantial shareholders.
- (2) Up to date, all our shares held by Traveller Automobile Group Co., Ltd. have been judicially frozen. The judicial disposal has not been completed, and the completion time is uncertain. Traveller Automobile Group Co., Ltd. did not provide information on and the Company was not aware of its controlling shareholder, De facto controller, parties acting in concert, and ultimate beneficial owner.

(VII) Pledge and Freezing of Ordinary Shares

As at the end of the reporting period, to the knowledge of the Company, 5,702,701,800 shares of the Bank (representing 26.81% of the total ordinary shares in issue) were pledged; 1,355,508,539 shares were subject to judicial freezing.

Changes in Shares and Information on Shareholders

(VIII) Interests in Shares and Short Positions in Accordance with the Hong Kong Securities and Futures Ordinance

As of December 31, 2020, in accordance with the register kept by the Company under section 336 of the SFO and so far as the Company is aware, the following persons (excluding the Company's directors, supervisors and chief executive (as defined in the Hong Kong Listing Rules)) had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or directly or indirectly held 5% or more of any class of share capital of the Company:

Name of Shareholder	Nature of interests and capacity	Class	Long/short position	Number of Shares (Shares)	Approximate percentage of interest (%)	Approximate percentage of the relevant class of Shares (%)
Zhejiang Provincial Financial Holdings Co., Ltd.	Beneficial owner	A Shares	Long position	2,655,443,774	12.49	15.89
Traveller Automobile Group Co., Ltd. (Note 1)	Beneficial owner	A Shares	Long position	1,346,936,645	6.33	8.06
Zhejiang Hengyi Group Co., Ltd.	Beneficial owner and Interest of controlled corporation	A Shares	Long position	1,242,724,913	5.84	7.43
Qiu Jianlin (邱建林)	Interest of controlled corporation	A Shares	Long position	1,242,724,913	5.84	7.43
Hengdian Group Holdings Limited	Beneficial owner	A Shares	Long position	1,242,724,913	5.84	7.43
Hengdian Association For Economics Corporation	Interest of controlled corporation	A Shares	Long position	1,242,724,913	5.84	7.43
Guangsha Holding Group Co., Ltd.	Beneficial owner and Interest of controlled corporation	A Shares	Long position	954,655,630	4.49	5.71
Lou Zhongfu (樓忠福)	Interest of controlled corporation	A Shares	Long position	954,655,630	4.49	5.71
Wang Shuifu (王水福)	Interest of controlled corporation	A Shares	Long position	850,546,358	4.00	5.09
Chen Guihua (陳桂花)	Interest of controlled corporation	A Shares	Long position	850,546,358	4.00	5.09
Chen Xiabin (陳夏鑫)	Interest of controlled corporation	A Shares	Long position	850,546,358	4.00	5.09
Zhejiang Provincial Energy Group Co., Ltd.	Beneficial owner	A Shares	Long position	841,177,752	3.96	5.03
Zhejiang Provincial Energy Group Co., Ltd.	Interest of controlled corporation	H Shares	Long position	645,708,000	3.04	14.18
Zhejiang Energy Capital Holdings Co., Ltd. (浙能資本控股有限公司)	Beneficial owner and Interest of controlled corporation	H Shares	Long position	645,708,000	3.04	14.18

Changes in Shares and Information on Shareholders

Name of Shareholder	Nature of interests and capacity	Class	Long/short position	Number of Shares (Shares)	Approximate percentage of interest (%)	Approximate percentage of the relevant class of Shares (%)
Zhejiang Energy International Co., Ltd. (浙江能源國際有限公司)	Beneficial owner	H Shares	Long position	280,075,000	1.32	6.15
Zhejiang Provincial Seaport Investment & Operation Group Co., Ltd.	Beneficial owner and Interest of controlled corporation	H Shares	Long position	1,061,000,000	4.99	23.30
Zhejiang Seaport (Hong Kong) Co., Limited	Beneficial owner	H Shares	Long position	925,700,000	4.35	20.33
Zhejiang Seaport Asset Management Co., Limited	Interest of controlled corporation	H Shares	Long position	925,700,000	4.35	20.33
Yancoal International (Holding) Company Limited	Beneficial owner	H Shares	Long position	934,000,000	4.39	20.51
Yanzhou Coal Mining Company Limited	Interest of controlled corporation	H Shares	Long position	934,000,000	4.39	20.51
Yankuang Group Company Limited	Interest of controlled corporation	H Shares	Long position	934,000,000	4.39	20.51
Central Huijin Investment Ltd.	Interest of controlled corporation	H Shares	Long position	685,000,000	3.22	15.04
Next Hero Holdings Limited	Party with security interest over the shares	H Shares	Long position	490,000,000	2.30	10.76
ICBC International Investment Management Limited	Interest of controlled corporation	H Shares	Long position	490,000,000	2.30	10.76
ICBC International Holdings Limited	Interest of controlled corporation	H Shares	Long position	490,000,000	2.30	10.76
Industrial and Commercial Bank of China Limited	Interest of controlled corporation	H Shares	Long position	490,000,000	2.30	10.76
FTLIFE INSURANCE COMPANY LIMITED	Beneficial owner	H Shares	Long position	336,881,000	1.58	7.40
EARNING STAR LIMITED	Interest of controlled corporation	H Shares	Long position	336,881,000	1.58	7.40
SUCCESS IDEA GLOBAL LIMITED	Interest of controlled corporation	H Shares	Long position	336,881,000	1.58	7.40
NWS SERVICE MANAGEMENT LIMITED (Note 2)	Interest of controlled corporation	H Shares	Long position	336,881,000	1.58	7.40
NWS SERVICE MANAGEMENT LIMITED (Note 2)	Interest of controlled corporation	H Shares	Long position	336,881,000	1.58	7.40
NWS HOLDINGS LIMITED	Interest of controlled corporation	H Shares	Long position	336,881,000	1.58	7.40
NEW WORLD DEVELOPMENT COMPANY LIMITED	Interest of controlled corporation	H Shares	Long position	336,881,000	1.58	7.40
CHOW TAI FOOK ENTERPRISES LIMITED	Interest of controlled corporation	H Shares	Long position	336,881,000	1.58	7.40

Changes in Shares and Information on Shareholders

Name of Shareholder	Nature of interests and capacity	Class	Long/short position	Number of Shares (Shares)	Approximate percentage of interest (%)	Approximate percentage of the relevant class of Shares (%)
CHOW TAI FOOK (HOLDING) LIMITED	Interest of controlled corporation	H Shares	Long position	336,881,000	1.58	7.40
CHOW TAI FOOK CAPITAL LIMITED	Interest of controlled corporation	H Shares	Long position	336,881,000	1.58	7.40
CHENG YU TUNG FAMILY (HOLDINGS) LIMITED	Interest of controlled corporation	H Shares	Long position	336,881,000	1.58	7.40
CHENG YU TUNG FAMILY (HOLDINGS II) LIMITED	Interest of controlled corporation	H Shares	Long position	336,881,000	1.58	7.40
Shaoxing Lingyan Equity Investment Fund Partnerships (Limited Partnership)	Beneficial owner	H Shares	Long position	250,000,000	1.18	5.49
Zhejiang Lingyan Capital Management Co., Ltd.	Interest of controlled corporation	H Shares	Long position	250,000,000	1.18	5.49
Shanghai Run Kuan Investment Management Co., Ltd.	Interest of controlled corporation	H Shares	Long position	250,000,000	1.18	5.49
Liu Yaozhong (劉耀中)	Interest of controlled corporation	H Shares	Long position	250,000,000	1.18	5.49
Great Wall Securities Co., Ltd.	Interest of controlled corporation	H Shares	Long position	250,000,000	1.18	5.49
Jiaxing Credit Lingxin Investment Partnership Enterprise (Limited Partnership) (嘉興信業領信投資合夥企業(有限合夥))	Interest of controlled corporation	H Shares	Long position	250,000,000	1.18	5.49
Aeon Life Insurance Company Ltd.	Beneficial owner	H Shares	Long position	228,651,000	1.08	5.02
CITIC Securities Company Limited (Note 3)	Interest of controlled corporation	H Shares	Long position	526,307,178	2.47	11.56
	Interest of controlled corporation	H Shares	Short position	452,501,147	2.13	9.94
CITIC Securities International Company Limited (Note 3)	Interest of controlled corporation	H Shares	Long position	526,307,178	2.47	11.56
	Interest of controlled corporation	H Shares	Short position	452,501,147	2.13	9.94
CLSA B.V. (Note 3)	Interest of controlled corporation	H Shares	Long position	526,307,178	2.47	11.56
	Interest of controlled corporation	H Shares	Short position	452,501,147	2.13	9.94
CITIC CLSA Global Markets Holdings Limited (Note 3)	Interest of controlled corporation	H Shares	Long position	526,307,178	2.47	11.56
	Interest of controlled corporation	H Shares	Short position	452,501,147	2.13	9.94

Changes in Shares and Information on Shareholders

Name of Shareholder	Nature of interests and capacity	Class	Long/short position	Number of Shares (Shares)	Approximate percentage of interest (%)	Approximate percentage of the relevant class of Shares (%)
CSI Capital Management Limited (Note 3)	Beneficial owner	H Shares	Long position	526,307,178	2.47	11.56
CSI Financial Products Limited (Note 3)	Beneficial owner	H Shares	Short position	452,501,147	2.13	9.94
Goncius I Limited (Note 3)	Beneficial owner	H Shares	Long position	792,843,890	3.73	17.41
	Beneficial owner	H Shares	Short position	792,843,890	3.73	17.41
DBS Group Holdings Ltd. (Note 3)	Interest of controlled corporation	H Shares	Long position	319,883,503	1.50	7.02
	Interest of controlled corporation	H Shares	Short position	319,883,503	1.50	7.02
DBS Bank Ltd. (Note 3)	Beneficial owner	H Shares	Long position	319,883,503	1.50	7.02
	Beneficial owner	H Shares	Short position	319,883,503	1.50	7.02

Note:

- (1) Since Traveller Automobile Group Co., Ltd., one of the shareholders, cannot provide relevant information, the Company is not aware of the latest situation of its share interests and short position.
- (2) These two companies that have the same name have different addresses of registration. For the details, please refer to the relevant information about disclosure of interests, which was published on the website of the Hong Kong Stock Exchange.
- (3) This part involves derivative instrument. For the details, please refer to the relevant information about disclosure of interests, which was published on the website of the Hong Kong Stock Exchange.

Save as disclosed above, the Company was unaware of any other person (excluding the Company's Directors, Supervisors and chief executive (as defined in the Hong Kong Listing Rules)) who had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or any interest or short position as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO on December 31, 2020.

(IX) Issue of Bonds

On December 24, 2015, according to the approvals under the documents issued by the CBIRC (Yin Jian Fu [2015] No. 465) and People's Bank of China (Yin Shi Chang Xu Zhun Yu Zi [2015] No. 307), the Company publicly issued China Zheshang Bank Co., Ltd.'s 2015 financial bonds of RMB5.0 billion in the national interbank bond market. This tranche of bonds has a term of 5 years and bear interest at fixed interest rate. Relevant proceeds will all be used by the Company to extend small and micro corporate loans in accordance with applicable laws and the approvals from regulatory authorities. The Company was awarded an entity credit rating of AAA by China Chengxin International Credit Rating Co., Ltd. with a stable rating outlook, and the credit rating for this tranche of subordinated bonds was AAA.

Changes in Shares and Information on Shareholders

On February 24, 2016, according to the approvals under the documents issued by the CBIRC (Yin Jian Fu [2015] No. 465) and People's Bank of China (Yin Shi Chang Xu Zhun Yu Zi [2015] No. 307), the Company publicly issued China Zheshang Bank Co., Ltd.'s 2016 financial bonds of RMB10.0 billion in the national interbank bond market. This tranche of bonds has a term of 5 years and bear interest at fixed interest rate. Relevant proceeds will all be used by the Company to extend small and micro corporate loans in accordance with applicable laws and the approvals from regulatory authorities. The Company was awarded an entity credit rating of AAA by China Chengxin International Credit Rating Co., Ltd. with a stable rating outlook, and the credit rating for this tranche of financial bonds was AAA.

On September 14, 2016, according to the approvals under the documents issued by the CBIRC (Yin Jian Fu [2016] No. 102) and People's Bank of China (Yin Shi Chang Xu Zhun Yu Zi [2016] No. 125), the Company publicly issued China Zheshang Bank Co., Ltd.'s 2016 Tier 2 capital bonds of RMB10 billion in the national interbank bond market. This tranche of bonds has a term of 10 years and bear interest at fixed interest rate, and the Company may exercise the right of redemption with pre-conditions upon the expiry of the first five-year period. Raised proceeds will all be used to replenish the tier-two capital of the Company. The Company was awarded an entity credit rating of AAA by China Chengxin International Credit Rating Co., Ltd. with a stable rating outlook, and the credit rating for this tranche of tier 2 capital bonds was AA+.

On June 13, 2018, according to the approvals in the documents issued by the CBIRC (Yin Jian Fu [2017] No. 339) and People's Bank of China (Yin Shi Chang Xu Zhun Yu Zi [2017] No. 232), the Company publicly issued the first tranche of tier-two capital bonds of 2018 of China Zheshang Bank Co., Ltd.'s in an amount of RMB15 billion in the national interbank bond market. This tranche of bonds has a term of 10 years and bears interest at fixed interest rate, and the Company may exercise the right of redemption with pre-conditions upon the expiry of the first five-year period. Raised proceeds will all be used to replenish the tier-two capital of the Company. The Company was awarded an entity credit rating of AAA by China Chengxin International Credit Rating Co., Ltd. with a stable rating outlook, and the credit rating for this tranche of tier 2 capital bonds was AA+.

On August 27, 2018, according to the approvals in the documents issued by the CBIRC (Yin Jian Fu [2017] No.189) and People's Bank of China (Yin Shi Chang Xu Zhun Yu Zi [2017] No.174), the Company publicly issued the first tranche of 2018 financial bonds of China Zheshang Bank Co., Ltd. in the amount of RMB20 billion in the national inter-bank bond market. This tranche of bonds has a term of 3 years and bears interest at fixed interest rate, and all proceeds from the issue of the bonds will be used to extend small and micro corporate loans pursuant to applicable laws and approval from regulatory authorities. The Company was awarded an entity credit rating of AAA by China Chengxin International Credit Rating Co., Ltd. with a stable rating outlook, and the credit rating for this tranche of financial bonds was AAA.

On September 16, 2019, according to the approvals in the documents issued by the CBIRC (Yin Jian Fu [2019] No.794) and People's Bank of China (Yin Shi Chang Xu Zhun Yu Zi [2019] No.139), the Company publicly issued 2019 green financial bonds of China Zheshang Bank Co., Ltd. in the amount of RMB5 billion in the national inter-bank bond market. This tranche of bonds has a term of 3 years and bears interest at fixed interest rate, and all proceeds from the issue of the bonds will be used in the green industrial projects stipulated by Green Bond Endorsed Project Catalogue 《綠色債券支持項目目錄》 issued by Green Finance Professional Committee under China Finance Association (中國金融學會綠色金融專業委員會) pursuant to applicable laws and approval from regulatory authorities. The Company was awarded an entity credit rating of AAA by China Chengxin International Credit Rating Co., Ltd. with a stable rating outlook, and the credit rating for this tranche of green financial bonds was AAA.

Changes in Shares and Information on Shareholders

On March 3, 2020, according to the approvals in the documents issued by the CBIRC (Yin Jian Fu [2019] No.1096) and People's Bank of China (Yin Shi Chang Xu Zhun Yu Zi [2020] No.14), the Company publicly issued the first tranche of 2020 small and micro corporate financial bonds of China Zheshang Bank Co., Ltd. in the amount of RMB10 billion in the national inter-bank bond market. On April 8, 2020, according to the approvals in the documents issued by the CBIRC (Yin Jian Fu [2019] No.1096) and People's Bank of China (Yin Shi Chang Xu Zhun Yu Zi [2020] No.14), the Company publicly issued the second tranche of 2020 small and micro corporate financial bonds of China Zheshang Bank Co., Ltd. in the amount of RMB15 billion in the national inter-bank bond market. These two tranches of bonds have the term of 3 years and bear interest at fixed interest rate, and all proceeds from the issue of the bonds will be used to extend small and micro corporate loans pursuant to applicable laws and approval from regulatory authorities. The Company was awarded an entity credit rating of AAA by China Chengxin International Credit Rating Co., Ltd. with a stable rating outlook, and the credit rating for these two tranches of financial bonds was AAA.

(X) Information about Offshore Preference Shares

1. Issuance and listing of offshore preference shares

Pursuant to the approval of the CBIRC (Yin Jian Fu [2017] No. 45) and the approval of the CSRC (Zheng Jian Xu Ke [2017] No. 360), the Bank made a non-public issuance of US\$2.175 billion Offshore Preference Shares in the offshore market on March 29, 2017. The Offshore Preference Shares had a par value of RMB100 and raised US\$20 per share, all of which were subscribed in U.S. dollars. Such Offshore Preference Shares were listed on the Hong Kong Stock Exchange on March 30, 2017 (Stock Code of Preference Shares: 4610).

Based on the CNY Central Parity Rate published by the China Foreign Exchange Trading Centre on March 29, 2017, the gross proceeds from the offering of the Offshore Preference Shares were approximately RMB14.989 billion. Subject to applicable laws and regulations and the approvals by the relevant regulatory authorities such as the CBIRC and the CSRC, the capital raised from the Offshore Preference Shares issuance were used to replenish the Bank's additional tier 1 capital after deducting the issuance expenses, increase the tier 1 capital adequacy ratio of the Bank and optimize the capital structure.

Stock Code of Offshore Preference Shares	Issuing Date	Issuing Price (US\$/share)	Initial Annual Dividend Rate (%)	Issue Volume (Share)	Total Issue Amount (US\$)	Listing Date	Approved Number of Shares for Listing and Dealing (Share)
4610	2017/3/29	20	5.45	108,750,000	2,175,000,000	2017/3/30	108,750,000

2. Relevant articles with respect to rights and interests of the offshore preference shares have been included to the Company's articles of association, which can be found on the websites of the Hong Kong Stock Exchange and the Company.

Changes in Shares and Information on Shareholders

3. Number of shareholders and shareholding of offshore preference shares

As at the end of the reporting period, the total number of shareholders (or nominees) of the Company for the Offshore Preference Shares was one, being The Bank of New York Depository (Nominees) Limited as the nominee.

Name of Shareholder	Nature of Shareholder	Share Class	Increase/Decrease during the Reporting Period (Share)	Shareholding Ratio (%)	Total Number of Shares Held (Share)	Number of Shares Subject to Selling Restrictions (Share)	Number of Shares Pledged or Frozen (Share)
The Bank of New York Depository (Nominees) Limited	Foreign legal person	Offshore Preference Shares	-	100	108,750,000	-	unknown

Note:

- (1) Shareholding information on shareholders of Offshore Preference Shares was provided based on the information specified in the register of shareholders of Offshore Preference Shares of the Bank.
- (2) As the issuance was an offshore non-public offering, what is set out in the register of shareholders of Offshore Preference Shares is the information on the Offshore Preference Shares held by The Bank of New York Depository (Nominees) Limited as a nominee on behalf of the placees in the clearing systems of Euroclear Bank S.A./N.V. and Clearstream Banking S.A. as of the end of the reporting period.

4. Profit distribution for Offshore Preference Shares

The Bank paid the dividend in cash once a year to the holders of the Offshore Preference Shares. The dividend not paid by the Bank in full to the holders of the Offshore Preference Shares will not be accumulated to the next interest-bearing year. After being distributed with the dividend according to the agreed dividend rate, the holders of the Offshore Preference Shares shall no longer participate in the distribution of the remaining profits with the holders of the Ordinary Shares.

According to the resolution and authorization of shareholders' general meeting, the Board meeting dated March 11, 2020 deliberated and adopted the Proposal for Distributing Dividends for Offshore Preference Shares, approving the Bank to distribute the dividends for Offshore Preference Shares on March 30, 2020. Pursuant to relevant laws and regulations of China, while distributing dividends for Offshore Preference Shares to offshore non-resident corporate shareholders, the Bank shall withhold and pay on their behalf the corporate income tax calculated on a tax rate of 10%. According to relevant terms and conditions with respect to the Bank's Offshore Preference Shares, relevant taxes and fees shall be paid by the Bank. The dividends for Offshore Preference Shares distributed this time totaled US\$131,708,333.33, including: US\$118,537,500 actually paid to shareholders of the Offshore Preference Shares according to an annual dividend yield of 5.45%; pursuant to relevant legal regulations, the corporate income tax withheld and paid on behalf based on a tax rate of 10% was US\$13,170,833.33.

Changes in Shares and Information on Shareholders

For the implementation plan for the distribution of dividends for Offshore Preference Shares, please refer to the announcements published on the websites of the Shanghai Stock Exchange, the Hong Kong Stock Exchange and the Company.

The above dividend was paid on March 30, 2020.

5. **Redemption or conversion of Offshore Preference Shares**

During the reporting period, no redemption or conversion occurred for the Bank's Offshore Preference Shares.

6. **Resumption of voting rights for Offshore Preference Shares**

During the reporting period, no resumption of voting rights occurred for the Bank's Offshore Preference Shares.

7. **Accounting policies adopted for Offshore Preference Shares and the reasons thereof**

In accordance with the Accounting Standards for Enterprises No. 22 – Recognition and Measurement of Financial Instruments, the Accounting Standards for Enterprises No. 37 – Presentation of Financial Instruments and the Rules on Differentiating the Financial Liabilities and Equity Instruments and Relevant Accounting Treatment published by the Ministry of Finance, as well as IAS 39 – Financial Instruments: Recognition and Measurement and IAS 32 – Financial Instruments: Disclosures and Presentation formulated by the International Accounting Standards Board, the terms of the issued and existing Offshore Preference Shares of the Bank meet the requirements for being accounted as equity instruments and will be accounted as equity instruments.

Information on Directors, Supervisors, Senior Management, Employees And Institutions

(I) Directors, Supervisors and Senior Management

1. Basic information of Directors, Supervisors and senior management

Name	Position	Gender	Date of birth	Term of office	Number of Shares held at the beginning of period (Shares)	Number of Shares held at the end of period (Shares)	Remuneration Before taxes from the Company during the reporting period (RMB in ten thousand)	Whether remunerated by related parties of the Company
Shen Renkang (沈仁康)	Chairman, Executive Director	Male	January 1963	September 2014 to June 2021	0	30,000	156.17	No
Xu Renyan (徐仁艷)	Executive Director, President	Male	August 1965	July 2004 to June 2021 (Executive Director) July 2018 to June 2021 (President)	0	604,600	258.88	No
Wang Jian (王建)	Non-executive Director	Male	December 1980	November 2020 to June 2021	0	0	-	Yes
Ren Zhixiang (任志祥)	Non-executive Director	Male	February 1969	November 2020 to June 2021	0	0	-	Yes
Gao Qinrong (高勤紅)	Non-executive Director	Female	July 1963	July 2004 to June 2021	0	0	-	Yes
Hu Tiangao (胡天高)	Non-executive Director	Male	September 1965	July 2004 to June 2021	0	0	-	Yes
Zhu Weiming (朱璋明)	Non-executive Director	Male	March 1969	December 2016 to June 2021	0	0	-	Yes
Lou Ting (樓婷)	Non-executive Director	Female	October 1976	June 2015 to June 2021	0	0	-	Yes
Tong Benli (童本立)	Independent non-executive Director	Male	August 1950	June 2015 to June 2021	0	0	30.00	Yes
Dai Deming (戴德明)	Independent non-executive Director	Male	October 1962	June 2015 to June 2021	0	0	30.00	Yes
Liu Pak Wai (廖柏偉)	Independent non-executive Director	Male	January 1948	July 2015 to June 2021	0	0	30.00	Yes

Information on Directors, Supervisors, Senior Management, Employees And Institutions

Name	Position	Gender	Date of birth	Term of office	Number of Shares held at the beginning of period (Shares)	Number of Shares held at the end of period (Shares)	Remuneration Before taxes from the Company during the reporting period (RMB in ten thousand)	Whether remunerated by related parties of the Company
Zheng Jindu (鄭金都)	Independent non-executive Director	Male	July 1964	January 2016 to June 2021	0	0	30.00	Yes
Zhou Zhifang (周志方)	Independent non-executive Director	Male	December 1956	October 2018 to June 2021	0	0	30.00	No
Wang Guocai (王國才)	Independent non-executive Director	Male	November 1956	October 2018 to June 2021	0	0	30.00	No
Wang Wei (汪偉)	Independent non-executive Director	Male	August 1967	November 2020 to June 2021	0	0	2.50	Yes
Zhang Luyun (張魯芸)	Former Executive Director	Female	December 1961	January 2016 to June 2020	0	27,000	49.66	No
Huang Zhiming (黃志明)	Former Non-executive Director	Male	April 1976	October 2018 to November 2020	0	0	-	Yes
Wei Dongliang (韋東良)	Former Non-executive Director	Male	September 1974	October 2018 to November 2020	0	0	-	Yes
Xia Yongchao (夏永潮)	Former Non-executive Director	Male	February 1970	October 2018 to February 2020	0	0	-	Yes
Yuan Fang (袁放)	Former Independent non-executive Director	Male	March 1957	June 2015 to November 2020	0	0	27.50	Yes
Yu Jianqiang (于建強)	Shareholder Supervisor, Chairman of the Board of Supervisors	Male	March 1962	February 2015 to June 2021	0	110,000	239.95	No

Information on Directors, Supervisors, Senior Management, Employees And Institutions

Name	Position	Gender	Date of birth	Term of office	Number of Shares held at the beginning of period (Shares)	Number of Shares held at the end of period (Shares)	Remuneration Before taxes from the Company during the reporting period (RMB in ten thousand)	Whether remunerated by related parties of the Company
Zheng Jianming (鄭建明)	Employee Supervisor, Vice Chairman of the Board of Supervisors	Male	January 1973	February 2015 to June 2021	0	0	-	No
Pan Jianhua (潘建華)	Shareholder Supervisor	Male	May 1966	January 2021 to June 2021	0	0	-	Yes
Wang Chengliang (王成良)	Employee Supervisor	Male	June 1963	May 2017 to June 2021	0	0	-	No
Chen Zhongwei (陳忠偉)	Employee Supervisor	Male	September 1970	June 2018 to June 2021	0	0	-	No
Yuan Xiaoqiang (袁小強)	External Supervisor	Male	March 1963	February 2015 to June 2021	0	0	30.00	Yes
Wang Jun (王軍)	External Supervisor	Male	April 1970	February 2015 to June 2021	0	0	30.00	Yes
Huang Zuhui (黃祖輝)	External Supervisor	Male	June 1952	February 2015 to June 2021	0	0	30.00	Yes
Cheng Huifang (程惠芳)	External Supervisor	Female	September 1953	June 2016 to June 2021	0	0	30.00	Yes
Ge Meirong (葛梅榮)	Former Shareholder Supervisor	Male	September 1964	June 2018 to September 2020	0	0	-	Yes
Jiang Rong (姜戎)	Former Employee Supervisor	Male	December 1969	June 2018 to November 2020	0	0	-	No
Xu Manxuan (徐蔓萱)	Vice President	Male	October 1963	April 2016 to June 2021	0	604,300	213.31	No
Wu Jianwei (吳建偉)	Vice President	Male	February 1971	July 2016 to June 2021	0	627,900	212.38	No
Liu Long (劉龍)	Vice President, Secretary of the Board	Male	September 1965	April 2016 to June 2021 (Vice President) February 2015 to June 2021 (Secretary of the Board)	0	620,100	212.38	No

Information on Directors, Supervisors, Senior Management, Employees And Institutions

Name	Position	Gender	Date of birth	Term of office	Number of Shares held at the beginning of period (Shares)	Number of Shares held at the end of period (Shares)	Remuneration Before taxes from the Company during the reporting period (RMB in ten thousand)	Whether remunerated by related parties of the Company
Zhang Rongsen (張榮森)	Vice President, Prseident of Beijing Branch	Male	October 1968	April 2018 to June 2021 (Vice President)	0	332,000	214.11	No
Liu Guishan (劉貴山)	Vice President, Chief Risk Officer	Male	June 1963	October 2018 to July 2020 (Assistant to President, Chief Risk Officer) July 2020 to June 2021 (Vice President, Chief Risk Officer)	0	151,800	213.55	No
Chen Haiqiang (陳海強)	Vice President, President of Hangzhou Branch	Male	October 1974	October 2018 to July 2020 (Assistant to President) July 2020 to June 2021 (Vice President)	0	157,000	212.38	No
Luo Feng (駱峰)	Assistant to President, General Manager of Financial Market Department	Male	September 1979	May 2019 to June 2021 (Assistant to President)	0	150,300	176.50	No
Sheng Hongqing (盛宏清)	Assistant to President	Male	July 1971	May 2019 to June 2021	0	144,700	176.31	No
Song Shizheng (宋士正)	Chief Information Officer	Male	April 1964	December 2018 to January 2021	0	94,900	175.06	No
Jing Feng (景峰)	Chief Financial Officer, General Manager of Planning and Finance Department (Asset and Liability Management Department)	Male	December 1979	December 2018 to June 2021 (Chief Financial Officer)	0	150,000	174.58	No

Information on Directors, Supervisors, Senior Management, Employees And Institutions

Note:

Nomination of incumbent non-executive Directors of the fifth session of the Board of the Company is as follows: Wang Jian (Director) was nominated by Zhejiang Provincial Financial Holdings Co., Ltd. (shareholder); Ren Zhixiang (Director) was nominated by Zhejiang Provincial Energy Group Co., Ltd., Zhejiang Energy Capital Holdings Co., Ltd. (浙能資本控股有限公司), and Zhejiang Energy International Co., Ltd. (shareholders); Gao Qinhong (Director) was nominated by Zhejiang Hengyi Group Co., Ltd., Zhejiang Hengyi Petrochemical Co., Ltd. and Zhejiang Hengyi High-tech Material Co., Ltd. (shareholders); Hu Tiangao (Director) was nominated by Hengdian Group Holdings Limited (shareholder); Zhu Weiming (Director) was nominated by Zhejiang Provincial Seaport Investment & Operation Group Co., Ltd. and Zhejiang Seaport (Hong Kong) Co., Limited (shareholders); Lou Ting (Director) was nominated by Guangsha Holding Group Co., Ltd., Zhejiang Dongyang Third Construction Co., Ltd. and Zhejiang Guangsha Co., Ltd. (shareholders).

Nomination of incumbent shareholder Supervisors for the fifth session of the Board of Supervisors of the Company is as follows: Yu Jianqiang (Supervisor) was nominated by Minsheng Life Insurance Company Ltd.(shareholder); Pan Jianhua (Supervisor) was nominated by Zhejiang China Light & Textile Industrial City Group Co., Ltd. and Shaoxing City Kejiao District Development and Operation Co., Ltd. (shareholders).

On January 5, 2021, the first extraordinary general meeting of shareholders of the Company in 2021 considered and passed the appointment of Mr. Pan Jianhua as the shareholder supervisor of the fifth session of the Board of Supervisors, and such appointment would not be mentioned again in this annual report.

On January 5, 2021, the first interim meeting of the fifth session of the Board of Directors of the Company in 2021 agreed to dismiss Mr. Song Shizheng as the Chief Information Officer of the Company, and such dismissal would not be mentioned again in this annual report.

The Company's employee Supervisors receive their remuneration with respect to their posts as employees and do not receive any remuneration as employee Supervisors.

The time of the beginning of the term of Directors and senior management shall be subject to the approval time of the CBIRC, and shall be effective since the date of first appointment for reelected Directors, Supervisors and senior management.

The aggregate pre-tax remunerations of certain Directors, Chairman of the Board of Supervisors and senior management of the Company are still being verified, and the information about the pretax remunerations of other staff will be disclosed separately upon confirmation of payment.

Information on Directors, Supervisors, Senior Management, Employees And Institutions

2. Changes of Directors, Supervisors and senior management during the Reporting Period

Directors

Mr. Xia Yongchao resigned as a non-executive Director of the Company due to other work commitments on February 6, 2020, with effect from the date on which the resignation report is delivered to the Board of Directors of the Company.

Ms. Zhang Luyun resigned as an executive Director of the Company due to work arrangement on June 12, 2020, with effect from the date on which the resignation report is delivered to the Board of Directors of the Company.

Mr. Yuan Fang resigned as an independent non-executive Director, a member of Risk and Connected Transaction Control Committee and a member of Consumer Protection Committee of the Company due to other work commitments on November 30, 2020, with effect from the date on which the resignation report is delivered to the Board of Directors of the Company.

On November 27, 2020, the non-executive Director qualifications of Mr. Wang Jian and Mr. Ren Zhixiang were approved by the CBIRC, and they have duly performed their duties.

According to the resolutions of 2019 annual general meeting of shareholders of the Company, since the date when Mr. Wang Jian became a Director of the Company, Mr. Huang Zhiming ceased to serve as a Director of the Company, a member of the Strategy Committee and a member of the Inclusive Finance Development Committee. Meanwhile, since the date when Mr. Ren Zhixiang became a Director of the Company, Mr. Wei Dongliang ceased to serve as a Director of the Company, a member of the Strategy Committee and a member of the Inclusive Finance Development Committee.

On November 27, 2020, the independent non-executive Director qualifications of Mr. Wang Wei were approved by the CBIRC, and he has duly performed his duties.

Supervisors

On September 29, 2020, Mr. Ge Meirong ceased to be a shareholder Supervisor of the Company due to work adjustments.

On November 26, 2020, Mr. Jiang Rong ceased to be an employee Supervisor of the Company due to adjustment to internal positions.

Senior Management

On March 27, 2020, the eighth meeting of the fifth session of the Board of Directors of the Company agreed to appoint Mr. Liu Guishan and Mr. Chen Haiqiang as vice presidents of the Company. On July 3, 2020, the senior management qualifications of them for appointment as vice presidents of the Company were approved by the CBIRC, and they have duly performed their duties.

On November 26, 2020, the sixth interim meeting of the fifth session of the Board of Directors of the Company in 2020 agreed to appoint Mr. Jiang Rong as the Chief Audit Officer of the Company. After the qualification for appointment as one of the senior management being ratified of his eligibility by the CBIRC, Mr. Jiang Rong will perform his duties.

Information on Directors, Supervisors, Senior Management, Employees And Institutions

3. Posts held by incumbent Directors, Supervisors and Senior Management in shareholders and those resigned during the reporting period

Name	Name of shareholder	Position in shareholders	Date of Appointment	Date of Termination
Wang Jian	Zhejiang Provincial Financial Holdings Co., Ltd.	General manager of Financial Management Department	December 2019	to date
Wang Jian	Zhejiang China Light & Textile Industrial City Group Co., Ltd.	Deputy Chairman	May 2018	to date
Ren Zhixiang	Zhejiang Energy Capital Holdings Co., Ltd. (浙能資本控股有限公司)	General manager	October 2019	to date
Ren Zhixiang	Zhejiang Energy Capital Holdings Co., Ltd. (浙能資本控股有限公司)	Director	June 2020	to date
Gao Qinrong	Zhejiang Hengyi Group Co., Ltd.	Chief financial advisor	April 2012	to date
Hu Tiangao	Hengdian Group Holdings Limited	Director and Senior Vice President	September 1995	to date
Zhu Weiming	Zhejiang Provincial Seaport Investment & Operation Group Co., Ltd.	Director of the Financial Affairs Department	January 2017	November 2020
Zhu Weiming	Zhejiang Seaport (Hong Kong) Co., Limited	Director	November 2016	to date
Lou Ting	Guangsha Holding Group Co., Ltd.	Chief executive officer	September 2013	June 2020
Lou Ting	Zhejiang Guangsha Co., Ltd.	Deputy Chairman	December 2017	November 2020
Wei Dongliang	Zhejiang Energy Capital Holdings Co., Ltd. (浙能資本控股有限公司)	Director	December 2019	June 2020
Pan Jianhua	Zhejiang China Light & Textile Industrial City Group Co., Ltd.	Secretary of the party committee	September 2020	to date
Pan Jianhua	Zhejiang China Light & Textile Industrial City Group Co., Ltd.	Chairman	November 2020	to date
Ge Meirong	Zhejiang China Light & Textile Industrial City Group Co., Ltd.	Secretary of the party committee	April 2018	September 2020
Ge Meirong	Zhejiang China Light & Textile Industrial City Group Co., Ltd.	Chairman	May 2018	September 2020
Cheng Huifang	Zhejiang China Light & Textile Industrial City Group Co., Ltd.	Independent Director	October 2020	to date

Information on Directors, Supervisors, Senior Management, Employees And Institutions

4. Posts held by incumbent Directors, Supervisors and Senior Management in other companies and those resigned during the reporting period

Name	Name of other companies	Position in other companies	Date of Appointment	Date of Termination
Wang Jian	Taiping Science and Technology Insurance Co., Ltd. (太平科技保險股份有限公司)	Director	October 2018	to date
Wang Jian	Wanxiang Trust Co., Ltd. (萬向信託股份公司)	Director	May 2018	to date
Wang Jian	Tiandao Fintech Co., Ltd. (天道金科股份有限公司)	Chairman	February 2020	to date
Wang Jian	Yongan Futures Co., Ltd. (永安期貨股份有限公司)	Director	October 2019	to date
Ren Zhixiang	Zhejiang Fu Zhe Investment Co., Ltd. (浙江富浙投資有限公司)	Director	April 2020	to date
Hu Tiangao	Hengdian Group DMEGC Magnetics Co., Ltd. (橫店集團東磁股份有限公司)	Director	March 2008	to date
Hu Tiangao	Apeloa Pharmaceutical Co., Ltd. (普洛藥業股份有限公司)	Director	May 2008	to date
Hu Tiangao	Innuovo Technology Co., Ltd. (英洛華科技股份有限公司)	Director	April 2011	to date
Hu Tiangao	Hengdian Group Tospo Lighting Co., Ltd. (橫店集團得邦照明股份有限公司)	Director	January 2013	to date
Hu Tiangao	Hengdian Entertainment Co., Ltd. (橫店影視股份有限公司)	Director	June 2015	to date
Zhu Weiming	Ningbo Zhoushan Port Group Co., Ltd. (寧波舟山港集團有限公司)	Supervisor	January 2020	to date
Zhu Weiming	Zhejiang Seaport Asset Management Co., Limited (浙江海港資產管理有限公司)	Chairman	April 2016	to date
Zhu Weiming	Zhejiang Seaport Asset Management Co., Limited (浙江海港資產管理有限公司)	General manager	November 2020	to date
Zhu Weiming	Zhejiang Seaport Group Finance Co., Ltd. (浙江海港集團財務有限公司)	Chairman	January 2020	to date
Zhu Weiming	Zhejiang Seaport Bulk Commodity Exchange Co., Ltd. (浙江海港大宗商品交易中心有限公司)	Chairman	November 2016	to date
Zhu Weiming	Zhejiang Seaport Asset Finance Investment Management Co., Ltd. (浙江海港產融投資管理有限公司)	Director	July 2016	to date
Zhu Weiming	Zhejiang Touden Port Investment & Development Co., Ltd. (浙江頭門港投資開發有限公司)	Director	July 2016	to date
Zhu Weiming	Zhejiang Seaport Dushan Port Affairs Co., Ltd. (浙江海港獨山港務有限公司)	Director	June 2016	to date
Zhu Weiming	Zhejiang Fu Zhe Investment Co., Ltd. (浙江富浙投資有限公司)	Director	November 2016	to date

Information on Directors, Supervisors, Senior Management, Employees And Institutions

Name	Name of other companies	Position in other companies	Date of Appointment	Date of Termination
Zhu Weiming	Ningbo Commerce Bank Company Limited (寧波通商銀行股份有限公司)	Director	June 2018	October 2020
Zhu Weiming	Donghai Marine Insurance Company Limited (東海航運保險股份有限公司)	Director	June 2018	to date
Zhu Weiming	Donghai Marine Insurance Company Limited (東海航運保險股份有限公司)	Deputy Chairman	January 2019	to date
Zhu Weiming	Zhejiang Zhegang Trading Co., Ltd. (浙江浙港商貿有限公司)	Chairman	January 2019	to date
Zhu Weiming	Ningbo Shipping Exchange Co., Ltd. (寧波航運交易所有限公司)	Chairman	February 2019	to date
Tong Benli	Hangzhou Jiebai Group Co., Limited (杭州解百集團股份有限公司)	Independent non-executive director	May 2014	to date
Tong Benli	Zhejiang Zhengyuan Zhihui Technology Co., Ltd. (浙江正元智慧科技股份有限公司)	Independent non-executive director	March 2015	to date
Tong Benli	Zhejiang Pujiang Rural Commercial Bank Co., Ltd. (浙江浦江農村商業銀行股份有限公司)	Independent non-executive director	December 2016	to date
Tong Benli	Zhejiang Anglikang Pharmaceutical Co., Ltd. (浙江昂利康製藥股份有限公司)	Independent non-executive director	October 2014	December 2020
Dai Deming	Haier Smart Home Co., Ltd. (海爾智家股份有限公司)	Independent non-executive director	June 2015	to date
Dai Deming	BOC Aviation Limited (中銀航空租賃有限公司)	Independent non-executive director	May 2016	to date
Dai Deming	China Securities Co., Ltd. (中信建投證券股份有限公司)	Independent non-executive director	August 2016	to date
Dai Deming	Power Construction Corporation of China (中國電力建設股份有限公司)	Independent non-executive director	March 2018	to date
Dai Deming	Poly Developments and Holdings Group Co., Ltd. (保利發展控股集團股份有限公司)	Independent non-executive director	September 2018	to date
Dai Deming	Accounting Society of China	Vice chairman	September 2004	to date
Dai Deming	Renmin University of China	Professor	July 1996	to date
Liu Pak Wai	Transport International Holdings Limited (載通國際控股有限公司)	Independent non-executive director	September 2011	to date
Liu Pak Wai	Hang Lung Group Limited (恒隆集團有限公司)	Independent non-executive director	March 2015	to date
Liu Pak Wai	Shenzhen Finance Institute	Council member	January 2017	to date
Liu Pak Wai	Lau Chor Tak Institute of Global Economics and Finance, the Chinese University of Hong Kong	Research professor	August 2013	to date
Liu Pak Wai	Hong Kong Institute for Monetary and Financial Research	Director	March 2003	to date
Zheng Jindu	Zhejiang L&H Law Firm (浙江六和律師事務所)	Director and partner	December 1998	to date
Zheng Jindu	Hangzhou Shenhao Technology Co., Ltd. (杭州申昊科技股份有限公司)	Independent non-executive director	August 2014	to date

Information on Directors, Supervisors, Senior Management, Employees And Institutions

Name	Name of other companies	Position in other companies	Date of Appointment	Date of Termination
Zheng Jindu	Sundy Land Investment Co., Ltd. (宋都基業投資股份有限公司)	Independent non-executive director	April 2016	to date
Zheng Jindu	Wonderful-wall Materials Co., Ltd. (墻煌新材料股份有限公司)	Independent non-executive director	April 2016	to date
Zheng Jindu	Hangzhou United Rural Commercial Bank Co. Ltd. (杭州聯合農村商業銀行股份有限公司)	Independent non-executive director	October 2018	to date
Zheng Jindu	Sanmen Chamber of Commerce in Hangzhou	President	March 2014	to date
Zheng Jindu	Zhejiang Lawyers Association (浙江省律師協會)	President of Tenth Council	June 2019	to date
Zheng Jindu	Zhejiang Law Society	Vice-president of the 7th Council	November 2015	to date
Zheng Jindu	All China Lawyers Association (中華全國律師協會)	Managing director of the 9th Council	April 2016	to date
Zheng Jindu	Zhejiang Federation of Industry and Commerce	Member of the 11th Advisory Committee	July 2017	to date
Zheng Jindu	CPPCC National Committee of Zhejiang Province	Member of the 12th committee	January 2018	to date
Wang Wei	Zhejiang University	Professor	August 1990	to date
Wang Wei	Academy of Financial Research, Zhejiang Province	President	September 2017	to date
Wang Wei	Zhejiang Association for Financial Development	Executive vice president	June 2013	to date
Wang Wei	Caitong Securities Co., Ltd. (財通證券股份有限公司)	Independent non-executive director	June 2015	to date
Wang Wei	Anhui Jiangnan Chemical Industry Co., Ltd. (安徽江南化工股份有限公司)	Independent non-executive director	April 2018	to date
Wang Wei	Betta Pharmaceutical Co., Ltd. (貝達藥業股份有限公司)	Independent non-executive director	November 2019	to date
Wang Wei	Sunwave Communications Co., Ltd. (三維通信股份有限公司)	Independent non-executive director	January 2020	to date
Wang Wei	Zhejiang MYbank Co., Ltd. (浙江網商銀行股份有限公司)	Independent non-executive director	April 2019	to date
Wang Wei	Wanxiang Trust Co., Ltd. (萬向信託股份公司)	Independent non-executive director	April 2017	to date
Wang Wei	Zhejiang Yuhuang Shannan Investment Management Co., Ltd. (浙江玉皇山南投資管理有限公司)	Independent non-executive director	October 2014	to date
Wang Wei	Hangzhou Xin'an River Qiandao Lake Basin Industrial Investment Fund Management Co., Ltd. (杭州新安江千島湖流域產業投資基金管理有限公司)	Independent non-executive director	December 2016	to date
Wang Wei	Hangzhou Yunting Data Technology Co., Ltd. (杭州雲庭數據科技有限公司)	Independent non-executive director	May 2019	to date
Wang Wei	Bank of Wenzhou Co., Ltd. (溫州銀行股份有限公司)	External Supervisor	November 2018	to date
Wang Wei	Hangzhou Harbour Asset Management Co., Ltd. (杭州港灣資產管理有限公司)	Supervisor	June 2017	to date

Information on Directors, Supervisors, Senior Management, Employees And Institutions

Name	Name of other companies	Position in other companies	Date of Appointment	Date of Termination
Huang Zhiming	Yongan Futures Co., Ltd. (永安期貨股份有限公司)	Member of the CPC committee and vice general manager	October 2019	to date
Huang Zhiming	Yongan Guofu Asset Management Co., Ltd. (永安國富資產管理有限公司)	Director	November 2019	to date
Huang Zhiming	Zhejiang Yongan Capital Management Co., Ltd. (浙江永安資本管理有限公司)	Chairman	November 2020	to date
Wei Dongliang	Zheneng Jinjiang Environment Holding Company Limited (浙能錦江環境控股有限公司)	Chairman	September 2019	to date
Wei Dongliang	Hangzhou Jinhuan Investment Company Limited (杭州錦環投資有限公司)	Chairman	September 2019	to date
Wei Dongliang	Zhejiang Zheneng Investment Management Co., Ltd. (浙江浙能投資管理有限公司)	Executive director	June 2017	March 2020
Xia Yongchao	Sinatay Life Insurance Co., Ltd. (信泰人壽保險股份有限公司)	Deputy Chairman	November 2006	to date
Xia Yongchao	Zhejiang Lingyan Capital Management Co., Ltd. (浙江領雁資本管理有限公司)	Chairman	December 2015	to date
Xia Yongchao	Zhejiang Shaoxing Ruifeng Rural Commercial Bank Co., Ltd. (浙江紹興瑞豐農村商業銀行股份有限公司)	Director	April 2017	to date
Xia Yongchao	Shaoxing Shaoneng Power Investment Co., Ltd. (紹興紹能電力投資有限公司)	Director	July 2006	to date
Xia Yongchao	Shaoxing Longshan Saibole Venture Investment Co., Ltd. (紹興龍山賽伯樂投資有限公司)	Director	August 2008	to date
Xia Yongchao	Shanghai Lingyi Business Consulting Co., Ltd. (上海領耀商務諮詢有限公司)	Executive director	March 2017	to date
Xia Yongchao	Zhejiang Yongrong Finance Leasing Co., Ltd. (浙江永融融資租賃有限公司)	Executive director	December 2017	to date
Xia Yongchao	Shaoxing Keqiao Huiyou Trading Co., Ltd. (紹興柯橋匯友貿易有限公司)	Supervisor	December 2010	to date
Xia Yongchao	Zhejiang Yongli Warp Knitting Co., Ltd. (浙江永利經編股份有限公司)	Director	November 1997	to date
Xia Yongchao	Guizhou Yongan Finance Holdings Co., Ltd. (貴州永安金融控股股份有限公司)	Director	March 2015	to date

Information on Directors, Supervisors, Senior Management, Employees And Institutions

Name	Name of other companies	Position in other companies	Date of Appointment	Date of Termination
Yuan Fang	Myshare Bank of Wanzhou (溫州民商銀行)	Independent non-executive director	August 2015	to date
Yuan Fang	Zhejiang Qiantangjiang Jinyanyuan Consultation Co., Ltd. (浙江錢塘江金研院諮詢股份有限公司)	Chairman of the Supervisory Committee	July 2017	to date
Yu Jianqiang	Federation of automobile & Motorcycle Sports of Zhejiang	Vice chairman	June 2014	to date
Yu Jianqiang	Zhejiang Boshiwa Enterprise Development Co., Ltd. (浙江博士蛙企業發展有限公司)	Chairman and General manager	October 2011	to date
Yuan Xiaoqiang	Zhonghui (Zhejiang) Tax Agency (中匯(浙江)稅務師事務所有限公司)	Legal representative, general manager and Chairman	October 2019	to date
Yuan Xiaoqiang	Hangzhou Sidu Investment and Consultation Co., Ltd. (杭州思渡投資諮詢有限公司)	Director	May 2017	to date
Yuan Xiaoqiang	Zhejiang Kaibei Investment and Consultation Co., Ltd. (浙江凱貝投資諮詢有限公司)	Director	January 2018	to date
Yuan Xiaoqiang	Hangzhou Zhonghui Education Consulting Co., Ltd. (杭州中匯教育諮詢有限公司)	Legal representative and chairman	February 2019	to date
Yuan Xiaoqiang	Zhonghui Taxation Consulting Co., Ltd. (中匯稅務股份諮詢有限公司)	General manager and Director	May 2018	to date
Wang Jun	Zhongyuan Bank Co., Ltd. (中原銀行股份有限公司)	Chief economist	November 2017	to date
Wang Jun	China Kings Resources Group Co., Ltd. (金石資源集團股份有限公司)	Independent Director	December 2018	to date
Wang Jun	Asia-Potash International Investment (Guangzhou) Co., Ltd. (亞鉀國際投資(廣州)股份有限公司)	Independent Director	January 2020	to date
Cheng Huifang	Hangzhou Hikvision Digital Technology Co., Ltd. (杭州海康威視數字技術股份有限公司)	External supervisor and chairman of the board of supervisors	March 2016	March 2021
Cheng Huifang	Hangzhou Hangyang Co., Ltd. (杭州杭氧股份有限公司)	Independent Director	January 2015	to date
Cheng Huifang	Zhejiang Huace Film & TV Co., Ltd. (浙江華策影視股份有限公司)	Independent Director	June 2016	to date
Cheng Huifang	Zhejiang Furun Co., Ltd. (浙江富潤股份有限公司)	Independent Director	April 2014	to date
Cheng Huifang	Quzhou NGF Chemicals Co., Ltd. (衢州南高峰化工有限公司)	Independent Director	January 2017	to date
Chen Zhongwei	Zhejiang Zheyin Financial Leasing Co., Ltd. (浙江浙銀金融租賃股份有限公司)	Supervisor	June 2020	to date

Information on Directors, Supervisors, Senior Management, Employees And Institutions

5. Profile of Directors, Supervisors and senior management and information of their concurrent post

Directors

Shen Renkang (沈仁康)

Mr. Shen Renkang is currently the secretary of the Communist Party of China (“CPC”) committee, chairman of the Board and executive Director of the Company. He holds a postgraduate degree and is a senior economist. Mr. Shen had successively held the posts of member of the CPC standing committee, vice county chief, vice county secretary of CPC committee, acting county chief and county chief of Qingtian County, Zhejiang; he served as the vice mayor of Lishui City, Zhejiang and successively held the position of vice mayor and CPC working committee secretary of management committee of Lishui Economic Development Zone; member of the standing committee of Lishui City, Zhejiang, vice mayor and CPC working committee secretary of management committee of Lishui Economic Development Zone; member of the standing committee of Lishui City, Zhejiang and vice mayor as well as the deputy secretary of the municipal CPC committee of Lishui City and politics and law committee secretary in the municipal CPC committee of Lishui City; and he also served as deputy secretary of municipal CPC committee, acting mayor and mayor of Quzhou City, Zhejiang Province.

Xu Renyan (徐仁艷)

Mr. Xu Renyan is currently the deputy secretary of the CPC committee, executive Director and president of the Company, He holds a postgraduate degree and is a senior accountant and certified tax agent. Mr. Xu had successively held positions of the deputy section chief and the section chief of financial section, accounting department, Zhejiang provincial branch of PBOC; vice director of accounting department, Zhejiang provincial branch of PBOC; vice director and director of accounting and financial department, Hangzhou central branch, PBOC; a member of the CPC committee and vice president of Hangzhou central branch, PBOC; a member of the CPC committee and vice president of China Zheshang Bank Co., Ltd. and concurrently held the position of director and chairman of Zhejiang Zheyin Financial Leasing Co., Ltd..

Wang Jian (王建)

Mr. Wang Jian is currently a non-executive Director of the Company. He holds a master’s degree. Mr. Wang served as a consultant at Huaxin Post and Telecommunications Design and Consulting Research Institute Co., Ltd. (華信郵電設計諮詢研究院有限公司), an investment manager at Zhejiang Zhongda Group Investment Co., Ltd. (浙江中大集團投資有限公司), the assistant director, deputy director and director at Zhejiang Materials Zhongda Yuantong Group Co., Ltd. (浙江物產中大元通集團股份有限公司), the deputy general manager of the financial industry department at Materials Zhongda Group Co., Ltd. (物產中大集團股份有限公司), the deputy general manager of the financial management department at Zhejiang Financial Holding Co., Ltd. (浙江省金融控股有限公司). He currently serves as the general manager of the financial management department at Zhejiang Financial Holding Co., Ltd. (浙江省金融控股有限公司).

Information on Directors, Supervisors, Senior Management, Employees And Institutions

Ren Zhixiang (任志祥)

Mr. Ren Zhixiang is currently a non-executive Director of the Company. He holds a Doctoral degree and is a senior economist. Mr. Ren worked as the deputy general manager of Investment Banking Department of Zhejiang International Trust and Investment Co., Ltd. (浙江省國際信託投資有限責任公司), senior director of Asset Management Department and chief economist of Strategic Research and Legal Affairs Department of Zhejiang Provincial Energy Group Co., Ltd. (浙江省能源集團有限公司), as well as chief economist, deputy director and director of Strategic Management and Legal Department of Zhejiang Provincial Energy Group Co., Ltd.. He currently serves as the general manager and deputy secretary of the CPC committee of Zhejiang Energy Capital Holdings Co., Ltd. (浙能資本控股有限公司).

Gao Qinhong (高勤紅)

Ms. Gao Qinhong is currently a non-executive Director of the Company. She holds a postgraduate degree and is a senior economist. Ms. Gao worked as accountant and credit manager of Xiaoshan branch of Industrial and Commercial Bank of China. She also served as accountant and credit manager of Zhejiang provincial branch of Industrial and Commercial Bank of China; section chief of credit and loan section and division-level inspector of Hangzhou branch and vice president of Wulin sub-branch, Shanghai Pudong Development Bank Co., Ltd.; vice general manager and chief financial officer and director of Zhejiang Hengyi Group Co., Ltd. and director of Hengyi Petrochemical Co., Ltd. (恒逸石化股份有限公司). She currently serves as chief financial advisor of Zhejiang Hengyi Group Co., Ltd..

Hu Tiangao (胡天高)

Mr. Hu Tiangao is currently a non-executive Director of the Company. He holds an EMBA degree and is a senior economist. Mr. Hu served as vice president of Dongyang sub-branch, Bank of China. He is currently a director and senior vice president of Hengdian Group Holdings Limited; director of Hengdian Group DMEGC Magnetics Co., Ltd. (橫店集團東磁股份有限公司); director of Apelo Pharmaceutical Co., Ltd. (普洛藥業股份有限公司); director of Innuovo Technology Co., Ltd. (英洛華科技股份有限公司); director of Hengdian Group Tospo Lighting Co., Ltd. (橫店集團得邦照明股份有限公司) and director of Hengdian Entertainment Co., Ltd. (橫店影視股份有限公司).

Zhu Weiming (朱瑋明)

Mr. Zhu Weiming is currently a non-executive Director of the Company. He holds a postgraduate degree. Mr. Zhu successively held the positions of vice director and director of the general manager service department at Jiaying Power Generation Co., Ltd.; vice general manager and secretary of the board for Zhejiang Southeast Electric Power Company Limited; vice general manager at Zhoushan Marine Comprehensive Development and Investment Co., Ltd.; vice director of the investment and development department at Zhejiang Marine Development & Investment Group Co., Ltd.; vice director of the investment and development department, vice director and director of the finance and asset management department as well as director of Financial Affairs Department at Zhejiang Provincial Seaport Investment & Operation Group Co., Ltd.. He is currently the chairman and general manager of Zhejiang Seaport Asset Management Co., Limited (浙江海港資產管理有限公司); chairman of Zhejiang Seaport Bulk Commodity Exchange Co., Ltd. (浙江海港大宗商品交易中心有限公司), Zhejiang Zhegang Trading Co., Ltd. (浙江浙港商貿有限公司), Ningbo Shipping Exchange Co., Ltd. (寧波航運交易所有限公司) and Zhejiang Seaport Group Finance Co., Ltd. (浙江海港集團財務有限公司), vice chairman of Donghai Marine Insurance Company Limited (東海航運保險股份有限公司), as well as director of Zhejiang Seaport (Hong Kong) Co., Limited.

Information on Directors, Supervisors, Senior Management, Employees And Institutions

Lou Ting (樓婷)

Ms. Lou Ting is currently a non-executive Director of the Company. She holds an undergraduate degree and is an intermediary financial economist. Ms. Lou held several positions in Jinhua branch of Bank of Communications Co., Ltd. (交通銀行股份有限公司), including assistant manager of business department I, assistant manager of operating department, manager of business and sales department III, vice general manager of international business department and business development department, manager of Jindong District and Dongyang District's regional business development department III and president of Dongyang sub-branch, as well as the chief executive officer of Guangsha Holding Group Co., Ltd. and vice chairman of Zhejiang Guangsha Co., Ltd..

Tong Benli (童本立)

Mr. Tong Benli is currently an independent non-executive Director of the Company. He holds a postgraduate degree and is a professor and a senior accountant. Mr. Tong held the position of division chief of budget division of Zhejiang Provincial Department of Finance; associate dean, dean and secretary of CPC committee of Zhejiang College of Finance & Economics (now known as Zhejiang University of Finance and Economics); independent non-executive director of Zhejiang Medicine Co., Ltd. (浙江醫藥股份有限公司), Hangzhou Sunyard System Engineering Co., Ltd. (杭州信雅達系統工程股份有限公司), Zhejiang Narada Power Source Co., Ltd. (浙江南都電源動力股份有限公司), Soyea Technology Co., Ltd. (數源科技股份有限公司), Zhejiang Reclaim Construction Group Co., Ltd. (浙江省圍海建設集團股份有限公司), Hangzhou Changqiao Travelling Investment Co., Ltd. (杭州長喬旅遊投資集團股份有限公司), Zhejiang Anglikang Pharmaceutical Co., Ltd. (浙江昂利康製藥股份有限公司) and Hangzhou Jiebai Group Co., Limited (杭州解百集團股份有限公司) respectively. Mr. Tong is currently an independent non-executive director of Zhejiang Zhengyuan Zhihui Technology Co., Ltd. (浙江正元智慧科技股份有限公司) and Zhejiang Pujiang Rural Commercial Bank Co., Ltd. (浙江浦江農村商業銀行股份有限公司) respectively.

Dai Deming (戴德明)

Mr. Dai Deming is currently an independent non-executive Director of the Company. He holds a doctoral degree and is a professor. Mr. Dai has been teaching at the accounting department of Renmin University of China, being a lecturer, associate professor and professor successively. Mr. Dai was an independent non-executive director of CRRC Corporation Limited (中國南車股份有限公司), Shanxi Taigang Stainless Steel Co., Ltd. (山西太鋼不銹鋼股份有限公司), and Beijing Capital Development Co., Ltd. (北京首都開發股份有限公司) respectively. He currently serves as vice chairman of Accounting Society of China and independent non-executive director of Haier Smart Home Co., Ltd. (海爾智家股份有限公司), BOC Aviation Limited, China Securities Co., Ltd. (中信建投證券股份有限公司), Power Construction Corporation of China, and Poly Developments and Holdings Group Co., Ltd..

Information on Directors, Supervisors, Senior Management, Employees And Institutions

Liu Pak Wai (廖柏偉)

Mr. Liu Pak Wai is currently an independent non-executive Director of the Company. He holds a doctoral degree and is a professor. Mr. Liu has been teaching at the Chinese University of Hong Kong, being a lecturer, senior lecturer, professor and chair professor of the Chinese University of Hong Kong successively, during which, he also worked as pro-vice chancellor of the Chinese University of Hong Kong. He served as director of Institute of Global Economics and Finance, the Chinese University of Hong Kong, and an independent non-executive director of Hang Lung Properties Limited (恒隆地產有限公司). Mr. Liu now works as a professor of Lau Chor Tak Institute of Global Economics and Finance, the Chinese University of Hong Kong, a director of Hong Kong Institute of Monetary and Financial Research under the Hong Kong Monetary Authority, an independent non-executive director of Transport International Holdings Limited (載通國際控股有限公司) and Hang Lung Group Limited (恒隆集團有限公司) respectively; and a council member of Shenzhen Finance Institute. Mr. Liu was awarded the Hong Kong Silver Bauhinia Star in 1999 and was appointed Hong Kong Justice of the Peace in 2006.

Zheng Jindu (鄭金都)

Mr. Zheng Jindu is currently an independent non-executive Director of the Company. He holds a postgraduate degree and is a qualified first grade lawyer. Mr. Zheng was a lecturer at the Faculty of Law of Hangzhou University (now known as Zhejiang University), a vice director and partner of Zhejiang Guoqiang Law Firm (浙江國強律師事務所) and an independent non-executive director of Changjiang & Jingong Steel Building (Group) Co., Ltd. (長江精工鋼結構集團股份有限公司). Mr. Zheng is currently a director and partner of Zhejiang L&H Law Firm (浙江六和律師事務所) and he is also the managing director of Ninth Council of All China Lawyers Association (中華全國律師協會), the member of the 12th CPPCC National Committee of Zhejiang Province, the president of Tenth Council of Zhejiang Lawyers Association (浙江省律師協會), the vice-president of Seventh Council of Zhejiang Law Society and the president of Sanmen Chamber of Commerce in Hangzhou. He serves as an independent non-executive director of Hangzhou United Rural Commercial Bank Co. Ltd., Sundry Land Investment Co., Ltd. (宋都基業投資股份有限公司), Hangzhou Shenhao Information Technology Co., Ltd. (杭州申昊信息科技股份有限公司) and Wonderful-wall Materials Co., Ltd. (墻煌新材料股份有限公司).

Zhou Zhifang (周志方)

Mr. Zhou Zhifang is currently an independent non-executive Director of the Company. He is a senior economist, with an undergraduate degree. Mr. Zhou held the posts of deputy unit chief at People's Bank of China, Jiangshan Sub-branch; deputy unit chief at Industrial and Commercial Bank of China, Jiangshan Sub-branch; director at the business department and the savings department, vice president, member of the CPC committee, leader of the discipline inspection team, deputy secretary of the CPC committee, vice president (in charge), secretary of the CPC committee and president of Industrial and Commercial Bank of China, Quzhou Branch; vice president and member of the CPC committee of Industrial and Commercial Bank of China, Jiangxi Branch; vice president, member of the CPC committee, and general manager and secretary of the CPC committee of the business department of Guangdong Branch of Industrial and Commercial Bank of China; president and secretary of the CPC committee of Ningbo Branch of Industrial and Commercial Bank of China; director of Shanghai Branch of the Internal Audit Bureau of Industrial and Commercial Bank of China; and senior expert (at president level) of Zhejiang Branch of Industrial and Commercial Bank of China of during which he acted as leader of the third inspection team in the head office of Industrial and Commercial Bank of China.

Information on Directors, Supervisors, Senior Management, Employees And Institutions

Wang Guocai (王國才)

Mr. Wang Guocai is currently an independent non-executive Director of the Company. He is a senior economist, with an undergraduate degree. Mr. Wang held the posts of vice president and president of Yuhuan Sub-branch of Industrial and Commercial Bank of China; president of Wenling Sub-branch of Industrial and Commercial Bank of China; vice president and president of Taizhou Branch of Industrial and Commercial Bank of China; and expert of Zhejiang Provincial Branch of Industrial and Commercial Bank of China.

Wang Wei (汪偉)

Mr. Wang Wei is currently an independent non-executive Director of the Company. He holds a doctoral degree and is a professor. Mr. Wang has been teaching at School of Economics, Zhejiang University, being a lecturer, associate professor, professor successively. He served as the deputy dean and deputy director of the Academic Committee of School of Economics, Zhejiang University and the executive dean of Institute of Finance, Zhejiang University. He currently serves as a professor and doctoral supervisor of School of Economics, Zhejiang University; the chief expert of Institute of Finance, Zhejiang University; the executive vice president of Zhejiang Financial Industry Development Promotion Association (浙江省金融業發展促進會); the president of Academy of Financial Research, Zhejiang Province (浙江省金融研究院); an independent non-executive Director of Caitong Securities Co., Ltd. (財通證券股份有限公司), Anhui Jiangnan Chemical Industry Co., Ltd. (安徽江南化工股份有限公司), Zhejiang MYbank Co., Ltd. (浙江網商銀行股份有限公司), Betta Pharmaceutical Co., Ltd. (貝達藥業股份有限公司), Sunwave Communications Co., Ltd. (三維通信股份有限公司), China Electronics Investment Holdings Co., Ltd. (中國電子投資控股有限公司), Zhejiang Yuhuang Shannan Investment Management Co., Ltd. (浙江玉皇山南投資管理有限公司), Hangzhou Xin'an River Qiandao Lake Basin Industrial Investment Fund Management Co., Ltd. (杭州新安江千島湖流域產業投資基金管理有限公司), Wanxiang Trust Co., Ltd. (萬向信託股份公司) and Hangzhou Yunting Data Technology Co., Ltd. (杭州雲庭數據科技有限公司); and an external supervisor of Bank of Wenzhou Co., Ltd. (溫州銀行股份有限公司) and a supervisor of Hangzhou Harbour Asset Management Co., Ltd. (杭州港灣資產管理有限公司).

Supervisors

Yu Jianqiang (于建強)

Mr. Yu Jianqiang is currently the chairman of the Board of Supervisors and a shareholder Supervisor of the Company. He holds a postgraduate degree. Mr. Yu worked successively in the Communist Youth League of Zhejiang Provincial CPC Committee as vice minister in propaganda department and the head of United Front Work Department. He also served as general secretary and vice chairman of Zhejiang Youth United Association. He successively worked as vice section chief and chief in the Office of the Food and Drug Administration of Zhejiang (during which period he concurrently worked as director of the planning and finance department from October 2003 to December 2005); and assistant to the chief executive officer of Minsheng Life Insurance Company Ltd. (民生人壽保險股份有限公司).

Zheng Jianming (鄭建明)

Mr. Zheng Jianming is currently the vice chairman of the Board of Supervisors and employee Supervisor. He holds a postgraduate degree and is an economist. Mr. Zheng successively worked as the office secretary and vice director of Zhejiang provincial branch of PBOC, and office secretary and vice director of the secretary section of Hangzhou Central Branch of PBOC. He successively held the positions of vice division chief and secretary at director level in the General Office of the People's Government of Zhejiang Province. He currently works as the director of the Board of Supervisors Office.

Information on Directors, Supervisors, Senior Management, Employees And Institutions

Pan Jianhua (潘建華)

Mr. Pan Jianhua is currently a shareholder Supervisor of the Company. Mr. Pan holds a bachelor's degree. Mr. Pan has previously served as a teacher of Taoli Secondary School and Qixian Town Secondary School in Shaoxing County, Shaoxing; league branch secretary of Dahe Secondary School in Shaoxing County; leader of the chemistry teaching and research group of Qixian District; the dean and vice president of Ma'an Town Secondary School in Shaoxing County; president and party branch secretary of Ma'an Town Adult Culture and Technical School, Anchang Town Secondary School and Qixian Town Secondary School in Shaoxing County; director of the education management office and party branch secretary in charge of education in Anchang Town, Shaoxing County; deputy director of urban construction administrative committee office in Pingshui Town, Shaoxing County; member of the party committee and deputy chief of Pingshui Town, Shaoxing County, Shaoxing; deputy party secretary in Anchang Town, Shaoxing County; deputy director of the education and sports bureau in Keqiao District, Shaoxing; party branch secretary and director of the exhibition industry development office in Keqiao District, Shaoxing; party branch secretary and director of the exhibition industry development centre in Keqiao District; and member of the party working committee of China Textile City in Keqiao District. He is currently the secretary of the party committee and chairman of Zhejiang China Light & Textile Industrial City Group Co., Ltd.

Wang Chengliang (王成良)

Mr. Wang Chengliang is currently an employee Supervisor of the Company. He holds a postgraduate degree and is a senior economist. Mr. Wang worked at Wenzhou Branch of the People's Bank of China, and successively held the positions of Vice Chief of Planning Subsection of Wenzhou Branch, Vice President of Ouhai County Sub-Branch and Wenzhou Chengnan Sub-Branch, Chief of Planning Division and the first Business Division of Wenzhou Branch, and President of Wenzhou Wuma Sub-Branch of the ICBC; Vice President and President of Wenzhou Branch of the China Guangfa Bank; General Manager of Wenzhou Business Department, and secretary of the party committee and President of Wenzhou branch of China Zheshang Bank. He currently serves as member of the CPC committee, head of the organization department of the CPC committee and General Manager of the HR Department of the Company.

Chen Zhongwei (陳忠偉)

Mr. Chen Zhongwei is currently an employee Supervisor of the Company. He holds an undergraduate degree and is an economist. Mr. Chen used to work as chief of the business and system sections at the credit division at Zhejiang Branch of Industrial and Commercial Bank of China; general manager of the risk management department and the corporate department at Hangzhou Branch of China Everbright Bank; risk director (assistant to president) and member of the CPC committee at Shanghai Branch of China Everbright Bank; risk director (vice president) and member of the CPC committee at Suzhou Branch of China Everbright Bank; as well as deputy general manager of the credit review department of the Bank (in charge of relevant work). Mr. Chen currently works as general manager of the internal control, compliance and legal affairs department of the Company and supervisor of Zhejiang Zheyin Financial Leasing Co., Ltd. (浙江浙銀金融租賃股份有限公司).

Information on Directors, Supervisors, Senior Management, Employees And Institutions

Yuan Xiaoqiang (袁小強)

Mr. Yuan Xiaoqiang is currently an external Supervisor of the Company. He holds a postgraduate degree and is a registered tax agent, senior accountant and certified public accountant. Mr. Yuan served as the vice director of Hangzhou Tax Agency of Zhejiang. He is currently a senior partner of Zhonghui Tax Agency and Zhonghui Accounting Firm. Mr. Yuan is also a member of Standing Committee of the People's Congress of Zhejiang Province, executive director of the Chinese Certified Tax Agents Association, vice chairman and director of the Standards Committee of Certified Tax Agents Association of Zhejiang and vice chairman of Zhejiang Province Intellectuals Fellowship, and the director of Zhejiang Kaibei Investment and Consultation Co., Ltd. (浙江凱貝投資諮詢有限公司) and Hangzhou Sidu Investment and Consultation Co., Ltd. (杭州思渡投資諮詢有限公司).

Wang Jun (王軍)

Mr. Wang Jun is currently an external Supervisor of the Company. He is a postdoctorate and a researcher. Mr. Wang worked at Central Policy Research Office of the CPC and served as vice division chief and division chief; director of macroeconomic research division, vice director (in charge) of consultation research department, vice director (in charge), director of information department of China Center for International Economic Exchanges. He is currently a chief economist of Zhongyuan Bank Co., Ltd., as well as the independent director of China Kings Resources Group Co., Ltd. (金石資源集團股份有限公司) and Asia-Potash International Investment (Guangzhou) Co., Ltd. (亞鉀國際投資(廣州)股份有限公司).

Huang Zuhui (黃祖輝)

Mr. Huang Zuhui is currently an external Supervisor of the Company. He holds a postgraduate degree and is a professor. Mr. Huang was the vice chairman of Chinese Rural Cooperative Economic Management Institute and an independent director of Zhejiang Agricultural Materials Group Co., Ltd. (浙農集團股份有限公司). He is currently the professor and doctoral supervisor of Agricultural Economical Management Department, Management School, Zhejiang University.

Cheng Huifang (程惠芳)

Ms. Cheng Huifang is currently an external Supervisor of the Company. She holds a doctoral degree and is a professor and doctoral supervisor. She was a lecturer and the vice professor of Zhejiang Chemical College and Zhejiang Institute of Technology (now known as Zhejiang University of Technology). She also worked as the assistant to the president, the executive vice president and the president of College of Economics and Management, Zhejiang University of Technology. She is now the president of Global Institute for Zhejiang Merchants Development, Zhejiang University of Technology. She also serves as the general director of Zhejiang Institute of Financial Engineering, an independent director of Zhejiang Furun Co., Ltd. (浙江富潤股份有限公司), an independent director of Hangzhou Oxygen Plant Group Co., Ltd. (杭州制氧機集團股份有限公司) and the chairman of the board of supervisors of Hangzhou Hikvision Digital Technology Co., Ltd. (杭州海康威視數字技術股份有限公司).

Information on Directors, Supervisors, Senior Management, Employees And Institutions

Senior Management

Xu Renyan (徐仁艷)

As for Mr. Xu Renyan, please refer to Mr. Xu Renyan's profile in the "Directors" section above.

Xu Manxuan (徐蔓萱)

Mr. Xu Manxuan is currently the CPC committee member and vice president of the Company. He holds an undergraduate degree and is a senior accountant. Mr. Xu successively served as vice section chief and section chief of finance infrastructure office, accountant and cashier division of Zhejiang provincial branch, Agricultural Bank of China; vice division chief of accountant and finance division; vice director of inspection office; and vice director of inspection division (division-level), Zhejiang provincial branch, Agricultural Bank of China; he also held the position of general manager of planning and finance department, president assistant and general manager of planning and finance department, president assistant and general manager of finance & accounting department as well as president assistant of China Zheshang Bank.

Wu Jianwei (吳建偉)

Mr. Wu Jianwei is currently a member of the CPC committee and the vice president of the Company. He holds a postgraduate degree and is a senior engineer. Mr. Wu worked at Zhejiang provincial branch, Agricultural Bank of China where he successively held the positions of vice section chief of application development section of information and technology department I, section chief of sales development department, assistant to director; he served as vice director of data operation center; he held the position of vice division chief (in charge) and division chief of E-bank division; general manager of E-bank department; secretary of CPC Committee and president of Wenzhou branch, Agricultural Bank of China; CPC committee member and president assistant of Inner Mongolia Autonomous Region branch of Agricultural Bank of China; president assistant of China Zheshang Bank, as well as the secretary of the CPC committee and the president of Shanghai Branch of China Zheshang Bank.

Liu Long (劉龍)

Mr. Liu Long is currently a CPC committee member, vice president, secretary to the Board and company secretary of the Company. He holds a postgraduate degree and is a senior accountant. Mr. Liu worked at finance and tax bureau of Changshan County, Zhejiang, during which period he served as vice director and CPC party member; secretary of CPC committee of Tianma Town, Changshan County, Zhejiang; director and secretary of CPC committee of planning and economy committee of Changshan County, Zhejiang; vice director and CPC committee member of auditing bureau of Quzhou City, Zhejiang; county CPC standing committee member of Changshan County, Zhejiang, as well as vice county chief of Changshan County People's Government; vice secretary of CPC county committee, vice county chief and vice secretary of CPC county committee, vice secretary of CPC committee of Changshan County, Zhejiang and chairman of People's Political Consultative Conference of Changshan County, Zhejiang; director and secretary of CPC committee of the economic and information committee of Quzhou City, Zhejiang; vice secretary general and executive office director of Quzhou Municipal Government, Zhejiang; and director of the Board of Directors Office as well as the CPC committee office of China Zheshang Bank.

Information on Directors, Supervisors, Senior Management, Employees And Institutions

Zhang Rongsen (張榮森)

Mr. Zhang Rongsen is currently a member of the CPC committee and the vice president of the Company, and the secretary of the CPC committee and the president of Beijing Branch, China Zheshang Bank. He holds a doctoral degree and is senior economist. Mr. Zhang served as president of Hangtianqiao Sub-branch, Beijing Branch, China Guangfa Bank, member of the CPC committee and assistant to president of Beijing Branch, China Guangfa Bank; secretary of the CPC committee and president of Beijing Branch, Bank of Jiangsu, and member of the party committee, vice president and executive director of Bank of Jiangsu.

Liu Guishan (劉貴山)

Mr. Liu Guishan is currently the vice president and chief risk officer of the Company. He is a senior accountant, with an undergraduate degree. Mr. Liu worked as the deputy head of deposit department (section chief level) and principal staff member of planning department at Xining Branch, Bank of China, deputy head of financial and accounting department at Xijing Branch, Bank of China, deputy director of Beida Avenue Office at Xijing Branch, Bank of China, vice president at Beida Avenue Sub-branch, Xi'an Branch, Bank of China, director of credit card department and business department at Xi'an Branch, Bank of China, and vice president (in charge of relevant work) and president at Jiefang Road Sub-branch, Bank of China; the assistant to president, member of the CPC committee, secretary of the commission for discipline inspection and vice president at Xi'an Branch, and leader of preparation team of Hohhot Branch, China CITIC Bank; the deputy general manager of Xi'an business department of China Zheshang Bank, member of the CPC committee, secretary of the commission for discipline inspection, risk monitoring officer and vice president, deputy secretary of the CPC committee and vice president (in charge of relevant work), secretary of the CPC committee and president at Xi'an Branch, as well as general manager of credit review department and assistant to president of China Zheshang Bank.

Chen Haiqiang (陳海強)

Mr. Chen Haiqiang is currently the vice president of the Company and secretary of the CPC committee and president of Hangzhou Branch of the Company. He is a senior economist, with a postgraduate degree. Mr. Chen worked as deputy principal staff member at Zhejiang Branch, China Development Bank; deputy director (in charge of relevant work) of Ningbo Beilun Banking Office, president of Ningbo Beilun Branch, member of the CPC committee, assistant to president, and vice president of Ningbo Branch, China Merchants Bank; secretary of the CPC committee and president of Ningbo Branch, China Zheshang Bank, as well as the assistant to president of China Zheshang Bank.

Luo Feng (駱峰)

Mr. Luo Feng is currently the assistant to president of the Company and general manager of financial market department of the Company. He holds a doctoral degree. Mr. Luo worked as manager assistant of financial market research center of treasury department, manager assistant of business management center, deputy manager and manager of business management center (research center) of treasury department, risk monitoring officer and general manager assistant of treasury department, manager of risk management center, deputy general manager and deputy general manager (in charge of relevant work) of treasury department of China Zheshang Bank.

Sheng Hongqing (盛宏清)

Mr. Sheng Hongqing is currently the assistant to president of the Company. He holds a doctoral degree. Mr. Sheng worked as the deputy head and head of financial engineering division of treasury department of China Everbright Bank; and the assistant to president and chief investment officer of Huishang Bank.

Information on Directors, Supervisors, Senior Management, Employees And Institutions

Jing Feng (景峰)

Mr. Jing Feng is currently the chief financial officer of the Company and the general manager of planning and finance department (asset and liability management department) of the Company. He is a certified public accountant in the US, with a postgraduate degree. Mr. Jing worked as the deputy general manager and general manager of planning and finance department of Suzhou Branch, China Minsheng Bank, finance specialist of corporate financial business department of China Minsheng Bank; deputy general manager of Jiangsu business department of China Zheshang Bank, member of the CPC committee and vice president of Nanjing Branch, China Zheshang Bank; deputy general manager (in charge of relevant work) and general manager of finance and accounting department, and also general manager of finance and accounting department and general manager of asset and liability management department of China Zheshang Bank.

6. Remuneration policies for Directors, Supervisors and senior management

The remuneration of the Directors of the Company is determined and paid in accordance with the relevant laws and regulations as well as the relevant provisions of the Articles of Association. The specific remuneration distribution plans should be reviewed by the Nomination and Remuneration Committee under the Board of Directors and submitted to the Board of Directors for approval, and submitted to the general meeting for approval after being approved by the Board of Directors.

The remuneration of the Supervisors of the Company is determined and paid in accordance with the relevant laws and regulations as well as the relevant provisions of the Articles of Association. The specific remuneration distribution plans should be reviewed by the Nomination Committee under Board of Supervisors and submitted to the Board of Supervisors for approval, and submitted to the general meeting for approval after being approved by the Board of Supervisors. The Company provides remuneration to external supervisors in accordance with the “Proposal on Adjusting Allowances for Independent Directors and External Supervisors”; and non-full-time shareholder supervisors of the Company do not receive remuneration from the Company.

The Company’s appraisal on the senior management is based on their performance in completing the decisions, strategic targets and plans of the Board of Directors and whether they are actively and effectively protecting the interests of the Company and the Shareholders, and it is implemented by the Board of Directors.

The Remuneration Management Plan of Directors and Supervisors of China Zheshang Bank Co., Ltd. considered and approved at the 2018 annual general meeting and the Measures for Performance Appraisal and Rewards & Punishments of Senior Management for 2020 of China Zheshang Bank Co., Ltd. considered and approved at the 8th meeting of the fifth session of the Board of Directors have provided the basis for determining the remuneration of the Directors, Supervisors and senior management.

The incentive and restraint mechanism of the Company is mainly embodied in the distribution mechanism for the senior management. The remuneration of the senior management is linked with the appraisal indicators of the Board of Directors, in order to combine the target incentive with responsibility restraint, ensure the alignment of the remuneration payment with the long-term interests of the Company, and better encourage the senior management to contribute to the steady and sustainable development of the Company. The evaluation and remuneration payment plan for the senior management shall be reviewed by the Nomination and Remuneration Committee under the Board of Directors, and then approved and implemented by the Board of Directors annually, and disclosed according to the relevant requirements.

Information on Directors, Supervisors, Senior Management, Employees And Institutions

(II) Employees and Remuneration Policies

As of the end of the reporting period, the Group had 15,997 employees (including dispatched employees, outsourced technicians and employees of the subsidiary of the Company), representing an increase of 920 as compared with that at the end of last year. Divided by the position types, 6,643 employees of the Company were categorized as marketing personnel, 1,564 employees as counter personnel, and 7,661 employees as mid-office and back-office personnel; divided by the educational levels, 3,355 obtained post-graduate degree or above (including 65 with doctorate degree), 11,497 obtained bachelor degree, and 1,016 obtained college degree or below. All of our employees participate in basic social pension insurance, and as of the end of the reporting period, 102 employees had retired from the Company.

The Company's remuneration policy is guided by its growth strategy and the people-oriented concept. By adhering to the principle of marketization and by implementing comprehensive benchmarking management, the Company proactively explores its remuneration management mechanism that the remuneration is determined according to the salary levels based on position types, and optimizes the remuneration determination mechanism that is based on individual performance and organizational performance. Employee remuneration is mainly driven by capabilities and performance and the Company strives to set up a market-based remuneration system, which would reflect internal fairness and external competitiveness, promote the co-growth of employees and employers, focus equally on incentives and restraints and base remuneration on post value.

The Company's remuneration policy coordinates well with the risk management system, and is matched with its size as well as the nature and complexity degree of its business. Specifically, the total amount of remuneration allocated by the Company to its branches is linked with the realization status of overall benefits by such branches and the Company takes into account various kinds of risk factors so that the branch outlets would strive for risk-adjusted value creation and that long-term performance would be improved. Furthermore, the remuneration paid to employees is linked with the responsibilities and risk degree associated with the employee's post and different kinds of appraisal and performance allocation methods are applied to different types of employees, and the deferment payment of the performance-based remuneration is implemented in accordance with the internal control principles of prudent operations and strengthened constraints with the payment time basically in line with the risk persistency period of the corresponding business. For employees in the risk and compliance departments, their remuneration is determined by taking into account their position value, abilities to perform duties and other factors, and such remuneration is not directly related to the matters under their regulation and remains independent of other business segments.

(III) Employees Training

Based on the platform-based service strategy, the Company vigorously applies online training to improve professional capabilities and performance. A one-stop training platform has been established to continuously introduce cutting-edge training technology, develop basic training resources, service innovative transformation and high-quality development, and orderly promote training projects to help the implementation of platform service strategy. During the reporting period, the Bank held 2,098 training programs in total with 366,392 attendances.

Information on Directors, Supervisors, Senior Management, Employees And Institutions

(IV) Information on Institutions

Region	Name of institution	Business address	Tel. No.	Postal code	Number of institution	Number of employees	Total assets
Yangtze River Delta region	Head office	No. 1788, Hongning Road, Xiaoshan District, Hangzhou, Zhejiang	95527	310006	1	2,974	-
	Small Enterprise Credit Center	No. 288, Qingchun Road, Hangzhou	0571-88261193	310006	1	44	-
	Shanghai Branch	No. 567, Weihai Road, Jingan District, Shanghai	021-61333333	200041	11	580	81,978
	Nanjing Branch	No.9, Zhongshan North Road, Nanjing	025-86823636	210008	25	989	108,024
	Suzhou Branch	Yueliangwan International Business Center, No. 9, Cuiwei Street, Industrial Park Zone, Suzhou	0512-62995527	215123	10	436	60,260
	Hefei Branch	Block A16, Financial Harbour Centre, No. 4872, Huizhou Avenue, Binhu New District, Hefei	0551-65722016	230601	2	195	19,809
	Hangzhou Branch	Block D, Zhujin Building, No.1 Minxin Road, Jianggan District, Hangzhou, Zhejiang	0571-87330733	310020	50	2,145	276,833
	Ningbo Branch	No. 128, Wenkang Road, No. 555, Yangfan Road, Gaoxin District, Ningbo	0574-81855678	315000	15	575	65,994
	Wenzhou Branch	Northwest of Land Plot 17-05, Binjiang CBD, Lucheng District, Wenzhou, Zhejiang	0577-88079900	325000	11	455	47,863
	Shaoxing Branch	No. 1418, Jinkeqiao Avenue, Keqiao District, Shaoxing	0575-81166006	312030	9	425	46,199
	Jinhua Branch	1/F, 2/F, 10/F, Jiafu Business Building, No. 358, Binhong East Road, Jinhua	0579-82895527	321000	7	360	34,007
	Zhoushan Branch	No. 88, Lvdao Road, Qiandao Streets, Dinghai District, Zhoushan, Zhejiang	0580-2260302	316021	2	91	7,044

Information on Directors, Supervisors, Senior Management, Employees And Institutions

Region	Name of institution	Business address	Tel. No.	Postal code	Number of institution	Number of employees	Total assets
Bohai Rim region	Beijing Branch	Huajia Jinbao Complex, No. 269, Chaoyangmen South Street, Dongcheng District, Beijing	010-86608000	100005	19	861	181,296
	Tianjin Branch	No. 37, Youyi North Road, Hexi District, Tianjin	022-23271379	300204	12	509	39,141
	Shenyang Branch	No. 467, Shifu Road, Shenhe District, Shenyang	024-31259003	110000	7	294	21,688
	Jinan Branch	No. 801, Caoshanling South Road, Lixia District, Jinan, Shandong	0531-59669515	250101	14	794	80,219
Pearl River Delta and West Strait Economic Zone	Guangzhou Branch	No. 921, Guangzhou South Avenue, Haizhu District, Guangzhou	020-89299999	510220	8	542	77,037
	Shenzhen Branch	(1-4/F, 6/F) Lianhezongbu Building, Hightech District, Xuefu Road, Nanshan Street, Nanshan District, Shenzhen	0755-82760666	518061	12	552	85,670
	Fuzhou Branch	Huawei Building, No. 169, Binxi Avenue, Nanjiang, Cangshan District, Fuzhou, Fujian	0591-83015888	350007	1	49	204
Midwestern China region	Hohhot Branch	No. 8, Chilechuan Street, Saihan District, Hohhot	0471-6993000	010098	1	89	9,942
	Nanchang Branch	1-2/F, 14-20/F, Block 35, Alph X, No. 1, Xuefu Road, Honggutan New District, Nanchang, Jiangxi	0791-88250606	330038	2	117	15,720
	Zhengzhou Branch	No. 2 Shangwu Waihuan Road, Zhengdong New District, Zhengzhou, Henan	0371-66277001	450018	3	248	24,500

Information on Directors, Supervisors, Senior Management, Employees And Institutions

Region	Name of institution	Business address	Tel. No.	Postal code	Number of institution	Number of employees	Total assets
	Changsha Branch	Unit 118-129, 1/F, Block 6, Unit 215-219, 2/F, Block 6 and 22-23/F, Block 1, Huachuang International Plaza, No. 109 Furong Middle Road Part 1, Kaifu District, Changsha, Hunan	0731-82987566	410005	2	183	16,990
	Wuhan Branch	International Financial Center, No. 296, Xinhua Road, Jianghan District, Wuhan, Hubei	027-85331510	430022	3	303	24,158
	Chongqing Branch	Block 3, No. 67, Middle Section of Huangshan Avenue, Yubei District, Chongqing	023-88280805	401121	9	441	61,868
	Chengdu Branch	Building 1, Jinjiang Spring, No. 299, Yong'an Road, Jinjiang District, Chengdu	028-85579955	610023	14	499	44,395
	Guiyang Branch	No. 88, Yan'an Road Central, Yunyan District, Guiyang	0851-85861088	550000	1	103	10,989
	Xi'an Branch	Building 3, Taihua Jinmao Guoji, No. 16, Fenghui South Road, Yanta District, Xi'an	029-61833333	710075	11	520	46,524
	Lanzhou Branch	No. 1888, Nanchang Road, Chengguan District, Lanzhou	0931-8172110	730030	9	427	27,303
Overseas Institution	Hong Kong Branch	15/F, Three Exchange Square, No. 8 Connaught Place, Central, Hong Kong	0852-28018282	999077	1	68	26,785
Subsidiary	Zheyin Financial Leasing	5/F, Block D, Zhujin Building, No.1 Minxin Road, Jiangan District, Hangzhou, Zhejiang	0571-87560880	310020	1	129	28,693
Total	-	-	-	-	274	15,997	-

Directors' Report

(I) Our Principal Business

The Company's principal business is to provide banking and related financial services.

(II) Business Review

For the business review of our Company, please refer to the relevant sections, among others, "Description of Major Risks and Uncertainties", "Future Development" are set out in the section headed "Management Discussion and Analysis"; "Major Events Occurred after the Reporting Period" is set out in the section headed "Significant Events"; "Key Financial Performance Indicators" is set out in the section headed "Financial Summary" and financial statements; "Compliance with Relevant Laws and Regulations Which Could Materially Affect the Company" is set out in "Compliance with the Laws and Regulations" in this section; and "Explanation on Important Relationship between Employees, Customers and Suppliers" is set out in "Major Customers" in this section and the section headed "Directors, Supervisors, Senior Management, Employees and Institutions". Please refer to "Performance of Social Responsibilities" in this section for the information on "Environmental Policy and Performance".

(III) Profit and Dividend Distribution

1. The Company's profit distribution policy

According to the Articles of Association, our profit distribution policy is:

(1) The Company shall distribute profits after income tax in the following order:

To make up for the losses of previous years;

To set aside 10% as statutory reserve fund;

To make provision for general risk reserve;

To set aside discretionary reserve fund;

To pay dividends to shareholders.

(2) The Company may distribute profits in the form of cash, shares or other forms approved by competent regulatory authorities.

(3) After the profit distribution plan is adopted at the general meeting of the Company, the Board shall finish distributing profits within two months after the general meeting.

Directors' Report

- (4) **Cash dividends and other payments made by the Company to the holders of A Shares shall be denominated, declared and paid in RMB. Cash dividends and other payments made by the Company to the holders of H Shares shall be denominated and declared in RMB and paid in Hong Kong dollars.**

The formulation and implementation of policy on cash dividend are in compliance with the requirements of the Articles and Association and the resolutions passed at the general meeting. The standards and proportion of dividends declaration are clear and explicit and the procedures and mechanism of decision making are well-organized, and have been considered and approved by the independent non-executive Directors. Minority Shareholders may fully express their opinions and requirements, and their legitimate interests have been fully protected.

2. Profit distribution proposal for the year

The results of the Company for the year ended December 31, 2020 are set out in the section of "Notes to Consolidated Financial Statement" in this report.

The Board of the Company has recommended declaring a cash dividend for ordinary Shares for 2020 at RMB1.61 (tax inclusive) for every 10 Shares, payable in RMB to the holders of A Shares and in Hong Kong dollars to the holders of H Shares. The above profit distribution proposal is subject to consideration and approval at the annual general meeting of the Company for 2020.

If approved, the 2020 final dividend of the Company will be denominated and declared in RMB and paid to the holders of A Shares in RMB and to the holders of the H Shares in Hong Kong dollars with the Hong Kong dollar to RMB exchange rate being the average mid-point exchange rate published on the website of the People's Bank of China prevailing seven business days immediately prior to the date of 2020 annual general meeting of the Company.

The dividend is expected to be paid before August 27, 2021, subject to the approval by the shareholders by way of ordinary resolution on the final dividend payment arrangement. Information regarding the record date and book closure date to determine the entitlement to the final dividend and attendance of 2020 annual general meeting of the Company will be announced in due course.

3. Cash dividends for ordinary shares in the past three years

Item	2020	2019	2018
Cash dividend for every 10 shares (tax inclusive, in RMB)	1.61	2.40	–
Cash dividend (tax inclusive, in RMB million)	3,424	5,104	–
Percentage of cash dividend (%)	30.10	39.49	–

4. Dividend tax

(1) Holders of A Shares

In accordance with the Notice on Relevant Issues Regarding the Implementation of the Policy of Differentiated Individual Income Tax for Stock Dividends from Listed Companies issued by the Ministry of Finance, State Administration of Taxation and the CSRC (Cai Shui [2012] No. 85) 《財政部、國家稅務總局、證監會關於實施上市公司股息紅利差別化個人所得稅政策有關問題的通知》(財稅[2012]85號) and the Notice on Relevant Issues Regarding the Implementing Differentiated Individual Income Tax Policy for Stock Dividends of Listed Companies (Caishui [2015] No. 101)《關於上市公司股息紅利差別化個人所得稅政策有關問題的通知》(財稅[2015]101號)), for the Relevant Individuals who have held the shares, where the holding period is less than one month (inclusive), the full amount of dividends shall be counted as taxable income; where the holding period is more than one month and less than one year (inclusive), 50% of the dividends shall be counted as taxable income and where the holding period is more than one year, the dividends is temporarily exempted from individual income tax. The individual income tax rate of 20% shall be applicable for all incomes mentioned above. For the dividends obtained from a listed company by a securities investment fund, individual income tax is levied in accordance with the requirements above.

According to Article 26.2 of the Enterprise Income Tax Law of the PRC, dividends, bonuses and other equity investment proceeds distributed between qualified resident enterprises shall be tax-free.

According to Article 83 of the Implementation Rules of Enterprise Income Tax Law of the PRC, dividends, bonuses and other equity investment proceeds distributed between qualified resident enterprises as referred in Article 26.2 of the Enterprise Income Tax Law of the PRC include those proceeds obtained from direct investment of resident enterprises into other resident enterprises, excluding the proceeds from holding the stocks of the resident enterprises that were obtained through public offering or through trading in the stock market for less than 12 months on a continuing basis.

According to the Enterprise Income Tax Law of the PRC and its implementation rules, dividend income obtained by non-resident enterprises shall be levied at a preferential enterprise income tax rate of 10%.

(2) Holders of H Shares

According to the Enterprise Income Tax Law of the PRC and its implementation rules, both effective on January 1, 2008, the Company shall withhold and pay enterprise income tax at the rate of 10% before distributing dividends to non-resident enterprise Shareholders whose names appear on the Bank's register of members for H Shares.

According to the Notice on Collection of Individual Income Tax after the Repeal of Guo Shui Fa No. [1993] 045 (Guo Shui Han No. [2011] 348)《關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》(國稅函[2011]348號)), the Company shall withhold and pay individual income tax for individual holders of the H Shares.

If the individual holders of the H Shares are Hong Kong or Macau residents or residents of other countries or regions that have a tax rate of 10% under the tax treaties with the PRC, the Company will withhold and pay individual income tax at the rate of 10% on behalf of such Shareholders.

Directors' Report

If the individual holders of the H Shares are residents of countries or regions that have a tax rate lower than 10% under the tax treaties with the PRC, the Company will withhold and pay individual income tax at the rate of 10% on behalf of such Shareholders. If such Shareholders wish to claim refund of the amount in excess of the individual income tax payable under the tax treaties, the Company can apply on behalf of the Shareholders according to the relevant tax treaties for the relevant agreed preferential tax treatment, provided that the relevant Shareholders submit the relevant documents and information in a timely manner required by the Administrative Rules on Enjoying Treatment under Taxation Treaties by Non-resident Taxpayers (State Administration of Taxation Announcement 2019, No. 35) 《非居民納稅人享受稅收協定待遇管理辦法》(國家稅務總局公告2019年第35號)) and the provisions of the relevant tax treaties. The Company will assist with the tax refund subject to the approval of the competent tax authority.

If the individual holders of the H Shares are residents of countries or regions that have a tax rate higher than 10% but lower than 20% under the tax treaties with the PRC, the Company will withhold and pay individual income tax at the applicable tax rates stated in such taxation treaties on behalf of such Shareholders.

If the individual holders of the H Shares are residents of countries or regions that have a tax rate of 20% under the tax treaties with the PRC, or that have not entered into any taxation treaties with the PRC, or otherwise, the Company will withhold and pay individual income tax at the rate of 20% on behalf of such Shareholders.

(IV) Donations

During the reporting period, the Group's external donations amounted to RMB33.63 million.

(V) Major Customers

During the reporting period, the Group's interest income and other total operating income attributable to our five largest customers did not exceed 30% of the annual interest income and other total operating income of the Group.

(VI) Purchase and Sale and Redemption of Securities

During the reporting period, the Company and its subsidiary did not purchase, sell or redeem any of the Company's listing securities.

(VII) Pre-Emptive Rights

There is no provision for pre-emptive rights under the Company's Articles of Association and the PRC laws.

(VIII) Public Float

Based on the public information available to the Company and to the knowledge of the Directors, as of the Latest Practicable Date prior to the issue of this report, the Company had met the public float requirement of the Hong Kong Listing Rules.

(IX) Equity-Linked Agreements

No equity-linked agreements were entered into by the Company during the year ended December 31, 2020.

(X) Material Connected Transactions

Connected Transactions Related to Daily Operations

The Company carried out the connected transactions in accordance with the relevant requirements of regulatory authorities at home and abroad, i.e. the Administrative Measures for the Connected Transactions between the Commercial Banks and their Insiders or Shareholders (《商業銀行與內部人和股東關聯交易管理辦法》), the Interim Measures for the Shareholding Management of Commercial Banks (《商業銀行股權管理暫行辦法》), the Rules Governing the Listing of Stocks on Shanghai Stock Exchange, the Implementation Guide to Listed Companies' Connected Transactions of Shanghai Stock Exchange and the Listing Rules of Hong Kong Stock Exchange. The connected transactions were conducted on normal commercial terms. The terms of transactions were fair and reasonable and in the benefits of the Company and the shareholders as a whole.

During the reporting period, the Company's 2019 Annual General Meeting of Shareholders held on June 16, 2020 considered and approved the Proposal on the Estimated Quota of Daily Connected Transactions of China Zheshang Bank Co., Ltd. in 2020 (《關於浙商銀行股份有限公司2020年度日常關聯交易預計額度的議案》).

During the reporting period, the actual implementation of the Company's daily connected transactions is as follows:

No.	Related Party	Proposed Annual Caps for Connected Transactions in 2020	Contemplated Business/ Transaction in 2020	As of December 31, 2020
1	Zhejiang Provincial Financial Holdings Co., Ltd.	RMB1.6 billion	Purchase of the wealth management products of the Bank	Total purchases: RMB700 million
2	Caitong Securities Co., Ltd.	RMB10 billion	Comprehensive credit business, various investment and financing businesses, various derivatives business, etc.	Balance: Nil
		RMB5,625,000	Trusteeship business, etc.	Total payments: RMB4,477,600
		RMB11 million	Asset custody business, sales agent business, etc.	Total charges: RMB5,743,800
3	Zhejiang Provincial Energy Group Co., Ltd. and its connected companies	RMB10.3 billion	Comprehensive credit business, various investment and financing businesses, various derivatives business, etc.	Balance: Nil
4	Zheshang Property Insurance Co., Ltd.	RMB1.5 billion	Various investment and financing businesses, various derivatives business, etc.	Balance: Nil
		RMB700,000	Sales agent business, etc.	Total charges: RMB1,337,200
		RMB844,800	Property leasing	Total charges: RMB844,800

Directors' Report

No.	Related Party	Proposed Annual Caps for Connected Transactions in 2020	Contemplated Business/ Transaction in 2020	As of December 31, 2020
5	Orient Securities Co., Ltd.	RMB6.5 billion	Various investment and financing businesses, various derivatives business, etc.	Fair value of derivatives business: RMB-8,677,400
6	Zhejiang Hengyi Group Co., Ltd. and its connected companies	RMB6.3 billion	Comprehensive credit business, various investment and financing businesses, various derivatives business, etc.	Credit balance: RMB4.459 billion
		RMB1.5 million	Bond underwriting business, etc.	Inactive
7	Hengdian Group Holdings Limited and its connected companies	RMB3.92 billion	Comprehensive credit business, various investment and financing businesses, various derivatives business, etc.	Credit balance: RMB1.106 billion
8	Nanhua Futures Co., Ltd	RMB10 million	Trusteeship business, etc.	Total payments: RMB25,336,700
		RMB3 million	Asset custody business, etc.	Total charges: RMB4,734,000
		RMB500 million	Various investment and financing businesses, various derivatives business, etc.	Balance: Nil
9	Zhejiang Provincial Seaport Investment & Operation Group Co., Ltd. and its connected companies	RMB4 billion	Various investment and financing businesses, various derivatives business, etc.	Balance: Nil
10	Guangsha Holding Group Co., Ltd. and its connected companies	RMB3.135 billion	Comprehensive credit business	Credit balance: RMB1.150 billion
11	Shaoxing City Keqiao District State-owned Assets Investment and Operation Co., Ltd. and its connected companies	RMB6.3 billion	Comprehensive credit business, various investment and financing businesses, various derivatives business, etc.	Credit balance: RMB680 million
		RMB1.25 million	Bond underwriting business, etc.	Total charges: RMB2.70 million
12	Minsheng Life Insurance Company Ltd.	RMB1 billion	Various investment and financing businesses, various derivatives business, etc.	Balance: Nil
		RMB1 million	Sales agent business, etc.	Total charges: RMB18,500

Directors' Report

No.	Related Party	Proposed Annual Caps for Connected Transactions in 2020	Contemplated Business/ Transaction in 2020	As of December 31, 2020
13	Minsheng Tonghui Asset Management Co., Ltd.	RMB1 billion	Various investment and financing businesses, various derivatives business, etc.	Balance: Nil
14	Zhejiang RIFA Holding Group Co., Ltd. and its connected companies	RMB1.925 billion	Comprehensive credit business	Credit balance: RMB975 million
15	Zhejiang Yongli Industry Group Co., Ltd. and its connected companies	RMB3.9 billion RMB3,832,500	Comprehensive credit business Property leasing	Credit balance: RMB2.963 billion Total payments: RMB3,832,500
16	Sinatay Life Insurance Co., Ltd.	RMB2 billion	Various investment and financing businesses, various derivatives business, etc.	Balance: Nil
17	Zhejiang Shaoxing Ruifeng Rural Commercial Bank Co., Ltd.	RMB5 billion	Comprehensive credit business, various investment and financing businesses, various derivatives business, etc.	Balance: Nil
18	Ningbo Commerce Bank Company Limited	RMB6 billion	Comprehensive credit business, various investment and financing businesses, various derivatives business, etc.	Balance: Nil
19	Zhejiang Agricultural Materials Group Co., Ltd.	RMB1.22 billion	Comprehensive credit business, various investment and financing businesses, various derivatives business, etc.	Balance: Nil
20	Connected natural persons	No more than RMB38 million for each account and RMB800 million for total credit line	Personal loans, credit card business, etc.	Credit balance: RMB215 million

During the reporting period, at the 18th meeting of the Risk and Related Party Transaction Control Committee of the fifth session of the Board, the Company considered and passed the Proposal on the Bank's Credit Plan to the Related Parties of Minsheng Life Insurance Company Ltd. (《關於本行對民生人壽保險股份有限公司關聯方授信方案的議案》), approving to grant maximum comprehensive credit lines of RMB1 billion to Minsheng Life Insurance Company Ltd.. For details, please refer to the Announcement on Related Party Transactions of China Zheshang Bank Co., Ltd. (No.: 2020-022) published by the Company on the Shanghai Stock Exchange (www.sse.com.cn). As of the end of the reporting period, the credit balance of the related parties was RMB0.

Directors' Report

During the reporting period, at the 20th meeting of the Risk and Related Party Transaction Control Committee of the fifth session of the Board, the Company considered and passed the Proposal on the Bank's Credit Plan to Zhejiang Provincial Financial Holdings Co., Ltd. and its Related Parties (《關於本行對浙江省金融控股有限公司及其關聯方授信方案的議案》), approving to grant maximum comprehensive credit lines of RMB1.145 billion to Zhejiang Provincial Financial Holdings Co., Ltd. and its related parties. For details, please refer to the Announcement on Related Party Transactions of China Zheshang Bank Co., Ltd. (No.: 2020-027) published by the Company on the Shanghai Stock Exchange (www.sse.com.cn). As of the end of the reporting period, the credit balance of the related parties was RMB329 million.

During the reporting period, the Company provided commercial banking services and products in our ordinary and usual course of business to the public in the PRC, including our connected persons. These transactions were entered into on normal commercial terms (or on better terms to the Company) in the ordinary and usual course of our business, and thus are fully exempt from all disclosure, annual review and Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

The Company also enters into certain non-banking transactions (such as leasing arrangements) with our connected persons and/or their respective associates from time to time in our ordinary and usual course of business on normal commercial terms (or on better terms to us) which have constituted de minimis transactions under Chapter 14A of the Hong Kong Listing Rules and are fully exempted from all disclosure, annual review and Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

Details of related party transactions entered into by the Company during the year ended December 31, 2020 are set out in "Notes to Consolidated Financial Statements – Related Party Relationship and Transactions".

Saved as disclosed above, no related party transactions set out in "Notes to Consolidated Financial Statements – Related Party Relationship and Transactions" comply with the definition of "connected transactions" or "continuing connected transaction" in Chapter 14A of the Hong Kong Listing Rules and the Company confirms that it has complied with the disclosure requirements under Chapter 14A of the Hong Kong Listing Rules.

Connected Transactions in Acquisition and Disposal of Assets or Equity

During the reporting period, the Bank hasn't conducted connected transactions involving the acquisition and disposal of assets or equity.

Connected Transactions in relation to Joint External Investment

During the reporting period, the Bank hasn't conducted connected transactions in relation to joint external investment.

Connected Creditor's Rights and Liabilities

During the reporting period, the Bank hasn't had any non-operational connected creditor's rights and liabilities.

(XI) Transactions, Arrangements or Contractual Interest and Service Contracts of Directors and Supervisors

During the reporting period, the Directors or Supervisors or any entities connected with the Directors or Supervisors had no material interest, directly or indirectly, in any significant transactions, arrangements or contracts entered into by the Company with respect to the Company's business. None of the Directors and Supervisors has entered into any service contract with the Company that is not terminable by the Company within one year without payment of compensation (excluding statutory compensation).

(XII) Interests Owned by the Directors, Chief Executive and Supervisors in the Company

As of the end of the reporting period, none of the Company's Directors, the President, the Supervisors or their respective associates had interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be recorded in the register required to be kept under Section 352 of the SFO or notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

(XIII) Information on Directors, Supervisors and Senior Management

Details of the Directors, Supervisors and senior management of the Company are set out in the section headed "Directors, Supervisors, Senior Management, Employees and Institutions" in this annual report.

(XIV) Directors' Interests in Businesses Competing with the Company

From June 2018 to October 2020, Mr. Zhu Weiming has been serving as a director of Ningbo Commerce Bank Co. Ltd. ("Ningbo Commerce Bank"). Ningbo Commerce Bank, a financial institution mainly engaged in commercial banking businesses in Ningbo, has banking businesses in Ningbo, which compete with certain businesses of the Company. Considering that (i) Mr. Zhu serves as a director of Ningbo Commerce Bank but does not participate in daily operation or management of Ningbo Commerce Bank, (ii) Ningbo Commerce Bank has an independent management team, and (iii) during the reporting period, Mr. Zhu acted as a non-executive Director of the Company but did not participate in daily management of the Company, the Company and its Directors are of the opinion that, during the reporting period, Mr. Zhu, who concurrently served as the director of Ningbo Commerce Bank and the non-executive Director of the Company, had no impact on business operation of the Company.

Save as disclosed above, none of the Directors of the Company is interested in any business which, directly or indirectly, competes or may compete with businesses of the Company.

(XV) Directors' and Supervisors' Rights to Acquire Shares or Debentures

As of the end of the reporting period, none of the Directors and Supervisors had the rights to acquire shares or debentures of the Company and its associated corporations (within the meaning of the SFO).

(XVI) Permitted Indemnity Provisions

The Company has purchased appropriate liability insurance to indemnify its Directors, Supervisors and senior management in respect of the liabilities arising from engaging in the activities of the Company. Such arrangements remained effective as at the end of the reporting period.

Directors' Report

(XVII) Management Contracts

Save as the service contracts entered into with the Directors and employees, the Company has not entered into any contract with any person, company or corporation in order to manage or deal with the whole or any material portion of any business of the Company.

(XVIII) Reserves and Distributable Reserves

For details of the changes in the Group's reserves and distributable reserves, please see "Financial Statements – Statement of Changes in Equity".

(XIX) Fixed Assets (Properties and Equipments)

For details of the changes in the Group's fixed assets (properties and equipment), please see "Notes to Financial Statements – 20 Fixed Assets".

(XX) Employment of Accounting Firms and Sponsors

The Company changed the external auditor¹ in 2020.

According to its resolutions passed at the 2019 annual general meeting, the Company engaged KPMG Huazhen LLP and KPMG as the auditors to audit the annual financial statements of the Company for 2020 prepared in accordance with the China Accounting Standards and International Financial Reporting Standards, respectively. The Company has engaged the above two accounting firms as its auditors since 2020. Chen Sijie (陳思傑) and Shi Haiyun (石海雲) are the certified public accountants who signed the audit report on the Company's financial statements for 2020 prepared in accordance with the China Accounting Standards, who have been serving as the signing certificated accountants of the Company since 2020.

The financial statements of the Company for 2020 prepared under the China Accounting Standards and the internal control of the Company as at the benchmark date of 2020 were audited by KPMG Huazhen LLP, and the financial statements for 2020 prepared under International Financial Reporting Standards were audited by KPMG. The total audit fees amounted to approximately RMB4,801,800, among which the audit fees for internal control was approximately RMB720,300. The Company paid the total non-audit fees of approximately RMB498,200 to KPMG Huazhen LLP and KPMG for the current year. KPMG Huazhen LLP and KPMG confirmed that the provision of such non-audit services would not compromise their audit independence.

The Company engaged CITIC Securities Co., Ltd. as the sponsor institution of its A Share IPO, and the period of their continuous supervision over the Company will expire on December 31, 2021. The Company paid all the remuneration (including sponsorship and underwriting fees) to its sponsor institution in 2019.

¹ In 2019, PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers provided audit services for the Company.

(XXI) Usage of Proceeds Raised

During the reporting period, the Company did not issue new ordinary shares.

Before the reporting period, the Company completed its initial public offering of H Shares in March 2016, issued Offshore Preference Shares in March 2017, completed H-share placing in March 2018 and completed its initial public offering of A Shares in November 2019. All proceeds raised were used as disclosed. As of December 31, 2020, such proceeds were all used to replenish the Company's capital to meet the needs for sustained growth of our business.

(XXII) Debentures Issued

Please refer to "Changes in Shares and Information on Shareholders – Issue of Bonds" of this Report for details about the debentures issued by the Company.

(XXIII) Compliance with the Laws and Regulations

As of the end of the reporting period, to the best knowledge of the Company, we have complied with all relevant laws and regulations which could materially affect the Company in all major aspects.

(XXIV) Performance of Social Responsibilities

During the reporting period, China Zheshang Bank adhered to the organic integration of social responsibility fulfillment and sustainable business development, and actively invested in targeted poverty alleviation, green finance, serving the real economy, and caring for employees, striving to create value and actively assuming social responsibility. The results have been widely recognized by the society, and have successively won honors such as the "Top 50 Comprehensive Cases of Enterprise Targeted Poverty Alleviation" issued by the State Council's Poverty Alleviation Office and the "Best Targeted Poverty Alleviation Contribution Award" of the China Banking Association.

Year 2020 is an extremely unusual year. Facing the severe challenge from COVID-19, China Zheshang Bank took full use of its platform-based service advantages to help enterprises resume production and sales through supply chain finance and cut down the fees and interest rates to reduce customers' financing costs. Therefore we firmly built a financial defense line for normalized epidemic prevention and control, and earnestly fulfilled our duties in this special period. As of the end of the reporting period, the Bank had RMB265.162 billion in credit support and RMB229.474 billion in credit extension support to fight the epidemic, and donated the epidemic prevention materials at RMB26.181 million.

For details, please refer to the "China Zheshang Bank CSR Report 2020" published on the websites of the Shanghai Stock Exchange, the Hong Kong Stock Exchange and the Company.

Directors' Report

I. Poverty alleviation by the listed company

Targeted poverty alleviation plan: Poverty alleviation reached the most difficult goals and finished in 2020. Continuously implementing the major decision and arrangements from Central Committee of the Communist Party of China (CPC) and the State Council about financial services for rural revitalization and assistance in poverty alleviation, China Zheshang Bank has insisted on taking it as its primary political task, deeply promoted Party Building to accelerate poverty alleviation and prosperity, and embarked on a new path of poverty alleviation and sustainable development with double cycle and new pattern.

Annual summary of targeted poverty alleviation: During the reporting period, China Zheshang Bank continued to increase its financial resource allocation and investment in poverty-stricken areas, implemented precise policies and worked hard in industrial poverty alleviation, designated poverty alleviation, education poverty alleviation and consumption poverty alleviation, etc. to really benefit those areas and groups with cash flow, and deliver 100% of the love and donations to needy students.

Firstly, intensive cultivation in the “Responsibility Field” of industrial poverty alleviation. Linking poverty alleviation funds with local industrial development by promoting “banks + leading enterprises + cooperatives + farmers” model, and broadening industrial poverty alleviation financing channels through bond market, we helped poverty-stricken areas in a blood-making way and stimulated their internal driving force for poverty alleviation and prosperity. As of the end of the reporting period, the Bank's industrial poverty alleviation loan balance was RMB1.618 billion, and the balance of agriculture-related loans reached RMB171.148 billion.

Secondly, positive “Demonstration Sites” of designated poverty alleviation. Continuously promoting designated poverty alleviation, such as the East-West Cooperation and the special action of “Thousands of Enterprises with Thousands of Villages to Eliminate the Weak”, we offered the “Zheshang Solution” in industrial activation and talent support. As of the end of the reporting period, 34 villages had been assisted in pairs, with an investment of RMB31.9416 million, and 49 assistance projects including infrastructure construction had benefited 26.8 thousand people.

Thirdly, active “Combination” in education poverty alleviation. Continuously promoting donations, such as “One Bank to One School” and “China Zheshang Bank Rainbow Project” to help the poor, paying equal attention to material assistance and spiritual improvement, we have actively built a long-term education poverty alleviation mechanism. As of the end of the reporting period, “One Bank to One School” paired up 18 rural primary schools and invested about RMB6 million to improve their infrastructure and purchase school supplies, etc., therefore 6,241 students benefited from it.

Fourthly, effective “Getting Rich” through consumption poverty alleviation. Persisting in “Help through Sales” and giving full play to the advantages of the e-bank platform, we have supported the online sales of poverty alleviation products, organized special live marketing activities, and give priority to poverty alleviation agricultural products in canteen procurement and welfare distribution to build a “Closed Loop from Production to Sales” of agricultural products and implement online and normalized poverty alleviation. As of the end of the reporting period, e-Bank Mall had helped to sell agricultural products at RMB3.7184 million for poverty alleviation and purchased agricultural products from poverty-stricken areas at RMB6.9614 million.

Directors' Report

Effectiveness of targeted poverty alleviation:

Unit: 10K Currency: RMB

Index	Quantity and Implementation
I. Overall	
Including: Funds	168,763.84
II. Sub-item Investment	
Industrial development poverty alleviation	
Including: Project type of industrial poverty alleviation	Poverty alleviation in agriculture and forestry, tourism, e-commerce, etc.
Industrial poverty alleviation projects (number)	53
Industrial poverty alleviation investment	161,797.47
Recorded poverty-stricken people (person)	192
Education poverty alleviation	
Including: Aided needy students (person)	6,241
Investment in improving educational resources in poverty-stricken areas	595.07
Social poverty alleviation	
Including: Investment in East-West Cooperation in poverty alleviation	402.02
Investment in designated poverty alleviation	2,792.14
Others	
Including: Investment	3,177.14
Description of others	Purchased agricultural products from poverty-stricken areas at RMB6.9614 million; Personal poverty alleviation loans amounted to RMB24.81 million.

Note:

1. Education poverty alleviation refers to the Bank's "One Bank to One School" paired assistance project. The number of aided needy students is the number of students in paired schools.
2. Social poverty alleviation refers to the designated poverty alleviation of the Bank, such as the East-West Cooperation in poverty alleviation and the "Thousands of Enterprises with Thousands of Villages to Eliminate the Weak", etc.. The investment in designated poverty alleviation does not include the amount invested in the East-West Cooperation.

Follow-up targeted poverty alleviation plan: Next, the Bank will continue to implement the Central Committee of CPC's overall deployment of consolidating and expanding poverty alleviation achievements and effective connection with rural revitalization, giving full play to its distinctive advantages, implementing policies tailored to local conditions, consolidating poverty alleviation results, promoting rural revitalization, to make greater contributions to people's lives improvement as well as economic and social development.

Directors' Report

II. Environmental Protection Information

It is the duty and mission of the financial industry to vigorously support green development and the construction of ecological civilization, and it is an effective way to promote the sustainable development of the financial industry itself. During the reporting period, China Zheshang Bank adhered to the concept of green development, promoted green and low-carbon operations, and focused on achieving the organic unification of business sustainability and social ecological benefits, in order to help to build an environmentally friendly society.

In terms of green finance, the Bank has continued to improve its green finance management policies and explored the establishment of a "Green Channel" mechanism for green finance business; We issued the "Guiding Opinions on Strengthening Green Finance Management" and "China Zheshang Bank Green Finance Accreditation Management Measures (2020 Edition)" etc. to clearly combine the implementation of green finance with the implementation of a platform-based service strategy, and strive to form practical samples to promote the overall improvement of green finance; We continue to innovate green finance business models and guide prioritize investment in green industries. While increasing supports to green finance, such as low-carbon, energy conservation and environmental protection projects, we will strictly control new loans to high-pollution and high-energy-consuming industries, and implement "One-vote Veto" for companies with poor environmental and social risk performance in credit approval. As of the end of the reporting period, the Bank's green loan balance was RMB78.526 billion, representing an increase of 45.75% at RMB24.648 billion as compared with the beginning of the year.

In terms of green operation, efforts are made to reduce energy and resource consumption in the operation process; The Bank promotes paperless business processes and electronic bills, and comprehensively builds online service systems such as online banking, mobile banking, telephone banking, and WeChat banking. The replacement rate of online transactions exceeds 99%; We deepened the promotion of online office management applications to reduce printing and paper-based approvals; We encourage employees and stakeholders to practice a simple, moderate, green and low-carbon working and life style, and actively carry out public benefit activities such as tree planting, forest protection, river protection, and environment beautification to protect the lucid waters and lush mountains together.

(XXV) Miscellaneous

- (1) As of the date of this report, the Company was not aware that any Shareholders had waived or agreed to waive any dividend arrangement.
- (2) As of the date of this report, none of the Directors waived or agreed to waive the related remuneration arrangements.
- (3) During the reporting period, there are no collateral and pledges of significant assets of the Company.

Report of the Board of Supervisors

During the reporting period, the Board of Supervisors has proactively and effectively carried out supervision on the duty performance of the Board of Directors and the senior management of the Company, financial activities, risk management, internal control and lawful operation pursuant to the Company Law of the People's Republic of China 《中華人民共和國公司法》, the Articles of Association of the Company and the supervisory duties delegated by relevant supervisory authorities.

(I) Legal Operation

Our Company operated in accordance with law, and our decision-making procedure was compliant with the relevant provisions in the Company Law of the People's Republic of China 《中華人民共和國公司法》, the Commercial Banking Law of the People's Republic of China 《中華人民共和國商業銀行法》 and the Articles of Association of the Company. The directors, president and other Senior Management did not violate any laws and regulations or behave against the interests of our Company when they performed duties.

(II) Truthfulness of Financial Statements

The 2020 annual financial report of our Company truthfully reflected the financial position and the operating results of the Company during the reporting period, and had been audited by KPMG Huazhen LLP and KPMG, who had issued standard auditing reports without qualified opinion.

(III) Use of Proceeds

During the reporting period, the Company did not issue new ordinary shares.

Before the reporting period, the Company completed its initial public offering of H Shares in March 2016, issued Offshore Preference Shares in March 2017, completed H-share placing in March 2018 and completed its initial public offering of A Shares in November 2019. All proceeds raised were used as disclosed. As of December 31, 2020, such proceeds were all used to replenish the Company's capital to meet the needs for sustained growth of our business.

(IV) Acquisition and Sale of Assets

No insider trading or behavior harming the interests of some Shareholders was found in the major acquisitions of the Company.

(V) Connected Transactions

The connected transactions of our Company were conducted in a fair and reasonable way and were in compliance with national laws and regulations and the Articles of Association of the Company, and the Board of Supervisors was not aware of any behaviors which were not conducted on an arm's length basis or were detrimental to the interests of the Company and Shareholders.

(VI) Internal Control System

The Board of Supervisors had reviewed the "Internal Control Evaluation Report of China Zheshang Bank for 2020", and concurred with the Board of Directors' representations regarding the completeness, reasonableness, effectiveness and implementation of the internal control system of the Company.

Report of the Board of Supervisors

(VII) Implementation of Resolutions Passed at Shareholders' General Meetings

The Board of Supervisors had no objection to the reports or proposals submitted by the Board of Directors to the Shareholders' general meeting in 2020. It supervised the implementation of resolutions passed at the Shareholders' general meetings and was of the opinion that the Board of Directors had implemented the relevant resolutions earnestly.

Significant Events

(I) Material Litigations and Arbitrations

The Company was involved in certain legal proceedings or arbitration in the ordinary course of business. Most of these litigations or arbitrations are filed by the Company in order to recover non-performing loans and include litigation or arbitration arising from other disputes. Please refer to the “Announcement of China Zheshang Bank Co., Ltd. Regarding Litigation Events” (No.2020-012) and “Announcement of China Zheshang Bank Co., Ltd. Regarding the Progress of Litigation Events” (No.2020-020) issued by the Company on the Shanghai Stock Exchange (www.sse.com.cn) for relevant information on the guarantee contract dispute case with Yiwu Shimao Center Development Co., Ltd. (義烏世茂中心發展有限公司), Zhejiang Xinguang Building Material Decoration City Development Co., Ltd. (浙江新光建材裝飾城開發有限公司), Xinguang Yuancheng Co., Ltd. (新光圓成股份有限公司), Zhejiang Chuangdao Investment Management Co., Ltd. (浙江創道投資管理有限公司), Nanjing Construction Industry Group Co., Ltd. (南京建工產業集團有限公司), Nanjing Construction Engineering Group Co., Ltd. (南京建工集團有限公司), Yu Yunxin (虞雲新), Zhou Xiaoguang (周曉光), Yu Jiangbo (虞江波), Yu Tianyi (俞恬伊), and Ji Changqun (季昌群). Please refer to the “Announcement of China Zheshang Bank Regarding Litigation Events” (No.2020-023) and “Announcement of China Zheshang Bank Regarding the Progress of Litigation Events” (No.2020-032) issued by the Company on the Shanghai Stock Exchange (www.sse.com.cn) for relevant information on the guarantee contract dispute case with Beijing University Asset Management Co., Ltd. (北大資產經營有限公司) and Beijing University Resources Group Co., Ltd. (北大資源集團有限公司).

As of the end of the reporting period, there were 31 pending litigations/arbitrations (excluding actions of opposition to execution) to which the Company was a defendant involving an amount of RMB257.9538 million. The Company expects that such pending litigation or arbitration will not materially or adversely affect the Company’s business, financial position or operating results.

(II) Material Contracts and Their Performance

1. Significant Events Relating to Custody, Contracting and Leasing

During the reporting period, none of the material contracts signed by the Company involved holding in custody, contracting or leasing any assets of other companies or vice versa beyond the normal business scope of a bank.

2. Significant Guarantees

Guarantee business is an ordinary business of the Company. During the reporting period, save for the financial guarantee business carried out by the Company within the business scope approved by the PBOC and the CBIRC, there were no other significant guarantees required to be disclosed.

(III) Misappropriation of Non-Operating Funds of the Company by Controlling Shareholders and Other Related Parties

During the reporting period, the Company did not have any non-operating misappropriation of the Company’s funds by the controlling shareholders and other related parties, and KPMG Huazhen LLP (being an auditor of the Company) has issued a special review opinion for this purpose.

Significant Events

(IV) Significant Acquisitions, Sales or Disposals of Assets and Business Combination

During the reporting period, there were no significant acquisitions, sales or disposals of assets or business combination of the Company.

(V) Equity Incentive Plan

During the reporting period, the Company did not implement an equity incentive plan.

(VI) Employee Stock Ownership Plan

During the reporting period, the Company did not implement an employee stock ownership plan.

(VII) Interests and Short Positions of Directors, Supervisors and Chief Executives under Hong Kong Laws and Regulations

As at December 31, 2020, interests or short positions in the shares, underlying shares or debentures of Directors, Supervisors and Chief Executives of the Company or its associated corporations (within the meaning of Divisions 7 and 8 of Part XV of the SFO) which were required to be notified to the Company and the Hong Kong Stock Exchange (including interests or short positions regarded as holding by Directors, Supervisors and Chief Executives of the Company in accordance with such provisions of the SFO), or interests or short positions recorded in the register required to be kept under Section 352 of the SFO, or interests or short positions required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code set out in Appendix 10 of the Hong Kong Listing Rules are as follows:

Name	Position	Share Class	Long/short position	Post	Number of shares (share)	Percentage of issued shares of the relevant share class (%)	Percentage of total issued ordinary shares (%)
Shen Renkang (沈仁康)	Chairman, Executive director	A shares	Long position	Beneficial owners	30,000	0.00018	0.00014
Xu Renyan (徐仁艷)	Executive director, President	A shares	Long position	Beneficial owners	604,600	0.0036	0.0028
Yu Jianqiang (于建強)	Shareholder supervisor, Chairman of the board of supervisors	A shares	Long position	Beneficial owners	110,000	0.00066	0.00052
Zhang Luyun (張魯芸)	Former executive director	A shares	Long position	Beneficial owners	27,000	0.00016	0.00013

Note: Ms. Zhang Luyun resigned as an executive director of the Company on June 12, 2020 due to work arrangement.

Significant Events

(VIII) Disciplinary Actions Imposed on the Company or Its Directors, Supervisors, Senior Management and Shareholders Holding 5% or More Shares in the Company

No significant administrative penalty was imposed and no notice of criticism was circulated by any regulatory authority upon the Company or the Board of Directors and the Directors, Board of Supervisors, the Supervisors and senior management of the Company and Shareholders holding 5% or more shares during the reporting period.

(IX) Performance of the Undertakings

Background of undertakings	Type of undertakings	Undertaking entities	Undertakings	Time and period of undertakings	Any period for performance	Whether timely and strictly performed
Undertakings in relation to the initial public offering	Shares subject to trading moratorium	Zhejiang Provincial Financial Holdings Co., Ltd., Traveller Automobile Group Co., Ltd., Zhejiang Hengyi Group Co., Ltd. and its related parties Zhejiang Hengyi High-tech Material Co., Ltd. and Zhejiang Hengyi Petrochemical Co., Ltd., Hengdian Group Holdings Limited, Guangsha Holding Group Co., Ltd. and its related parties Zhejiang Dongyang Third Construction Co., Ltd. and Zhejiang Guangsha Co., Ltd., Zhejiang Provincial Energy Group Co., Ltd., Tong Lian Capital Management Co., Ltd., Xizi Elevator Group Co, Ltd., Shanghai Xizi United Investment Co., Ltd., Hangzhou Minsheng Pharmaceutical Holding Group Co., Ltd. (杭州民生醫藥控股集團有限公司) (9,460,000 Domestic Shares), Zhuji Hongyi Electronic Science and Technology Co., Ltd. (諸暨宏億電子科技有限公司), Zhejiang Huasheng Logistics Co., Ltd. (浙江華升物流有限公司)	Within 36 months from the date on which the A Shares of the Bank are listed and traded on the stock exchange, they will not transfer or entrust others to manage the Domestic Shares of the Bank that are directly or indirectly held by them before the issuance, nor sell the above shares back to the Bank.	November 26, 2019 to November 25, 2022	Yes	Yes

Significant Events

Background of undertakings	Type of undertakings	Undertaking entities	Undertakings	Time and period of undertakings	Any period for performance	Whether timely and strictly performed
Undertakings in relation to the initial public offering	Shares subject to trading moratorium	Minsheng Life Insurance Company Ltd., Zhejiang China Light & Textile Industrial City Group Co., Ltd., Shaoxing City Keqiao District Development and Operation Co., Ltd., Lizi Industrial Group Co., Ltd., Zhuji Lizi Automobile Transportation Co., Ltd., Nice Group Co., Ltd., Zhejiang Yongji Industry Group Co., Ltd., Zhejiang RIFA Holding Group Co., Ltd., Jinggong Group Co., Ltd., Zhejiang Huatong Holding Group Co., Ltd., Zhejiang Jingfa Industry Group Co., Ltd., Hangzhou Huiying Investment Management Co., Ltd. (杭州匯映投資管理有限公司), Zhejiang Xin'ao Industry Co., Ltd., Hangzhou Minsheng Pharmaceutical Holding Group Co., Ltd. (8,310,000 Domestic Shares), Xihu Sub-branch of Hangzhou United Rural Commercial Bank Co. Ltd.	Within 12 months from the date on which the A Shares of the Bank are listed and traded on the stock exchange, they will not transfer or entrust others to manage the Domestic Shares of the Bank that are directly or indirectly held by them before the issuance, nor sell the above shares back to the Bank.	November 26, 2019 to November 25, 2020	Yes	Yes

Note: Hangzhou Minsheng Pharmaceutical Holding Group Co., Ltd. held 8,310,000 Domestic Shares of the Bank due to judicial transfer before the application of the Bank's A Shares, and held additional 9,460,000 Domestic Shares of the Bank due to judicial transfer after the application of the Bank's A Shares.

(X) Review of Annual Results

KPMG Huazhen LLP and KPMG have audited the financial statements of the Company prepared in accordance with the China Accounting Standards and the International Financial Reporting Standards respectively, and issued standard unqualified auditing reports. The Board of Directors and the Audit Committee have reviewed the results and financial report of the Company for the year ended December 31, 2020.

(XI) Annual General Meeting

For the convening of its 2020 annual general meeting of the Company, the Company will make further announcement.

Significant Events

(XII) Publishing the Annual Report

The English and Chinese version of the annual report prepared by the Company in accordance with the International Financial Reporting Standards and Hong Kong Listing Rules will be available on the website of Hong Kong Stock Exchange and the Company's website.

The Chinese version of the annual report prepared by the Company in accordance with the China Accounting Standards and the Rules for the Preparation of Annual Reports will be available on the website of Shanghai Stock Exchange and the Company's website.

Independent Auditor's Report

To the Shareholders of China Zheshang Bank Co., Ltd.
(Incorporated in the People's Republic of China with limited liability)

Opinion

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

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

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs") issued by the International Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with *International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants* (including International Independence Standards) ("IESBA Code") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the People's Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements and IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independent Auditor’s Report

Key Audit Matters

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

Key audit matter	How the matter was addressed in our audit
<p><i>Measurement of loss allowance for expected credit losses for loans and advances to customers and financial investments measured at amortized cost</i></p> <p>Refer to accounting policies in Note IV.6(6) Impairment of financial assets, Note V Significant Accounting Judgments and Estimates and Note VI.17 Loans and Advances to Customers and Note VI.18.2 Financial investments measured at amortized cost.</p> <p>The Group uses the expected credit loss (“ECL”) model to calculate a loss allowance for expected credit losses for loans and advances to customers and financial investments measured at amortized cost.</p> <p>The determination of the loss allowance is subject to the application of a number of key parameters and assumptions, including the identification of loss stages of significant increase in credit risk since initial recognition and credit-impaired, probability of default, loss given default, exposures at default and discount rate, forward-looking adjustments on economic indicators, economic scenarios and weightings, impact of the COVID-19 pandemic and other adjustment factors. Management judgement is involved in the selection of those parameters and the application of the assumptions.</p>	<p>Our audit procedures in relation to ECL of loans and advances to customers and financial investments measured at amortized cost included the following:</p> <ul style="list-style-type: none"> • understanding and assessing the key internal controls of financial reporting over the process and the measurement of ECL allowance for loans and advances to customers and financial investments measured at amortized cost. • involving KPMG information technology specialists to assess the design, implementation and operating effectiveness of relevant IT systems for loss allowance for expected credit losses for loans and advances to customers and financial investments measured at amortized cost. • involving KPMG financial risk management specialists to assess the appropriateness of the ECL model and the parameters used, and evaluating the key management judgments involved.

Independent Auditor's Report

Key audit matter	How the matter was addressed in our audit
<p><i>Measurement of loss allowance for expected credit losses for loans and advances to customers and financial investments measured at amortized cost (continued)</i></p> <p>The determination of the ECL model is heavily dependent on the macroeconomic environment and the Group's internal credit risk management strategy. The ECL of corporate loans and advances, financial investments measured at amortized cost in stage one and stage two and all personal loans and advances are derived from estimates including probability of default, loss given default, exposures at default and discount rate. The ECL of corporate loans and advances and financial investments measured at amortized cost in stage three are derived from estimates whereby taken into consideration cash flows expected to be received and discount rate.</p> <p>Management also exercises judgement in determining the quantum of loss given default based on a range of factors. These include available remedies for recovery, the financial situation of the borrower, the recoverable amount of collateral, the seniority of the claim and the existence and cooperativeness of other creditors. Management refers to valuation reports issued by qualified third-party valuers and considers the influence of various factors when assessing the value of collateral. The enforceability, timing and means of realisation of collateral can also have an impact on the recoverable amount of collateral and, therefore, the amount of allowance for impairment losses as at the end of the reporting period.</p>	<ul style="list-style-type: none"> • assessing the completeness and accuracy of data used for the key parameters in the ECL model. For key parameters derived from internal data relating to original agreements, we compared the total balance of the loans and advances to customers and financial investments measured at amortized cost list used by management with the general ledger to assess the completeness of the list. We also selecting items and comparing the information of individual loans and advances to customers and financial investments measured at amortized cost with the underlying agreements and other related documentation to assess the accuracy of the list. For historical economic indicators and other key parameters derived from external data, we selected items to inspect the accuracy of such data by comparing them with public resources. • for key parameters used in the ECL model which were derived from system-generated internal data, we involved KPMG IT specialists to assess the system logics and compilation of the overdue information of loans and advances to customers and financial investments measured at amortized cost. • for key parameters involving judgment, seeking evidence from external sources published by statistical institutions and comparing to the Group's internal records including historical loss experience, to evaluate the consistency of management's application of key assumptions and key parameters. We compared the economic and market factors used in the model with market information to assess whether they were aligned with economic development expectation.

Independent Auditor's Report

Key audit matter	How the matter was addressed in our audit
<p><i>Measurement of loss allowance for expected credit losses for loans and advances to customers and financial investments measured at amortized cost (continued)</i></p> <p>We identified the measurement of loss allowance for expected credit losses for loans and advances to customers and financial investments measured at amortized cost as a key audit matter because of the inherent uncertainty and management judgment involved and because of its significance to the financial results and capital of the Group.</p>	<ul style="list-style-type: none"> • evaluating the validity of management's assessment on whether the credit risk of the loans and advances to customers and financial investments measure at amortized cost has, or has not, increased significantly since initial recognition, whether the loan is credit-impaired and evaluate the loss allowance for expected credit losses for credit-impaired loans and advances to customers and financial investments by selecting items to perform credit assessments. We performed the credit assessments by checking the overdue information, making enquiries of the credit managers about the borrowers' business operations, checking borrowers' financial information and collaterals' information about borrowers' businesses. • assessing the reasonableness of the disclosures in the financial statements in relation to the loss allowance for expected credit losses for loans and advances to customers and financial investments measured at amortized cost with reference to prevailing accounting standards.

Independent Auditor's Report

Key audit matter	How the matter was addressed in our audit
<p data-bbox="199 470 655 528"><i>Recognition of interests in and consolidation of structured entities</i></p> <p data-bbox="199 541 655 698">Refer to the accounting policies in Note IV.3 Consolidated Financial Statements, Note V Significant Accounting Judgments and Estimates and Note VII.2 Involvement with Unconsolidated Structured Entities.</p> <p data-bbox="199 735 655 950">Structured entities are generally created to achieve a narrow and well defined objective with restrictions around their ongoing activities which include providing investment services and products to customers and managing the Group's assets and liabilities.</p> <p data-bbox="199 987 655 1274">The Group may acquire an ownership interest in, act as a sponsor to, a structured entity, through initiating or investing shares in a wealth management product, an asset management plan, a trust plan, or an asset-backed security. The Group may also retain partial interests in derecognized assets due to guarantees or securitization structures.</p> <p data-bbox="199 1310 655 1662">In determining whether the Group should retain any partial interests in a structured entity or should consolidate a structured entity, management is required to consider the power the Group is able to exercise over the activities of the entity, and its exposure to and ability to influence the Group's own returns from the entity. These factors are not purely quantitative and need to be considered collectively in the overall substance of the transactions.</p> <p data-bbox="199 1698 655 1944">We identified the recognition of interests in and consolidation of structured entities as a key audit matter because of the complex nature of these structured entities and because of the judgment exercised by management in the qualitative assessment of the terms and the nature of each entity.</p>	<p data-bbox="684 541 1390 599">Our audit procedures to assess the recognition of interests in and consolidation of structured entities included the following:</p> <ul style="list-style-type: none"> <li data-bbox="687 636 1390 694">• understanding and assessing the key controls of financial reporting over the consolidation of structured entities; <li data-bbox="687 730 1390 823">• selecting items of significant structured entities of key product type and performing the following procedures for selected items: <ul style="list-style-type: none"> <li data-bbox="740 860 1390 1082">– inspecting the related contracts, internal establishment documents and information disclosed to the investors to understand the purpose of the establishment of the structured entity and the involvement the Group has with the structured entity and to assess management's judgment over whether the Group has the ability to exercise power over the structured entity. <li data-bbox="740 1118 1390 1304">– inspecting the risk and reward structure of the structured entity including any capital or return guarantee, provision of liquidity support, commission paid and distribution of the returns to assess management's judgment as to exposure, or rights, to variable returns from the Group's involvement in such an entity. <li data-bbox="740 1341 1390 1526">– inspecting management's analysis of the structured entity, including qualitative analysis and the calculation of the magnitude and variability associated with the Group's economic interests in the structured entity, to assess management's judgment over the Group's ability to influence its own returns from the structured entity. <li data-bbox="740 1563 1390 1621">– assessing management's judgment over whether the structured entity should be consolidated or not. <li data-bbox="687 1657 1390 1785">• assessing the reasonableness of the disclosures in the financial statements in relation to the recognition of interests in and consolidation of structured entities with reference to prevailing accounting standards.

Independent Auditor's Report

Key audit matter	How the matter was addressed in our audit
<p><i>Fair value of financial instruments</i></p> <p>Refer to accounting policies in Note V Significant Accounting Judgements and Estimates and Note XV Fair Value of Financial Instrument.</p> <p>Financial instruments carried at fair value account for a significant part of the Group's assets and liabilities. The effect of fair value adjustments of financial instruments may impact either the profit or loss or other comprehensive income. The valuation of the Group's financial instruments, held at fair value, is based on a combination of market data and valuation models which often require a considerable number of inputs. Many of these inputs are obtained from readily available data, in particular for level 1 and level 2 financial instruments in the fair value hierarchy, the valuation techniques for which use quoted market prices and observable inputs, respectively. Where one or more significant inputs are unobservable in the valuation techniques, as in the case of level 3 financial instruments, then estimates need to be developed which can involve significant management judgment.</p> <p>The Group has applied relevant models to value certain level 2 and level 3 financial instruments, which also involve significant management judgment.</p> <p>We identified the fair value of financial instruments as a key audit matter because of the degree of complexity involved in valuing certain financial instruments and because of the degree of judgment exercised by management in determining the inputs used in the valuation models.</p>	<p>Our audit procedures to assess the fair value of financial instruments included the following:</p> <ul style="list-style-type: none"> • understanding and assessing the design, implementation and operating effectiveness of key internal controls of financial reporting over the valuation, front office and back office reconciliations and model approval for financial instruments. • evaluating the fair value of level 1 financial instruments, by comparing the fair values applied by the Group with publicly available market data. • evaluating the fair value of level 2 and level 3 financial instruments on sample basis, by evaluating the Group's valuation models, obtaining inputs independently and verifying inputs, comparing our valuation results with the Group's results, and engaging KPMG valuation specialists to conduct independent valuation. • assessing the reasonableness of the disclosures in the financial statements in relation to fair value of financial instruments with reference to prevailing accounting standards.

Independent Auditor's Report

Information Other Than the Consolidated Financial Statements and Auditor's Report Thereon

The Directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

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

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

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

Responsibilities of the Directors for the Consolidated Financial Statements

The Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Independent Auditor's Report

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Independent Auditor's Report

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

The engagement partner on the audit resulting in this independent auditor's report is Chan Siu Tung.

KPMG

Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

30 March 2021

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2020
(In RMB millions, unless otherwise stated)

	Note	2020	2019 (Restated)
Interest income		86,224	80,276
Interest expense		(49,129)	(45,614)
NET INTEREST INCOME	VI.1	37,095	34,662
Fee and commission income		4,775	4,291
Fee and commission expense		(525)	(500)
NET FEE AND COMMISSION INCOME	VI.2	4,250	3,791
Net trading gains	VI.3	4,367	6,222
Net gains on financial investments	VI.4	1,552	1,361
Other operating income	VI.5	507	411
OPERATING INCOME		47,771	46,447
Operating expenses	VI.6	(13,242)	(12,865)
Expected credit losses	VI.7	(20,166)	(18,902)
PROFIT BEFORE TAXATION		14,363	14,680
Income tax expense	VI.10	(1,804)	(1,538)
PROFIT FOR THE YEAR		12,559	13,142
Attributable to:			
Shareholders of the Bank		12,309	12,924
Non-controlling interests		250	218

The notes on pages 180 to 297 form part of these consolidated financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2020
(In RMB millions, unless otherwise stated)

	Note	2020	2019
Items that will not be reclassified to profit or loss:			
Changes in the fair value of financial investments designated to be measured at fair value through other comprehensive income	VI.39	41	124
Items that may be reclassified to profit or loss:			
Fair value changes on financial assets at fair value through other comprehensive income		(1,077)	477
Expected credit losses of financial assets at fair value through other comprehensive income		298	(187)
Exchange difference from the translation of foreign operations		(1,269)	465
Other comprehensive income, net of tax		(2,007)	879
Total comprehensive income		10,552	14,021
Attributable to:			
Shareholders of the Bank		10,302	13,803
Non-controlling interests		250	218
Basic and diluted earnings per share attributable to the shareholders of the Bank:			
	VI.11		
Basic earnings per share (RMB yuan / share)		0.53	0.64
Diluted earnings per share (RMB yuan / share)		0.53	0.64

The notes on pages 180 to 297 form part of these consolidated financial statements.

Consolidated Statement of Financial Position

as at 31 December 2020
(In RMB millions, unless otherwise stated)

	Note	31 December 2020	31 December 2019
ASSETS			
Cash and balances with central bank	VI.12	137,441	131,029
Precious metals		19,478	21,251
Deposits with banks and other financial institutions	VI.13	38,827	17,725
Placements with banks and other financial institutions	VI.14	5,637	9,184
Derivative financial assets	VI.15	23,434	13,892
Financial assets purchased under resale agreements	VI.16	57,067	28,950
Loans and advances to customers	VI.17	1,165,875	998,933
Financial investments	VI.18		
– Financial investments measured at fair value through profit or loss		129,269	129,266
– Financial investments measured at amortized cost		336,109	305,160
– Financial investments measured at fair value through other comprehensive income		63,007	83,612
Fixed assets	VI.20	13,474	12,673
Right-of-use assets	VI.21	4,826	5,081
Intangible assets	VI.22	294	268
Deferred income tax assets	VI.23	14,620	11,831
Other assets	VI.24	38,867	31,931
TOTAL ASSETS		2,048,225	1,800,786
LIABILITIES			
Due to central bank		84,768	94,065
Deposits from banks and other financial institutions	VI.26	148,273	132,950
Placements from banks and other financial institutions	VI.27	48,543	33,853
Financial liabilities at fair value through profit or loss	VI.28	9,231	15,143
Derivative financial liabilities	VI.15	23,478	14,911
Financial assets sold under purchase agreements	VI.29	900	6,002
Customer deposits	VI.30	1,335,636	1,143,741
Employee benefits payable	VI.31	4,873	4,439
Tax payable	VI.32	4,663	4,669
Provision	VI.33	5,686	5,544
Lease liabilities		2,981	3,108
Debt securities issued	VI.34	236,682	206,241
Other liabilities	VI.35	9,968	8,093
TOTAL LIABILITIES		1,915,682	1,672,759

The notes on pages 180 to 297 form part of these consolidated financial statements.

Consolidated Statement of Financial Position

as at 31 December 2020
(In RMB millions, unless otherwise stated)

	Note	31 December 2020	31 December 2019
EQUITY			
Share capital	VI.36	21,269	21,269
Other equity instruments	VI.37	14,958	14,958
Capital reserve	VI.38	32,018	32,018
Other comprehensive income	VI.39	261	2,268
Surplus reserve	VI.40	8,499	7,294
Statutory general reserve	VI.41	21,118	19,454
Retained earnings	VI.42	32,389	28,985
Equity attributable to shareholders of the Bank		130,512	126,246
Non-controlling interests		2,031	1,781
TOTAL EQUITY		132,543	128,027
TOTAL LIABILITIES AND EQUITY		2,048,225	1,800,786

The consolidated financial statements were approved by the board of directors on 30 March 2021:

Shen Renkang
Chairman

Xu Renyan
President

Liu Long
Principal in-charge of Finance

Jing Feng
Chief Finance Officer

The notes on pages 180 to 297 form part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2020
(In RMB millions, unless otherwise stated)

	Note	Attributable to shareholders of the Bank							Subtotal	Non-Controlling interests	Total Equity
		Share capital	Other equity instruments	Capital reserve	Other comprehensive income	Surplus reserve	Statutory general reserve	Retained earnings			
Balance as at 1 January 2020		21,269	14,958	32,018	2,268	7,294	19,454	28,985	126,246	1,781	128,027
Changes in equity for the year											
1. Total comprehensive income		-	-	-	(2,007)	-	-	12,309	10,302	250	10,552
2. Appropriation of profits											
- Appropriation to surplus reserve	VI. 40	-	-	-	-	1,205	-	(1,205)	-	-	-
- Appropriation to statutory general reserve	VI. 41	-	-	-	-	-	1,664	(1,664)	-	-	-
- Distributions to ordinary shareholders	VI. 42	-	-	-	-	-	-	(5,104)	(5,104)	-	(5,104)
- Distributions to preference shareholders	VI. 42	-	-	-	-	-	-	(932)	(932)	-	(932)
Balance as at 31 December 2020		21,269	14,958	32,018	261	8,499	21,118	32,389	130,512	2,031	132,543
Balance as at 1 January 2019		18,719	14,958	22,130	1,389	6,025	18,462	19,203	100,886	1,563	102,449
Changes in equity for the year											
1. Total comprehensive income		-	-	-	879	-	-	12,924	13,803	218	14,021
2. Increase in capital											
- Contribution of shareholders	VI. 36	2,550	-	9,888	-	-	-	-	12,438	-	12,438
3. Appropriation of profits											
- Appropriation to surplus reserve	VI. 40	-	-	-	-	1,269	-	(1,269)	-	-	-
- Appropriation to statutory general reserve	VI. 41	-	-	-	-	-	992	(992)	-	-	-
- Distributions to preference shareholders	VI. 42	-	-	-	-	-	-	(881)	(881)	-	(881)
Balance as at 31 December 2019		21,269	14,958	32,018	2,268	7,294	19,454	28,985	126,246	1,781	128,027

The notes on pages 180 to 297 form part of these consolidated financial statements.

Consolidated Cash Flow Statement

for the year ended 31 December 2020
(In RMB millions, unless otherwise stated)

	2020	2019
Cash flows from operating activities:		
Profit before taxation	14,363	14,680
Adjustments for:		
– Expected credit losses	20,166	18,902
– Depreciation and amortization	1,560	1,418
– Interest income from financial investments	(16,055)	(18,408)
– Net investment income	(5,401)	(6,553)
– Net losses from changes in fair value	1,882	346
– Net foreign exchange gain	(20)	(709)
– Net losses on disposal of fixed assets	9	0
– Interest expense on debt securities issued	6,508	8,237
– Interest expense on lease liabilities	129	157
– Deferred income tax expense	(2,543)	(3,649)
Net change in operating assets and operating liabilities:		
Net increase in balances with central bank	(16,335)	(2,909)
Net decrease in deposits with banks and other financial institutions	1,623	1,599
Net (increase)/decrease in placements with banks and other financial institutions	(1,511)	6,726
Net decrease/(increase) in financial assets purchased under resale agreements	28,941	(1,384)
Net increase in loans and advances to customers	(175,782)	(168,803)
Net (increase)/decrease in financial assets held for trading	(9,113)	5,912
Net decrease/(increase) in other operating assets	1,989	(23,703)
Net (decrease)/increase in due to central bank	(8,917)	29,023
Net increase/(decrease) in deposits from banks and other financial institutions	15,450	(37,696)
Net increase/(decrease) in placements from banks and other financial institutions	14,751	(4,338)
Net decrease in financial assets sold under repurchase agreements	(5,102)	(875)
Net increase in customer deposits	188,059	167,449
Net (decrease)/increase in other operating liabilities	(80)	6,156
Net cash flows generated from/(used in) operating activities before tax	54,571	(8,422)
Income tax paid	(4,991)	(3,123)
Net cash generate from/(used in) operating activities	49,580	(11,545)

The notes on pages 180 to 297 form part of these consolidated financial statements.

Consolidated Cash Flow Statement

for the year ended 31 December 2020
(In RMB millions, unless otherwise stated)

	Note	2020	2019
Cash flows from investing activities:			
Dividends received		2	2
Proceeds from disposal of fixed assets		35	14
Purchases of fixed assets, intangible assets and other long-term assets		(1,738)	(4,683)
Proceeds from interest and sale of financial investments		18,957	27,370
Proceeds from redemption of financial investments		2,600,356	3,756,061
Purchases of financial investments		(2,618,492)	(3,721,619)
Net cash (used in)/generated from investing activities		(880)	57,145
Cash flows from financing activities:			
Proceeds from issuance of shares		-	12,438
Proceeds from issuance of debt securities		273,452	227,478
Cash paid for repayment of debt securities		(243,698)	(266,514)
Interest paid on debt securities issued		(5,822)	(8,373)
Cash paid for dividend distribution		(5,780)	(885)
Payment of lease liabilities		(673)	(583)
Net cash generated from/(used in) financing activities		17,479	(36,439)
Effect of exchange rate changes on cash and cash equivalents		(1,002)	144
Net increase in cash and cash equivalents		65,177	9,305
Cash and cash equivalents at beginning of the year	VI. 43	46,944	37,639
Cash and cash equivalents at end of the year	VI. 43	112,121	46,944
Net cash flows from operating activities include:			
Interest received		69,312	59,355
Interest paid		(39,222)	(34,960)

The notes on pages 180 to 297 form part of these consolidated financial statements.

Notes to Consolidated Financial Statements

For the year ended December 31, 2020
(In RMB millions, unless otherwise stated)

I General Information

China Zheshang Bank Co., Ltd. (the “Bank”) is a national joint-stock commercial bank established on the basis of the original Zhejiang Commercial Bank with the approval from the China Banking Regulatory Commission (“CBRC” which was renamed to China Banking and Insurance Regulatory Commission in 2018, hereinafter “CBIRC”) (Yin Jian Fu [2004] No. 91 Document) and Zhejiang Commission of China Banking Regulatory Commission (Zhe Yin Jian Fu [2004] No. 48 Document). The Bank obtained the Finance License (No. B0010H133010001) with the approval from the CBIRC. On 26 July 2004, the Bank completed the change of registration in Zhejiang Administration for Industry and Commerce and obtained the Business License (No. 330000000013295) in Zhejiang Province, the People’s Republic of China (the “PRC”). On 7 November 2016, the Bank obtained the Uniform Social Credit Code (No. 91330000761336668H).

The Bank was listed on the Hong Kong Stock Exchange on 30 March 2016 with the stock code of 2016, the Bank was listed on the Shanghai Stock Exchange on 26 November 2019 with the stock code of 601916. As at 31 December 2020, the Bank’s registered capital is RMB21,268,696,778.

As at 31 December 2020, the Bank has established 272 branch outlets in 20 provinces (municipalities) and Hong Kong in China, including 66 branches (28 of them are tier-one branches), one branch-level specialized institution and 205 sub-branches. The principal activities of the Bank include corporate and personal deposits, loans and advances, clearing and settlement service, treasury business, and other banking service.

Zhejiang Zheyin Financial Leasing Co., Ltd. (“Zheyin Leasing”) was established on 18 January 2017 with a registered capital of RMB3 billion. Since the Bank has control over Zheyin Leasing, the Bank has included it in the consolidated scope of the report. The Bank and its subsidiary, Zheyin Leasing, are collectively referred to as “the Group”.

II Basis of Preparation

1 Statement of Compliance

These financial statements have been prepared in accordance with the International Financial Reporting Standards (“IFRSs”) and Interpretations issued by the International Accounting Standards Board (“IASB”), applicable disclosure requirements of the rules governing the listing of securities on the Stock Exchange of Hong Kong Limited and the disclosure requirements of the Hong Kong Companies Ordinance (Chapter 622).

2 Basis of Preparation

The consolidated financial statements have been prepared on a going concern basis.

The consolidated financial statements have been prepared under the historical cost convention, except for precious metals held for trading, derivative financial instruments, financial assets and financial liabilities measured at fair value through profit or loss (“FVTPL”) and financial assets measured at fair value through other comprehensive income (“FVOCI”), as further explained in the respective accounting policies below.

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. Judgements made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in Note V.

Notes to Consolidated Financial Statements

For the year ended December 31, 2020
(In RMB millions, unless otherwise stated)

III New Standards or amendments and forthcoming requirements

1 Impact of Effective International Financial Reporting Standards

The Group has applied the following amendments to International Financial Reporting Standards (“IFRSs”) issued by IASB to these consolidated financial statements from 1 January 2020:

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

The new and amendments to IFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies. Except for the amendments to IFRSs mentioned below, the application of the other new and amendments to IFRSs in the current year has no material impact on the Group’s consolidated financial statements.

(a) Amendment to IFRS 16, Covid-19-Related Rent Concessions

The amendment provides a practical expedient that allows a lessee to by-pass the need to evaluate whether certain qualifying rent concessions occurring as a direct consequence of the COVID-19 pandemic (“COVID-19-related rent concessions”) are lease modifications and, instead, account for those rent concessions as if they were not lease modifications.

The Group has elected to early adopt the amendments and applies the practical expedient to all qualifying COVID-19-related rent concessions granted to the Group. Consequently, rent concessions received have been accounted for as negative variable lease payments recognized in profit or loss in the period in which the event or condition that triggers those payments occurred at undiscounted amount and adjust the leasing liability accordingly.

The adoption has no material impact on the financial position and the financial result of the Group.

2 Impact of International Financial Reporting Standards Issued but not yet Effective

		Effective date
Amendments to IFRS 3	<i>Reference to the Conceptual Framework</i>	1 January 2022
Amendments to IAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>	1 January 2022
Amendments to IAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>	1 January 2022
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current</i>	1 January 2023
IFRS 17	<i>Insurance Contracts</i>	1 January 2023
Amendments to IFRS 10 and IAS 28	<i>Sales or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Not determined

The above new and amendments to IFRSs have not been adopted in advance in these consolidated financial statements. The Group anticipates that the application of all new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

Notes to Consolidated Financial Statements

For the year ended December 31, 2020
(In RMB millions, unless otherwise stated)

IV Principal Accounting Policies

1 Accounting Year

The accounting year starts on January 1 and ends on December 31.

2 Functional Currency

The consolidated financial statements are presented in RMB, being the functional and presentation currency of the Bank's operations in Mainland China. Each entity operated outside Mainland China determines its own functional currency and the financial statements of each entity are presented using that functional currency in accordance with Note IV.5.

3 Consolidated Financial Statements

The consolidated financial statements include the financial statements of the Bank and all its subsidiaries. A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity if it is exposed, or has rights, to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered. An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases.

Non-controlling interests are presented in the consolidated statement of financial position within equity and in the consolidated statement of profit or loss and other comprehensive income as an allocation of the net profit and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Bank. Losses are attributed to non-controlling shareholders of subsidiaries even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting period and accounting policies in line with the Group's accounting period and accounting policies. Intra-group assets, liabilities, equities, revenue, expense and cash flows arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements.

4 Determination of Cash and Cash Equivalents

Cash and cash equivalents comprise assets that can be readily drawn on demand, and short-term and highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value, such as cash, surplus reserve with central bank, deposits or placements with banks and other financial institutions and financial assets purchased under resale agreements with original tenor less than 3 months.

Notes to Consolidated Financial Statements

For the year ended December 31, 2020
(In RMB millions, unless otherwise stated)

IV Principal Accounting Policies (continued)

5 Foreign Currency Transactions and Translation

Foreign currency transactions are initially recorded in RMB using the spot exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are retranslated into the functional currency at the applicable exchange rates ruling at the end of the reporting period. Exchange differences are recognised in profit or loss, except those arising from foreign currency borrowings used for capitalized assets. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated into the functional currency using the exchange rate at the transaction date. Non-monetary items that are measured at fair value in foreign currencies are translated using the foreign exchange rate at the date the fair value is determined. The resulting exchange differences are recognised in profit or loss, except for the differences arising from the re-translation of financial assets measured at fair value through other comprehensive income, which are recognised in other comprehensive income.

As at the end of the reporting period, the assets and liabilities of foreign operations are translated into the presentation currency of the Bank at the exchange rates ruling at the end of the reporting period. All items within equity except for retained earnings and other comprehensive income are translated at the exchange rates ruling at the dates of the initial transactions. Income and expenses in the statement of profit or loss are translated at the spot exchange rate or a rate that approximates the exchange rates of the transaction. The exchange differences arising on the above translation are taken to other comprehensive income. On disposal of a foreign operation, the cumulative amount recognised in other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

6 Financial Instruments

(1) Initial recognition and measurement of financial assets and financial liabilities

Financial assets and financial liabilities are recognized in the consolidated statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are measured initially at fair value. For financial assets and financial liabilities measured at FVTPL, 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.

(2) Classification and subsequent measurement of financial assets

Classification of financial assets

The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. On initial recognition, a financial asset is classified as measured at amortised cost ("AC"), at FVOCI, or at FVTPL.

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.

Notes to Consolidated Financial Statements

For the year ended December 31, 2020
(In RMB millions, unless otherwise stated)

IV Principal Accounting Policies (continued)

6 Financial Instruments (continued)

(2) Classification and subsequent measurement of financial assets (continued)

Classification of financial assets (continued)

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; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis, and the investment conforms to the definition of equity instrument 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 on specific dates are solely payments of principal and interest based on principal unpaid, 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 of contractual cash flows.

Notes to Consolidated Financial Statements

For the year ended December 31, 2020
(In RMB millions, unless otherwise stated)

IV Principal Accounting Policies (continued)

6 Financial Instruments (continued)

(2) Classification and subsequent measurement of financial assets (continued)

Subsequent measurement of financial assets

- Financial assets measured at FVTPL

These financial assets are subsequently measured at fair value after initial recognition. Net 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 measured at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method after initial recognition. A gain or loss on a financial asset that is measured at amortised cost and is not part of a hedging relationship shall be recognised in profit or loss when the financial asset is derecognised, through the amortisation process in effective interest method or in order to recognise impairment gains or losses.

- Debt instruments measured at FVOCI

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

- Equity instruments measured 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.

Notes to Consolidated Financial Statements

For the year ended December 31, 2020
(In RMB millions, unless otherwise stated)

IV Principal Accounting Policies (continued)

6 Financial Instruments (continued)

(3) Classification and subsequent measurement of financial liabilities

Financial liabilities are classified as measured at FVTPL, measured at amortised cost, credit commitment and financial guarantee.

– Financial liabilities measured at FVTPL

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

A financial liability is classified as held for trading if: (i) it has been acquired principally for the purpose of repurchasing it in the near term; or (ii) on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or (iii) it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if: (i) such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or (ii) the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided to key management internally on that basis.

Financial liabilities measured at FVTPL (including derivative financial liability) are subsequently measured at fair value after initial recognition 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 measured at amortised cost

A financial liability other than a financial liability measured at FVTPL, a financial liability not meeting the criteria for de-recognition or arising from continuing involvement, credit commitment or financial guarantee is recognised at fair value and subsequently measured at amortised cost using the effective interest method after initial recognition.

(4) Offsetting financial instruments

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

- the Group currently has a legally enforceable right to set off the recognised amounts; and
- the Group intends either to settle on a net basis, or to realise the financial asset and settle the financial liability simultaneously.

Notes to Consolidated Financial Statements

For the year ended December 31, 2020
(In RMB millions, unless otherwise stated)

IV Principal Accounting Policies (continued)

6 Financial Instruments (continued)

(5) Derecognition of financial instruments

Financial asset is derecognised when one of the following conditions is met:

- the Group's contractual rights to the cash flows from the financial asset expire;
- the financial asset has been transferred and the Group transfers substantially all of the risks and rewards of ownership of the financial asset; or
- the financial asset has been transferred, although the Group neither transfers nor retains substantially all of the risks and rewards of ownership of the financial asset, it does not retain control over the transferred asset.

Where a transfer of a financial asset in its entirety meets the criteria for de-recognition, the difference between the two amounts below is recognised in the consolidated statement of profit and loss:

- the carrying amount of the financial asset transferred;
- the sum of the consideration received from the transfer. For a debt instrument financial asset measured at FVOCI, the sum of the consideration received includes the cumulative gain or loss recognised in other comprehensive income.

Securitisation

As part of its operational activities, the Group securitises financial assets, generally through the sale of these assets to structured entities which issue securities to investors. Further details on prerequisites for derecognition of financial assets are set out above. When a securitisation of financial assets does not qualify for derecognition, the relevant financial assets are not derecognised, and the consideration paid by third parties are recorded as a financial liability; the Group neither retains nor transfers substantially all of the risks and rewards of ownership of the securitised financial assets, the Group continue to recognise the transferred assets on consolidated statement of financial position to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the securitised assets.

Sales of financial assets on condition of repurchase

The derecognition of financial assets sold on condition of repurchase is determined by the economic substance of the transaction. If a financial asset is sold under an agreement to repurchase the same or substantially the same asset at a fixed price or at the sale price plus a reasonable return, the Group will not derecognise the asset. If a financial asset is sold together with an option to repurchase the financial asset at its fair value at the time of repurchase (in case of transferor sells such financial asset), the Group will derecognise the financial asset.

The Group derecognises a financial liability (or part of it) only when its contractual obligation (or part of it) is extinguished.

Notes to Consolidated Financial Statements

For the year ended December 31, 2020
(In RMB millions, unless otherwise stated)

IV Principal Accounting Policies (continued)

6 Financial Instruments (continued)

(6) Impairment of financial assets

The Group recognises loss allowances for expected credit losses (“ECL”) on:

- Financial assets measured at amortised cost;
- Debt instruments measured at FVOCI; and
- Credit commitments and financial guarantee contracts.

Financial assets measured at fair value, including financial investments measured at FVTPL, equity investments designated as 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 end of the reporting period (or a shorter period if the expected life of the instrument is less than 12 months) and are parts of lifetime ECLs.

The Group classifies financial instruments into three stages and makes provisions for expected credit losses in accordance with accounting policies as described in Note XIII.1 Credit Risk.

Presentation of allowance for ECLs

ECLs are remeasured at the end of each reporting period to reflect changes in the financial instrument’s credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for financial instruments measured at amortised cost with a corresponding adjustment to their carrying amount through a loss allowance account; for debt instruments that are measured at FVOCI, the ECL allowance is recognised in other comprehensive income. The Group recognises ECL allowances for credit commitments and financial guarantee contracts through other liabilities (allowance for ECLs on credit commitments).

Notes to Consolidated Financial Statements

For the year ended December 31, 2020
(In RMB millions, unless otherwise stated)

IV Principal Accounting Policies (continued)

6 Financial Instruments (continued)

(7) Write-off of financial assets

The book value 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.

(8) Modification of contracts

In some cases (such as renegotiating loans), the Group may renegotiate or otherwise modify the financial assets contracts. The Group would assess whether or not the new contractual terms are substantially different to the original terms. If the terms are substantially different, the Group derecognises the original financial asset and recognises a 'new' asset under the revised terms. If the modification does not result in derecognition caused by substantial changes, but lead to changes in contractual cash flows, the Group assesses whether a significant increase in credit risk has occurred, based on comparing the risk of a default occurring under the revised terms as at the end of the reporting period with that as at the date of initial recognition under original terms.

(9) Equity Instrument

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting the liabilities. A financial instrument is an equity instrument if, and only if, both conditions below are met: (i) the financial instrument includes no contractual obligation to deliver cash or another financial asset to another entity, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; and (ii) if the financial instrument will or may be settled in the Group's own equity instruments, it is a non-derivative instrument that includes no contractual obligations for the Group to deliver a variable number of its own equity instruments; or a derivative that will be settled only by the Group exchanging a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

The consideration received from the issuance of equity instruments net of transaction costs is recognized in equity.

Notes to Consolidated Financial Statements

For the year ended December 31, 2020
(In RMB millions, unless otherwise stated)

IV Principal Accounting Policies (continued)

7 Preference Shares

At initial recognition, the Group classifies the preference shares issued or their components as financial liabilities or equity instruments based on their contractual terms and their economic substance after considering the definition of financial liabilities and equity instruments.

Preference shares issued that are classified as equity instruments are recognised in equity based on the actual amount received. Any distribution of dividends or interests during the instruments' duration is treated as profit appropriation. When the preference shares are redeemed by the Group according to the contractual terms, the redemption price is charged to equity.

8 Precious Metals

Precious metals comprise gold, silver and other precious metals. Precious metals that are not related to the Group's precious metals trading activities are initially measured at acquisition cost and subsequently measured at the lower of cost and net realisable value. Precious metals acquired by the Group for trading purposes are initially measured at fair value and subsequent changes in fair value are recorded in profit or loss.

9 Derivative Financial Instruments

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

If the host contract included in a hybrid contract is an asset within the scope of IFRS 9, the embedded derivative is not separated from the host contract of the financial asset, but the hybrid financial instrument as a whole classified under IFRS 9. If the host contract included in a hybrid contract is not an asset within the scope of IFRS 9, when their economic characteristics and risks of an embedded derivative is not closely related to those of the host contract, a separate instruments with the same terms as the embedded derivative would meet the definition of a derivative, and the hybrid instrument is not measured at FVTPL, then such embedded derivatives are separated from the hybrid contract and accounted for as a derivative. These embedded derivatives are measured at fair value with the changes in fair value recognised in profit or loss.

Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are taken directly to profit or loss.

10 Repurchase and Reverse purchase Transactions (including securities borrowing and lendings)

Assets sold under agreements to repurchase at a specified future date are not derecognised from the consolidated statement of financial position. The corresponding cash received, including accrued interest, is recognised on the consolidated statement of financial position as a "financial assets sold under purchase agreements". The difference between the sale and repurchase prices is treated as an interest expense and is accrued over the life of the agreement using the effective interest rate method.

Notes to Consolidated Financial Statements

For the year ended December 31, 2020
(In RMB millions, unless otherwise stated)

IV Principal Accounting Policies (continued)

10 Repurchase and Reverse purchase Transactions (including securities borrowing and lendings) (continued)

Conversely, assets purchased under agreements to resell at a specified future date are not recognised on the consolidated statement of financial position. The corresponding cash paid, including accrued interest, is recognised on the consolidated statement of financial position as a “financial assets purchased under resale agreements”. The difference between the purchase and resale prices is treated as an interest income and is accrued over the life of the agreement using the effective interest rate method.

Securities borrowing and lending transactions are usually collateralised by securities or cash. The transfer of the securities to counterparties is only reflected on the consolidated statement of financial position if the risks and rewards of ownership are also transferred. Cash advanced or received as collateral is recorded as an asset or liability.

Securities borrowed are not recognised on the consolidated statement of financial position, unless they are then sold to third parties, in which case the obligation to return the securities is recorded as a financial liability held for trading and measured at fair value with any gains or losses included in profit or loss.

11 Investment in Subsidiaries

In the Bank’s statement of financial position, investment in subsidiaries are accounted for using the cost method for subsequent measurement. Cost includes direct attributable costs of investment. Dividends declared by subsidiaries are recognised in profit or loss 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. In the Bank’s statement of financial position, interests in subsidiaries are accounted for using the cost less impairment losses (Note IV.15).

The Group adopts accounting treatments for investments in subsidiaries in the consolidated statement of financial position in accordance with principles as described in Note IV.3.

12 Fixed assets and Construction in Progress

Fixed assets are tangible assets held by the Group for operation and administration purpose with useful lives more than one year. Construction-in-progress represents properties and buildings under construction and are transferred to fixed assets when ready for its intended use.

Fixed assets are stated at cost less accumulated depreciation and impairment losses (Note IV.15) in the consolidated statement of financial position. Construction-in-progress is stated cost less impairment losses (Note IV.15) in the consolidated statement of financial position.

Costs of a purchased fixed asset comprise purchase price, related taxes, and any directly attributable expenditures for bringing the asset to working condition for its intended use. Costs of a self-constructed fixed asset comprise construction materials, direct labor costs, capitalized borrowing cost and those expenditures necessarily incurred for bringing the asset to working condition for its intended use.

Notes to Consolidated Financial Statements

For the year ended December 31, 2020
(In RMB millions, unless otherwise stated)

IV Principal Accounting Policies (continued)

12 Fixed assets and Construction in Progress (continued)

Where the individual component parts of an item of fixed assets have different useful lives or provide benefits to the Group in different patterns, each part is depreciated separately. They are accounted for as separate items of fixed assets.

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 servicing of fixed assets are recognised in profit or loss as incurred.

Depreciation is calculated to write-off the cost, less residual value and accumulated impairment losses if applicable, of fixed assets and is charged to profit or loss on a straight-line basis over the estimated useful lives of each part of an item of fixed assets. The estimated useful lives, estimated residual value and depreciation rate are as follows:

	Estimated useful lives	Estimated residual value	Depreciation rate
Properties and buildings	10-30 years	5%	3.17%-9.50%
Office and electronic equipment	3-5 years	5%	19.00%-31.67%
Motor vehicles	5 years	5%	19.00%

Fixed assets in the operating leases are used for the Group's operating lease activities. The Group determines the depreciation period and depreciation method based on actual conditions. The depreciation is accrued on a straight-line basis based on the estimated useful life of 6-14 years. The estimated net residual value rate is 5%.

The estimated useful lives, estimated residual value and depreciation method of fixed assets are reviewed, as of each reporting date.

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

13 Intangible Assets

Intangible assets are stated in consolidated statement of financial position at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (Note IV.15). The cost of intangible assets less estimated residual value and accumulated impairment losses is amortised on a straight-line basis over the estimated useful lives, unless the estimated useful life is infinite.

The useful lives and amortization methods of intangible assets are reviewed as of each reporting date. The amortisation period of computer software is 10 years.

Notes to Consolidated Financial Statements

For the year ended December 31, 2020
(In RMB millions, unless otherwise stated)

IV Principal Accounting Policies (continued)

14 Repossessed Assets

In the recovery of assets such as impaired loans and lease receivables, the Group may take possession of assets held as collateral through court proceedings or voluntary delivery of possession by the borrowers. When it is intended to achieve an orderly realisation of the impaired assets and the Group is no longer seeking repayment from the borrowers, repossessed assets except the equity instruments are reported in “other assets”.

When the Group seizes assets to compensate for the losses of loans and advances and interest receivables, the repossessed assets are initially recognised at fair value and any taxes that are directly attributable to the assets, and other expenses incurred for collecting the repossessed assets. Repossessed assets are recognised at the carrying value in the consolidated statement of financial position, net of allowance for impairment losses (Note IV.15).

15 Impairment of non-financial assets

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

- fixed assets and construction in progress;
- right-of-use assets;
- intangible assets;
- investment in subsidiaries; and
- other assets.

If any indication exists that an asset may be impaired, the recoverable amount of the asset is estimated.

The recoverable amount of an asset (or asset group, set of asset groups) is the higher of its fair value (Note IV.16) less costs of disposal and its value in use.

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 the 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 of disposal (if measurable), its present value of expected future cash flows (if measurable) and zero.

Notes to Consolidated Financial Statements

For the year ended December 31, 2020
(In RMB millions, unless otherwise stated)

IV Principal Accounting Policies (continued)

16 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.

17 Employee Benefits

(1) Short-term employee benefits

Employee wages, 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.

(2) Post-employment benefits – defined contribution plans

The Group participates in defined contribution plans including basic pension insurance, unemployment insurance and annuity plans in the social insurance system established and managed by government organisations, all of which are defined contribution plans. The Group pays a fixed contribution into the defined contribution plans and has no obligation to pay further contributions if the plans does not hold sufficient assets to pay all employee benefits.

Employees also participate in a defined contribution retirement benefit plan established by the Group (the “Annuity Plan”). The Group contribute a certain percentage of the employees’ salaries to the Annuity Plan and is charged to profit or loss when it is incurred.

18 Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. A provision shall be initially measured at the best estimate of the expenditure required to settle the related present obligation. When the effect of the time value of money is material, a provision shall be determined by discounting the related future cash outflows.

Notes to Consolidated Financial Statements

For the year ended December 31, 2020
(In RMB millions, unless otherwise stated)

IV Principal Accounting Policies (continued)

19 Credit Commitments and Financial Guarantee

The Group issues credit commitments and financial guarantee contracts, including acceptance, letter of credit, letter of guarantee and block chain receivables confirmation.

Credit commitments represents the undrawn amount with agreed conditions in a certain period. The ECL for credit commitments recognised in profit or loss and accumulated in provision, measured by ECL.

Financial guarantees are contracts that require the guarantor to make specified payments to reimburse the beneficiary of the guarantee (the holder) for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. The Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed. Accordingly, the allowance for ECL is the present value of the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the debtor or any other third party.

20 Fiduciary Activities

The Group acts in fiduciary activities as a manager, a custodian, or an agent for customers. Assets held by the Group and the related undertakings to return such assets to customers are excluded from the consolidated statement of financial position as the risks and rewards of the assets reside with customers.

The Group enters into entrusted loan agreements with customers, whereby the customers provide funding to the Group, and the Group grants loans to third parties. The Group has been contracted by those customers to manage the administration and collection of these entrusted loans on their behalf. As the Group does not assume the risks and rewards of the entrusted loans, the entrusted loans are recorded as off-balance sheet items at their principal amount.

The Group acts as a custodian, trustee and in other fiduciary capacities to safeguard assets for customers in accordance with custody agreements between the Group and securities investment funds, insurance companies, trust companies, and other institutions and individuals. The Group receives fees in return for its services provided under the custody agreements and does not have any interest in the economic risks and rewards related to assets under custody. Therefore, assets under custody are not recognized in the Group's consolidated statement of financial position.

Notes to Consolidated Financial Statements

For the year ended December 31, 2020
(In RMB millions, unless otherwise stated)

IV Principal Accounting Policies (continued)

21 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and when the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(1) Interest income

For all financial instruments measured at amortised cost and interest-generating financial instruments classified as financial assets measured at FVOCI, interest income is recorded at the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument, where appropriate, to the book value of the financial asset, or the amortised cost of financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or transaction costs that are directly attributable to the instrument and are a part of the effective interest rate, but not expected credit losses.

Interest income is calculated by applying the effective interest rate to the book value of financial assets and is included in “interest income”, except for:

- for purchased or originated credit-impaired financial assets, whose interest income is calculated, since initial recognition, by applying the credit adjusted effective interest rate to their amortised cost; and
- financial assets that are not purchased or originated credit-impaired but have subsequently become credit-impaired, whose interest income is calculated by applying the effective interest rate to their amortised cost.

The adjusted effective interest rate, which is calculated based on the amortised cost of the purchased or originated credit-impaired financial asset instead of the gross carrying amount and incorporates the impact of ECL in estimated future cash flows. In determining the adjusted effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment, renewal, call and similar options) and also consider future credit losses.

(2) Fee and commission income

The fee and commission income is recognised when its performance obligation in contracts is satisfied and when the customer obtains the control right of relevant services.

For the fee and commission income that the performance obligation performs at a certain point in time, the Group recognizes income when the customer obtains and consumes the economic benefits of the performance of the Group. For the fee and commission income that the performance obligation performs during a certain period of time, the Group recognizes the income according to the progress of the performance during the period.

Notes to Consolidated Financial Statements

For the year ended December 31, 2020
(In RMB millions, unless otherwise stated)

IV Principal Accounting Policies (continued)

21 Revenue (continued)

(3) Dividend income

Dividends income is recognized in profit or loss when the right to receive payment is established.

22 Government Grants

Government grants are transfers of monetary assets or non-monetary assets from the government to the Group at no consideration except for any capital contribution from the government as an investor in the Group. Government grants are recognised when there is reasonable assurance that the grants will be received and that the Group will comply with the conditions attaching to the grants.

Government grants are measured at the amount received or will be received when recognised as monetary assets. Government grants are measured at fair value when recognised as non-monetary assets.

The grants related to assets are government grants whose primary condition is that an entity qualifying for them should purchase, construct or otherwise acquire long-term assets. The grants related to income are government grants other than those related to assets. A government grant related to an asset is recognised initially as deferred income and amortised to profit or loss on a reasonable and systematic method over the useful life of the asset. A grant related to income that compensates the Group for expenses or losses to be incurred in the subsequent periods is recognised initially as deferred income and recognised in profit or loss in the same periods in which the expenses or losses are recognised. A grant that compensates the Group for expenses or losses incurred is recognised in profit or loss immediately.

23 Income Taxes

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

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

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

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

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

Notes to Consolidated Financial Statements

For the year ended December 31, 2020
(In RMB millions, unless otherwise stated)

IV Principal Accounting Policies (continued)

23 Income Taxes (continued)

At the balance sheet date, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities using tax rates that are expected to be applied in the period when the asset is realised or the liability is settled in accordance with tax laws.

The carrying amount of a deferred tax asset is reviewed at the balance sheet date. The carrying amount of a deferred tax asset is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the benefit of the deferred tax asset to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

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

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

24 Leases

(1) The Group as the lessee

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability, any lease payments made at or before the commencement date (less any lease incentives received), any initial direct costs incurred and recover cost. The right-of-use asset is depreciated using the straight-line method. If the lease transfers ownership of the leased asset to the Group at the expiration of the lease term or if the cost of the right-of-use asset reflects that the Group will exercise a purchase option, then the asset is depreciated over the remaining useful life of the leased asset; in all other cases, the asset is depreciated over the shorter of the lease term and the remaining life of the leased asset. Land use rights are amortised over the periods of the leases.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used. A constant periodic rate is used to calculate the interest on the lease liability in each period during the lease term with a corresponding charge to profit or loss or included in the cost of assets where appropriate. Variable lease payments not included in the measurement of the lease liability is charged to profit or loss or included in the cost of relevant assets where appropriate as incurred.

Notes to Consolidated Financial Statements

For the year ended December 31, 2020
(In RMB millions, unless otherwise stated)

IV Principal Accounting Policies (continued)

24 Leases (continued)

(1) The Group as the lessee (continued)

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognises the lease payments associated with these leases in profit or loss or as the cost of the assets where appropriate using the straight-line method over the lease term.

(2) The Group as the lessor

The Group determines at lease inception whether each lease is 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.

Under a finance lease, at the commencement date, the Group recognises the finance lease receivable and derecognises the finance lease asset. The finance lease receivable is initially measured at an amount equal to the net investment in the lease. The net investment in the lease is measured at the aggregate of the unguaranteed residual value and the present value of the lease receivable that are not received at the commencement date, discounted using the interest rate implicit in the lease.

Under an operating lease, lease receipts are recognised as income using the straight-line method over the lease term. Variable lease payments not included in lease receipts are recognized in profit or loss as they are earned.

25 Dividends

Dividends proposed in the profit appropriation plan which will be authorised and declared after the balance sheet date are not recognised as a liability at the balance sheet date but disclosed separately in the notes of subsequent events to the consolidated financial statements. Distributions to preference shareholders are recognized as liabilities in the period approved by the board of directors.

26 Related Parties

If a party has the power to control, jointly control or exercise significant influence over another party, 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.

27 Segment Reporting

Segment information are disclosed by reportable segments, which are identified based on operating segments determined based on the structure of the Group's internal organisation, management requirements and internal reporting system.

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

Notes to Consolidated Financial Statements

For the year ended December 31, 2020
(In RMB millions, unless otherwise stated)

V Significant Accounting Judgements and Estimates

Preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of financial statement line items. The estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and associated key assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

1 Measurement of the ECL Allowance

The measurement of the expected credit loss allowance for financial assets measured at amortised cost, debt instruments measured at FVOCI, credit commitments and financial guarantee is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behavior (e.g. the likelihood of customers defaulting and the resulting losses).

A number of significant judgements are required in applying the accounting requirements for measuring ECLs, such as:

- Segmentation of portfolio sharing similar credit risk characteristics for the purposes of measuring ECLs, choosing appropriate models and inputs for the measurement of ECLs;
- Criteria for determining whether or not there was a significant increase in credit risk, or was credit impaired;
- Economic indicators for forward-looking measurement, and the application of economic scenarios and weightings; and
- Discounted cash flows and discount rates applied to corporate loans and financial investments measured at amortised cost in stage 3.

For measurement of ECLs, please refer to Note XIII.1(3).

2 Fair Value of Financial Instruments

If the market for a financial instrument is not active, the Group establishes fair value by using a valuation technique. Valuation techniques include using recent arm's length market transactions between knowledgeable and willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. To the extent practicable, valuation technique makes maximum use of market inputs. However, where market inputs are not available, management needs to make estimates on such unobservable market inputs. Under such circumstance, management needs to make estimates on such unobservable market inputs, such as counterparty credit risk, market fluctuations and correlations. Changes in assumptions about these factors could affect the estimated fair value of financial instruments.

Notes to Consolidated Financial Statements

For the year ended December 31, 2020
(In RMB millions, unless otherwise stated)

V Significant Accounting Judgements and Estimates (continued)

3 Consolidation of Structured Entities

Management applies its judgement to determine whether the Group is acting as agent or principal in relation to the structured entities in which the Group acts as an asset manager or has interests in. In assessing whether the Group is acting as agent or manager, the Group timely considers various factors such as scope of the asset manager's decision-making authority, rights held by other parties, remuneration to which the Group is entitled and the Group's exposure to variability of returns of other arrangements (including interests the Group holds) in the structured entities. Reassessment of control is made if facts and circumstances indicate changes in any of the factors.

4 Income Taxes

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. The Group carefully evaluates the tax implications of transactions and tax provisions are set up accordingly. Deferred tax assets are recognised for temporary deductible differences, to the extent that it is probable that future taxable profits will be available against which the unused tax credits can be utilized. This requires significant estimation on the tax treatments of certain transactions and also significant assessment on the probability that adequate future taxable profits will be available for the deferred income tax assets to be recovered.

5 Classification of Financial Assets

The critical judgments the Group has in determining the classification of financial assets include analysis of business models and characteristics of contractual cash flows. The Group determines the business model for managing financial assets at the level of financial asset portfolio. In the process of assessing the characteristics of contractual cash flows, the Group needs to make judgement on whether the contractual cash flow of financial assets is consistent with the basic lending arrangement.

6 Derecognition of Financial Assets

In the normal course of business, the Group transfers financial assets through various types of transactions including regular way sales and transfers, securitisation, selling financial assets under repurchase agreements and etc. The Group applies significant judgement in assessing whether it derecognises these financial assets. Where the Group enters into structured transactions by which it transferred financial asset to structured entities, the Group analyses whether it controls these structured entities to determine whether the Group needs to consolidate these structured entities.

Notes to Consolidated Financial Statements

For the year ended December 31, 2020
(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements

1 Net Interest Income

	2020	2019 (Restated)
Interest income:		
Loans and advances to customers	64,313	55,902
Financial investments	16,055	18,408
Balances with central bank	2,000	1,743
Finance lease receivables	2,040	2,057
Deposits and placements with banks and other financial institutions and financial assets purchased under resale agreements	1,816	2,166
Total	86,224	80,276
Interest expense:		
Customer deposits	(35,286)	(26,429)
Debt securities issued	(6,508)	(8,237)
Deposits and placements from banks and other financial institutions and financial assets sold under repurchase agreements	(4,625)	(7,961)
Due to central bank	(2,581)	(2,830)
Lease liabilities	(129)	(157)
Total	(49,129)	(45,614)
Net interest income	37,095	34,662

2 Net Fee and Commission Income

	2020	2019 (Restated)
Fee and commission income:		
Underwriting and consultation service	2,004	1,356
Commitment and guarantee service	726	652
Agency and entrustment service	706	883
Custodian and other fiduciary service	517	539
Settlement and clearing business	371	363
Fees from bank cards	277	340
Others	174	158
Total	4,775	4,291
Fee and commission expense	(525)	(500)
Net fee and commission income	4,250	3,791

Notes to Consolidated Financial Statements

For the year ended December 31, 2020
(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

3 Net Trading Gains

	2020	2019
Financial investments measured at FVTPL	3,745	5,221
Exchange gains and related derivatives	778	771
Precious metals and related derivatives	(80)	270
Other derivatives	(76)	(40)
Total	4,367	6,222

4 Net Gains on Financial Investments

	2020	2019
Net gains arising from financial investments measured at FVOCI	1,540	1,221
Net gains arising from financial investments measured at amortised cost	19	117
Dividend income from equity investments designated to be measured at FVOCI	2	2
Other investment (losses)/gains	(9)	21
Total	1,552	1,361

5 Other Operating Income

	2020	2019
Government grants	156	118
Operating lease income	135	79
Other miscellaneous income	216	214
Total	507	411

Notes to Consolidated Financial Statements

For the year ended December 31, 2020
(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

6 Operating Expense

	2020	2019
Staff costs (i)	8,197	8,242
General and administrative expenses	2,568	2,378
Depreciation and amortization	1,560	1,418
Taxes and surcharges	620	598
Donations	34	11
Auditors' remuneration	5	7
Others (ii)	258	211
Total	13,242	12,865

(i) Staff costs	2020	2019
Salaries, bonuses and allowances	6,524	6,338
Other social security and benefit costs	631	629
Housing funds	334	298
Pension costs – defined contribution plans	559	811
Labor union fee and staff education expenses	149	166
Total	8,197	8,242

(ii) During reporting period, the expense relating to short-term leases and leases of low-value assets are not significant.

7 Expected Credit Losses

	Note	2020	2019
Deposits with banks and other financial institutions	VI.13	295	52
Placements with banks and other financial institutions	VI.14	119	29
Loans and advances to customers	VI.17		
– measured at amortised cost		9,269	7,590
– measured at FVOCI		608	50
Financial investment			
– measured at amortised cost	VI.18.2	9,225	8,670
– measured at FVOCI		(161)	(300)
Finance lease receivables		583	383
Off-balance sheet items		150	2,422
Other Assets		78	6
Total		20,166	18,902

Notes to Consolidated Financial Statements

For the year ended December 31, 2020
(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

8 Director's and Supervisor's Emoluments

(in RMB Thousands)	For the year ended 31 December 2020					Total
	Fees	Salaries	Allowances and benefits	Discretionary bonuses	Contribution to pension schemes	
Executive Directors						
Shen Renkang	-	466	55	826	215	1,562
Zhang Luyun	-	175	20	204	97	496
Xu Renyan	-	1,500	55	840	194	2,589
Non-Executive Directors						
Wang Jian	-	-	-	-	-	-
Ren Zhixiang	-	-	-	-	-	-
Gao Qinhong	-	-	-	-	-	-
Hu Tiangao	-	-	-	-	-	-
Zhu Weiming	-	-	-	-	-	-
Lou Ting	-	-	-	-	-	-
Independent Non-Executive Directors						
Tong Benli	300	-	-	-	-	300
Yuan Fang	275	-	-	-	-	275
Dai Deming	300	-	-	-	-	300
Liu Pak Wai	300	-	-	-	-	300
Zheng Jindu	300	-	-	-	-	300
Zhou Zhifang	300	-	-	-	-	300
Wang Guocai	300	-	-	-	-	300
Wang Wei	25	-	-	-	-	25
Supervisors						
Yu Jianqiang	-	1,500	1	675	224	2,400
Ge Meirong	-	-	-	-	-	-
Zheng Jianming	-	-	-	-	-	-
Wang Chengliang	-	-	-	-	-	-
Chen Zhongwei	-	-	-	-	-	-
Yuan Xiaoqiang	300	-	-	-	-	300
Wang Jun	300	-	-	-	-	300
Huang Zuhui	300	-	-	-	-	300
Cheng Huifang	300	-	-	-	-	300
Total	3,300	3,641	131	2,545	730	10,347

Notes to Consolidated Financial Statements

For the year ended December 31, 2020
(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

8 Director's and Supervisor's Emoluments (continued)

(in RMB Thousands)	For the year ended 31 December 2019					Total
	Fees	Salaries	Allowances and benefits	Discretionary bonuses	Contribution to pension schemes	
Executive Directors						
Shen Renkang	–	466	53	942	229	1,690
Zhang Luyun	–	419	53	848	245	1,565
Xu Renyan	–	2,340	55	1,295	209	3,899
Non-Executive Directors						
Huang Zhiming	–	–	–	–	–	–
Wei Dongliang	–	–	–	–	–	–
Gao Qinhong	–	–	–	–	–	–
Hu Tiangao	–	–	–	–	–	–
Zhu Weiming	–	–	–	–	–	–
Lou Ting	–	–	–	–	–	–
Xia Yongchao	–	–	–	–	–	–
Independent Non-Executive Directors						
Tong Benli	300	–	–	–	–	300
Yuan Fang	300	–	–	–	–	300
Dai Deming	300	–	–	–	–	300
Liu Pak Wai	300	–	–	–	–	300
Zheng Jindu	300	–	–	–	–	300
Zhou Zhifang	300	–	–	–	–	300
Wang Guocai	300	–	–	–	–	300
Supervisors						
Yu Jianqiang	–	2,175	1	598	213	2,987
Ge Meirong	–	–	–	–	–	–
Zheng Jianming	–	–	–	–	–	–
Wang Chengliang	–	–	–	–	–	–
Chen Zhongwei	–	–	–	–	–	–
Jiang Rong	–	–	–	–	–	–
Yuan Xiaoqiang	300	–	–	–	–	300
Wang Jun	300	–	–	–	–	300
Huang Zuhui	300	–	–	–	–	300
Cheng Huifang	300	–	–	–	–	300
Total	3,300	5,400	162	3,683	896	13,441

Notes to Consolidated Financial Statements

For the year ended December 31, 2020
(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

8 Director's and Supervisor's Emoluments (continued)

- (i) The total pre-tax remuneration of some directors and the supervisors of the Bank performing their duties is still in the process of confirmation, and the rest will be disclosed separately after confirmation;
- (ii) On 6 February 2020, Mr. Xia Yongchao resigned as a non-executive director; On 12 June 2020, Ms. Zhang Luyun resigned as an executive director; On 29 September 2020, Mr. Ge Meirong resigned as a shareholder supervisor; On 26 November 2020, Mr. Jiang Rong resigned as an employee supervisor; On 27 November 2020, Mr. Huang Zhiming and Mr. Wei Dongliang resigned as non-executive directors; On 30 November 2020, Mr. Yuan Fang resigned as an independent non-executive director (On 10 May 2019, Mr. Huang Xufeng resigned as a shareholder director; On 7 August 2019, Mr. Huang Haibo resigned as a shareholder supervisor);
- (iii) On 27 November 2020, the qualifications of the directors of Mr. Wang Jian, Mr. Ren Zhixiang and the qualification of the independent non-executive director of Mr. Wang Wei have been approved by the CBIRC;
- (iv) Employee supervisors of the Bank receive remuneration as staff, and receive no remuneration as supervisors;
- (v) Supervisors of the Bank receive only remuneration in respect of their services as supervisors. No emoluments were paid to or receivable by supervisors.

9 Five Highest Paid Individuals

For the year ended 31 December 2020, the five highest paid individuals in the Group including no director or supervisor (2019: no director or supervisor). The rest of the five highest paid individuals for the year are as follows:

	2020	2019
Salaries and allowances and other benefits	4	3
Discretionary bonuses	40	53
Contribution to pension schemes	0	1
Total	44	57

The emoluments fell within the following bands:

	Number of Individuals	
	2020	2019
RMB7,500,001 – RMB8,000,000	–	1
RMB8,000,001 – RMB8,500,000	2	–
RMB8,500,001 – RMB12,000,000	3	1
RMB12,000,001 – RMB17,000,000	–	3

Notes to Consolidated Financial Statements

For the year ended December 31, 2020
(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

9 Five Highest Paid Individuals (continued)

- (i) No emoluments had been paid or payable by the Group to any of the directors, supervisors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.
- (ii) During the year ended 31 December 2020, no non-cash benefits (share options, car, insurance premium, club membership, etc.) was paid to the directors or supervisors (2019: Nil).
- (iii) During the year ended 31 December 2020, no retirement benefit was paid to the directors or supervisors by a defined benefit pension plan operated by the Group (2019: Nil).
- (iv) During the year ended 31 December 2020, no termination benefits were paid to the directors or supervisors operated by the Group (2019: Nil).
- (v) During the year ended 31 December 2020, no consideration was provided to former employers for making available directors' and supervisors' services by the Group (2019: Nil).
- (vi) During the year ended 31 December 2020, no loan, quasi-loan or other dealings was provided in favour of directors or connected entities related to directors (2019: Nil).
- (vii) During the year ended 31 December 2020, no significant transactions, arrangements and contracts was in relation to the corporate in which a director of the Group had a material interest, whether directly or indirectly subsisted (2019: Nil).

10 Income Tax Expense

	Note	2020	2019
Current income tax		4,347	5,187
Deferred income tax	VI.23	(2,543)	(3,649)
Total		1,804	1,538

Current income tax is calculated based on the statutory rate of 25% of the taxable income of the Group in accordance with PRC income tax regulations.

The difference between the actual income tax charged in the profit or loss and the amounts which would result from applying the enacted tax rate to profit before taxation can be reconciled as follows:

	2020	2019
Profit before taxation	14,363	14,680
Tax calculated at a tax rate of 25%	3,591	3,670
Effects of non-taxable income (i)	(1,969)	(2,248)
Effects of non-deductible expenses (ii)	182	116
Income tax expense	1,804	1,538

Notes to Consolidated Financial Statements

For the year ended December 31, 2020
(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

10 Income Tax Expense (continued)

- (i) The non-taxable income mainly represents interest income arising from treasury bonds and municipal government bonds, and dividend income arising from fund investments, which is income tax free in accordance with the PRC tax regulations.
- (ii) The non-deductible expenses mainly include certain expenditures, such as staff costs and so forth, which are not deductible for tax purposes according to PRC tax regulations.

11 Basis and Diluted Earnings Per Share

Basic earnings per share are calculated by dividing the net profit for the year attributable to shareholders of the Bank by the weighted average number of ordinary shares outstanding during the year. The conversion feature of preference shares is considered to be contingently issuable ordinary shares. The triggering events of the conversion did not occur during the year ended 31 December 2020, and therefore the conversion feature of preference shares has no effect on the basic and diluted earnings per share calculation.

	2020	2019
Net profit attributable to ordinary shareholders of the Bank	12,309	12,924
Less: Net profit attributable to other equity instruments holders of the Bank	(932)	(881)
Consolidated net profit attributable to ordinary shareholders of the Bank	11,377	12,043
Weighted average number of ordinary shares in issue (in millions of shares)	21,269	18,931
Basic earnings per share (RMB yuan/share)	0.53	0.64

12 Cash and Balances with Central Bank

	Note	31 December 2020	31 December 2019
Cash		505	528
Balances with central bank			
– Mandatory reserve	(1)	124,496	108,184
– Surplus reserve	(2)	12,314	22,219
– Fiscal deposits		64	41
Subtotal		136,874	130,444
Accrued interest		62	57
Total		137,441	131,029

Notes to Consolidated Financial Statements

For the year ended December 31, 2020
(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

12 Cash and Balances with Central Bank (continued)

- (1) The Group is required to place mandatory reserve deposits and mandatory reserve for foreign forward exchange with the People's Bank of China (the "PBOC"). As at 31 December, rates for mandatory reserves were as follow:

	31 December 2020	31 December 2019
Mandatory reserve rate for deposits denominated in RMB	9.0%	9.5%
Mandatory reserve rate for deposits denominated in foreign currencies	5.0%	5.0%
Mandatory reserve rate for foreign exchange risk	0.0%	20.0%

The mandatory deposit reserve ratios of the subsidiary of the Bank was consistent with the requirement of the PBOC.

- (2) Surplus reserve with the PBOC are mainly for settlement purpose.

13 Deposits with Banks and Other Financial Institutions

Analyzed by type and location of counterparties

	31 December 2020	31 December 2019
In mainland China		
– Banks	22,166	12,104
– Other financial institutions	7,189	2,970
Outside mainland China		
– Banks	9,725	2,615
– Other financial institutions	56	58
Accrued interest	40	32
Total	39,176	17,779
Less: Allowance for ECLs (Note VI.25)	(349)	(54)
Carrying amount	38,827	17,725

Notes to Consolidated Financial Statements

For the year ended December 31, 2020
(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

14 Placements with Banks and Other Financial Institutions

Analyzed by type and location of counterparties

	31 December 2020	31 December 2019
In mainland China		
- Banks	2,961	8,131
- Other financial institutions	2,000	650
Outside mainland China		
- Banks	778	418
Accrued interest	49	17
Total	5,788	9,216
Less: Allowance for ECLs (Note VI.25)	(151)	(32)
Carrying amount	5,637	9,184

15 Derivative Financial Instruments

The Group' derivative financial instruments include swaps, options and forwards. As at balance sheet dates, the derivative financial instruments held by the Group are listed below:

As at 31 December 2020

	Notional amount	Fair value	
		Derivative financial asset	Derivative financial liability
Swap contracts	2,048,917	22,688	(22,665)
Option contracts	68,787	598	(592)
Forward contracts	9,933	148	(221)
Total	2,127,637	23,434	(23,478)

As at 31 December 2019

	Notional amount	Fair value	
		Derivative financial asset	Derivative financial liability
Swap contracts	2,028,550	13,353	(14,313)
Option contracts	95,789	491	(429)
Forward contracts	4,573	48	(169)
Total	2,128,912	13,892	(14,911)

Notes to Consolidated Financial Statements

For the year ended December 31, 2020
(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

16 Financial Assets Purchased Under Resale Agreements

(1) Analyzed by type and location of counterparties

	31 December 2020	31 December 2019
In mainland China		
– Banks	32,981	12,865
– Other financial institutions	24,083	16,076
Accrued interest	3	9
Total	57,067	28,950
Less: Allowance for ECLs	0	0
Carrying amount	57,067	28,950

(2) Analyzed by type of collateral

	31 December 2020	31 December 2019
Bills	5,225	2,238
Bonds		
– Financial bonds	25,685	16,665
– Government bonds	26,154	10,038
Accrued interest	3	9
Total	57,067	28,950
Less: Allowance for ECLs	0	0
Carrying amount	57,067	28,950

Notes to Consolidated Financial Statements

For the year ended December 31, 2020
(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

17 Loans and Advances to Customers

(1) Analyzed by classification and nature

	31 December 2020	31 December 2019
Loans and advances to customers measured at amortised cost		
Corporate loans and advances		
– Corporate loans	649,296	641,782
– Trade finance	11,066	14,434
Corporate loans and advances	660,362	656,216
Personal loans and advances		
– Personal business loans	151,294	129,707
– Residential mortgage loans	75,661	52,956
– Consumer loans	106,153	93,014
Personal loans and advances	333,108	275,677
Loans and advances to customers measured at FVOCI		
Corporate loans and advances		
– Trade finance	127,704	23,394
– Discounted bills	73,088	71,632
Subtotal	1,194,262	1,026,919
Fair value change through other comprehensive income	(152)	212
Accrued interest	3,588	3,040
Gross amount	1,197,698	1,030,171
Less: Allowance for ECLs (Note VI.25)	(31,823)	(31,238)
Carrying amount	1,165,875	998,933

Notes to Consolidated Financial Statements

For the year ended December 31, 2020
(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

17 Loans and Advances to Customers (continued)

(2) Analyzed by type of collateral

	31 December 2020		31 December 2019	
	Amount	Proportion (%)	Amount	Proportion (%)
Unsecured loans	297,201	24.89%	182,700	17.79%
Guaranteed loans	177,085	14.83%	193,199	18.81%
Collateralized loans				
– Mortgage Loans	531,033	44.47%	461,556	44.95%
– Pledged loans	115,855	9.70%	117,832	11.47%
Discounted bills	73,088	6.11%	71,632	6.98%
Subtotal	1,194,262	100.00%	1,026,919	100.00%
Fair value changes through other comprehensive income	(152)		212	
Accrued interest	3,588		3,040	
Gross amount	1,197,698		1,030,171	
Less: Allowance for ECLs (Note VI.25)	(31,823)		(31,238)	
Carrying amount	1,165,875		998,933	

Notes to Consolidated Financial Statements

For the year ended December 31, 2020
(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

17 Loans and Advances to Customers (continued)

(3) Overdue loans and advances to customers analyzed by overdue period

	31 December 2020				Total
	Overdue within 3 months (inclusive)	Overdue between 3 months and 1 year (inclusive)	Overdue between 1 year and 3 years (inclusive)	Overdue more than 3 years	
Unsecured loans	892	1,608	123	24	2,647
Guaranteed loans	2,945	5,138	1,704	42	9,829
Collateralized loans					
– Mortgage Loans	2,482	2,934	1,388	75	6,879
– Pledged loans	290	506	1,505	3	2,304
Total	6,609	10,186	4,720	144	21,659

	31 December 2019				Total
	Overdue within 3 months (inclusive)	Overdue between 3 months and 1 year (inclusive)	Overdue between 1 year and 3 years (inclusive)	Overdue more than 3 years	
Unsecured loans	1,944	925	101	2	2,972
Guaranteed loans	5,811	2,421	1,341	46	9,619
Collateralized loans					
– Mortgage Loans	1,091	2,305	1,392	72	4,860
– Pledged loans	541	2,259	811	6	3,617
Total	9,387	7,910	3,645	126	21,068

The Group classifies loans and advances to customers with principal or interest overdue 1 day and above as overdue loans and advances to customers.

Notes to Consolidated Financial Statements

For the year ended December 31, 2020
(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

17 Loans and Advances to Customers (continued)

(4) Analyzed by assessment of allowance for ECLs

(a) Allowance for ECLs of loans and advances to customers measured at amortised cost

	31 December 2020			Total
	Stage 1	Stage 2	Stage 3	
Loans and advances to customers measured at amortised cost				
– Corporate loans and advances	625,960	18,083	16,319	660,362
– Personal loans and advances	328,750	1,369	2,989	333,108
Accrued interest	3,517	71	–	3,588
Total	958,227	19,523	19,308	997,058
Less: Allowance for ECLs (Note VI.25)	(16,381)	(4,136)	(11,306)	(31,823)
Carrying amount	941,846	15,387	8,002	965,235
	31 December 2019			Total
	Stage 1	Stage 2	Stage 3	
Loans and advances to customers measured at amortised cost				
– Corporate loans and advances	620,139	24,226	11,851	656,216
– Personal loans and advances	271,816	1,376	2,485	275,677
Accrued interest	2,953	87	–	3,040
Total	894,908	25,689	14,336	934,933
Less: Allowance for ECLs (Note VI.25)	(16,373)	(5,280)	(9,407)	(31,060)
Carrying amount	878,535	20,409	4,929	903,873

Notes to Consolidated Financial Statements

For the year ended December 31, 2020
(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

17 Loans and Advances to Customers (continued)

(4) Analyzed by assessment of allowance for ECLs (continued)

(b) Allowance for ECLs of loans and advances to customers measured at FVOCI

	31 December 2020			Total
	Stage 1	Stage 2	Stage 3	
Loans and advances to customers measured at FVOCI				
– Trade finance	127,704	–	–	127,704
– Discounted bills	73,069	–	19	73,088
Fair value change through other comprehensive income	(152)	–	–	(152)
Total	200,621	–	19	200,640
Allowance for ECLs on loans and advances to customers measured at FVOCI (Note VI.25)	(726)	–	(10)	(736)
	31 December 2019			Total
	Stage 1	Stage 2	Stage 3	
Loans and advances to customers measured at FVOCI				
– Trade finance	23,369	25	–	23,394
– Discounted bills	71,577	–	55	71,632
Fair value change through other comprehensive income	212	–	–	212
Total	95,158	25	55	95,238
Allowance for ECLs on loans and advances to customers measured at FVOCI (Note VI.25)	(135)	0	(43)	(178)

Notes to Consolidated Financial Statements

For the year ended December 31, 2020
(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

17 Loans and Advances to Customers (continued)

(5) Movements of the allowance for ECLs of loans and advances to customers

(a) Movements of the allowance for ECLs of loans and advances to customers measured at amortised cost

	For the year ended 31 December 2020			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2020	16,373	5,280	9,407	31,060
Transfer:				
– to stage 1	103	(87)	(16)	–
– to stage 2	(1,005)	1,050	(45)	–
– to stage 3	(349)	(1,528)	1,877	–
Charge/(Reverse) (Note VI.7)	1,275	(575)	8,569	9,269
Write-offs and transfer out	–	–	(9,084)	(9,084)
Recoveries of loans and advances previously written off	–	–	704	704
Other movements	(16)	(4)	(106)	(126)
Balance as at 31 December 2020	16,381	4,136	11,306	31,823
	For the year ended 31 December 2019			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2019	17,149	3,382	7,498	28,029
Transfer:				
– to stage 1	38	(21)	(17)	–
– to stage 2	(396)	439	(43)	–
– to stage 3	(106)	(590)	696	–
(Reverse)/Charge (Note VI.7)	(312)	2,200	5,702	7,590
Write-offs and transfer out	–	–	(4,688)	(4,688)
Recoveries of loans and advances previously written off	–	–	343	343
Other movements	–	(130)	(84)	(214)
Balance as at 31 December 2019	16,373	5,280	9,407	31,060

Notes to Consolidated Financial Statements

For the year ended December 31, 2020
(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

17 Loans and Advances to Customers (continued)

(5) Movements of the allowance for ECLs of loans and advances to customers (continued)

(b) Movements of the allowance for ECLs on loans and advances to customers measured at FVOCI

	For the year ended 31 December 2020			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2020	135	–	43	178
Transfer:				
– to stage 1	–	–	–	–
– to stage 2	–	–	–	–
– to stage 3	0	–	0	–
Charge (Note VI.7)	591	–	17	608
Write-offs	–	–	(50)	(50)
Balance as at 31 December 2020	726	–	10	736

	For the year ended 31 December 2019			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2019	92	–	36	128
Transfer:				
– to stage 1	–	–	–	–
– to stage 2	–	–	–	–
– to stage 3	0	–	0	–
Charge (Note VI.7)	43	–	7	50
Balance as at 31 December 2019	135	–	43	178

18 Financial Investment

	Note	31 December 2020	31 December 2019
Financial investments measured at FVTPL	18.1	129,269	129,266
Financial investments measured at amortized cost	18.2	336,109	305,160
Financial investments measured at FVOCI	18.3	63,007	83,612
Total		528,385	518,038

Notes to Consolidated Financial Statements

For the year ended December 31, 2020
(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

18 Financial Investment (continued)

18.1 Financial investments measured at FVTPL

	31 December 2020	31 December 2019
Fund investments	82,673	86,143
Bond investments		
– Financial bonds	10,686	4,724
– Government bonds	1,723	9,952
– Interbank certificates of deposit	–	10,521
– Other bonds and asset-backed securities (“ABS”)	30,651	14,966
Trust schemes and asset management plans	1,629	1,721
Equity investments	1,907	1,239
Total	129,269	129,266

Analyzed by listing location:

	31 December 2020	31 December 2019
Fund investments		
– Listed outside Hong Kong	82,673	86,143
Bond investments and ABS		
– Listed in Hong Kong	18,068	2,872
– Listed outside Hong Kong	24,992	37,291
Trust schemes and asset management plans		
– Unlisted	1,629	1,721
Equity investments		
– Listed outside Hong Kong	433	31
– Unlisted	1,474	1,208
Total	129,269	129,266

Bonds traded on the mainland interbank bond market are included in the outside Hong Kong listed category.

Notes to Consolidated Financial Statements

For the year ended December 31, 2020
(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

18 Financial Investment (continued)

18.1 Financial investments measured at FVTPL (continued)

Analyzed by type of issuers:

	31 December 2020	31 December 2019
Mainland China issuers		
– Banking and other financial institutions	91,923	100,494
– Corporate entities	24,310	17,786
– Government	1,723	9,952
Outside Mainland China issuers		
– Banking and other financial institutions	4,572	894
– Corporate entities	6,741	140
Total	129,269	129,266

18.2 Financial investments measured at amortised cost

	31 December 2020	31 December 2019
Bond investments		
– Government bonds	117,777	102,965
– Financial bonds	70,325	52,261
– Corporate bonds and other bonds	81,666	30,507
Trust schemes and asset management plans	73,870	127,781
Accrued interest	6,002	4,812
Total	349,640	318,326
Less: Allowance for ECLs (Note VI.25)	(13,531)	(13,166)
Carrying amount	336,109	305,160

Notes to Consolidated Financial Statements

For the year ended December 31, 2020
(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

18 Financial Investment (continued)

18.2 Financial investments measured at amortised cost (continued)

Analyzed by listing location:

	31 December 2020	31 December 2019
Bond investments		
– Listed outside Hong Kong	189,653	155,226
– Unlisted	80,115	30,507
Trust schemes and asset management plans		
– Unlisted	73,870	127,781
Accrued interest	6,002	4,812
Total	349,640	318,326

Analyzed by type of issuers:

	31 December 2020	31 December 2019
Mainland China issuers:		
– Government	117,777	102,965
– Banking and other financial institutions	144,369	180,042
– Corporate entities	81,492	30,507
Accrued interest	6,002	4,812
Total	349,640	318,326

The financial investments measured at amortised cost are analyzed in the form of allowance for ECLs as follows:

	As at 31 December 2020			Total
	Stage 1	Stage 2	Stage 3	
Debt investments	324,183	6,977	12,478	343,638
Accrued interest	5,934	68	–	6,002
Total	330,117	7,045	12,478	349,640
Less: Allowance for ECLs (Note VI.25)	(2,623)	(1,878)	(9,030)	(13,531)
Carrying amount	327,494	5,167	3,448	336,109

Notes to Consolidated Financial Statements

For the year ended December 31, 2020
(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

18 Financial Investment (continued)

18.2 Financial investments measured at amortised cost (continued)

The financial investments measured at amortised cost are analyzed in the form of allowance for ECLs as follows: (continued)

	As at 31 December 2019			Total
	Stage 1	Stage 2	Stage 3	
Debt investments	288,113	12,280	13,121	313,514
Accrued interest	4,659	153	–	4,812
Total	292,772	12,433	13,121	318,326
Less: Allowance for ECLs (Note VI.25)	(2,200)	(2,718)	(8,248)	(13,166)
Carrying amount	290,572	9,715	4,873	305,160

Movement of allowance for ECLs of financial investments measured at amortised cost

	For the year ended 31 December 2020			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2020	2,200	2,718	8,248	13,166
Transfer:				
– to stage 1	–	–	–	–
– to stage 2	(46)	46	–	–
– to stage 3	(17)	(957)	974	–
Charge (Note VI.7)	486	71	8,668	9,225
Write-offs	–	–	(9,085)	(9,085)
Recoveries of loans and advances previously written off	–	–	225	225
Balance as at 31 December 2020	2,623	1,878	9,030	13,531

	For the year ended 31 December 2019			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2019	2,400	1,510	3,581	7,491
Transfer:				
– to stage 1	–	–	–	–
– to stage 2	(166)	166	–	–
– to stage 3	(107)	(1,397)	1,504	–
Charge (Note VI.7)	73	2,439	6,158	8,670
Write-offs	–	–	(2,996)	(2,996)
Recoveries of loans and advances previously written off	–	–	1	1
Balance as at 30 December 2019	2,200	2,718	8,248	13,166

Notes to Consolidated Financial Statements

For the year ended December 31, 2020
(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

18 Financial Investment (continued)

18.3 Financial investments measured at FVOCI

	31 December 2020	31 December 2019
Bond investment:		
– Government bonds	39,149	39,766
– Financial bonds	17,784	9,223
– Interbank certificates of deposit	776	1,512
– Other bonds	2,853	2,245
Other debt instruments	467	29,539
Accrued interest	984	637
Subtotal	62,013	82,922
Financial investments designated to be measured at FVOCI Equity investments	994	690
Total	63,007	83,612

Analyzed by listing location:

	31 December 2020	31 December 2019
Bond investment and other debt instruments		
– Listed in Hong Kong	1,513	3,879
– Listed outside Hong Kong	59,049	48,867
– Unlisted	467	29,539
Equity investments		
– Unlisted	994	690
Accrued interest	984	637
Total	63,007	83,612

Notes to Consolidated Financial Statements

For the year ended December 31, 2020
(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

18 Financial Investment (continued)

18.3 Financial investments measured at FVOCI (continued)

Analyzed by type of issuers:

	31 December 2020	31 December 2019
Mainland China issuers:		
– Government	38,259	38,063
– Banking and other financial institutions	11,049	4,733
– Others	995	28,000
Outside Mainland China issuers:		
– Government	890	1,703
– Banking and other financial institutions	7,513	6,002
– Corporate entities	2,323	3,784
Accrued interest	984	637
Subtotal	62,013	82,922
Equity investments	994	690
Total	63,007	83,612

Certain non-trading equity investments are designated by the Group as financial investments measured at FVOCI. For the year ended 31 December 2020, dividend income recognized on such equity investments amounted to RMB1.8 million (For the year ended 31 December 2019: dividend income recognized amounted to RMB1.5 million).

19 Investment in Subsidiaries

The Bank

	31 December 2020	31 December 2019
Zheyin Leasing	1,530	1,530

For details of subsidiaries, please refer to Note VII. 1.

Notes to Consolidated Financial Statements

For the year ended December 31, 2020
(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

20 Fixed Assets

	Note	31 December 2020	31 December 2019
Fixed assets	(1)	11,732	9,892
Construction in progress	(2)	1,742	2,781
Total		13,474	12,673

(1) Fixed assets

	Properties and buildings	Office and electronic equipment	Motor vehicles	Fixed assets in the operating leases	Total
Cost					
Balance as at 1 January 2020	8,985	1,752	155	1,057	11,949
Additions	39	196	14	-	249
Construction in progress transfer in	2,360	-	-	-	2,360
Disposals	(24)	(152)	(9)	(12)	(197)
Balance as at 31 December 2020	11,360	1,796	160	1,045	14,361
Less: Accumulated depreciation					
Balance as at 1 January 2020	(975)	(916)	(101)	(65)	(2,057)
Charge	(377)	(269)	(22)	(61)	(729)
Disposals	3	145	7	2	157
Balance as at 31 December 2020	(1,349)	(1,040)	(116)	(124)	(2,629)
Carrying amount					
Balance as at 31 December 2020	10,011	756	44	921	11,732
Balance as at 1 January 2020	8,010	836	54	992	9,892

Notes to Consolidated Financial Statements

For the year ended December 31, 2020
(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

20 Fixed Assets (continued)

(1) Fixed assets (continued)

	Properties and buildings	Office and electronic equipment	Motor vehicles	Fixed assets in the operating leases	Total
Cost					
Balance as at 1 January 2019	6,831	1,581	166	606	9,184
Additions	1,465	209	10	457	2,141
Construction in progress transfer in	691	3	–	–	694
Disposals	(2)	(41)	(21)	(6)	(70)
Balance as at 31 December 2019	8,985	1,752	155	1,057	11,949
Less: Accumulated depreciation					
Balance as at 1 January 2019	(651)	(689)	(100)	(22)	(1,462)
Charge	(325)	(264)	(19)	(44)	(652)
Disposals	1	37	18	1	57
Balance as at 31 December 2019	(975)	(916)	(101)	(65)	(2,057)
Carrying amount					
Balance as at 31 December 2019	8,010	836	54	992	9,892
Balance as at 1 January 2019	6,180	892	66	584	7,722

As at 31 December 2020, there is no dormant assets held by the Group (31 December 2019: Nil).

As at 31 December 2020, the Group's properties and buildings with an aggregate carrying amount of RMB904 million (31 December 2019: RMB597 million) was still in progress of obtaining the legal titles.

Notes to Consolidated Financial Statements

For the year ended December 31, 2020
(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

20 Fixed Assets (continued)

(2) Construction in progress

	Construction in progress
Balance as at 1 January 2019	2,635
Additions	966
Transfer to fixed assets	(694)
Transfer to long-term prepaid expenses	(126)
Balance as at 31 December 2019	2,781
Additions	1,417
Transfer to fixed assets	(2,360)
Transfer to long-term prepaid expenses	(96)
Balance as at 31 December 2020	1,742

21 Right-of-use Assets

	Land use rights	Leased properties and buildings	Others	Total
Cost				
Balance as at 1 January 2019	633	3,298	17	3,948
Additions	1,317	521	11	1,849
Disposals	-	(25)	-	(25)
Balance as at 31 December 2019	1,950	3,794	28	5,772
Additions	-	492	16	508
Disposals	-	(116)	-	(116)
Balance as at 31 December 2020	1,950	4,170	44	6,164
Less: Accumulated depreciation				
Balance as at 1 January 2019	(99)	-	-	(99)
Additions	(26)	(563)	(4)	(593)
Disposals	-	1	-	1
Balance as at 31 December 2019	(125)	(562)	(4)	(691)
Additions	(49)	(617)	(6)	(672)
Disposals	-	25	-	25
Balance as at 31 December 2020	(174)	(1,154)	(10)	(1,338)
Carrying amount				
Balance as at 31 December 2020	1,776	3,016	34	4,826
Balance as at 31 December 2019	1,825	3,232	24	5,081

Notes to Consolidated Financial Statements

For the year ended December 31, 2020
(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

22 Intangible Assets

	Computer software
Cost	
Balance as at 1 January 2019	433
Additions	90
Balance as at 31 December 2019	523
Additions	73
Balance as at 31 December 2020	596
Less: Accumulated amortization	
Balance as at 1 January 2019	(211)
Additions	(44)
Balance as at 31 December 2019	(255)
Additions	(47)
Balance as at 31 December 2020	(302)
Carrying amount	
Balance as at 31 December 2020	294
Balance as at 31 December 2019	268

Notes to Consolidated Financial Statements

For the year ended December 31, 2020
(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

23 Deferred Income Tax Assets and Liabilities

(1) Non offset deferred income tax assets and deferred income tax liabilities

	31 December 2020		31 December 2019	
	Deductible/ (taxable) temporary difference	Deferred Income tax assets/ (liabilities)	Deductible/ (taxable) temporary difference	Deferred Income tax assets/ (liabilities)
Allowance for ECLs and provisions	55,122	13,781	45,542	11,385
Accrued staff costs	3,414	853	3,319	830
Unrealized losses of derivative financial instruments	-	-	993	248
Unrealized losses of financial investments measured at FVTPL	223	56	-	-
Others	627	156	687	172
Non-offset deferred income tax assets	59,386	14,846	50,541	12,635
Depreciation of fixed assets	(478)	(119)	(350)	(88)
Unrealized gains of derivative financial instruments	(193)	(48)	-	-
Unrealized gains of financial instruments measured at FVTPL	-	-	(1,647)	(411)
Unrealized income of financial investments measured at FVOCI	(236)	(59)	(1,222)	(305)
Non-offset deferred income tax liabilities	(907)	(226)	(3,219)	(804)
Net amount after offsetting	58,479	14,620	47,322	11,831

(2) Changes in deferred income tax

	31 December 2020	31 December 2019
Balance as at beginning of the year	11,831	8,320
Charged to profit or loss	2,543	3,649
Charged/(reversed) to other comprehensive income	246	(138)
Balance as at end of the year	14,620	11,831

The Group does not have significant unrecognized deferred income tax assets and liabilities at the end of the reporting period.

Notes to Consolidated Financial Statements

For the year ended December 31, 2020
(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

24 Other Assets

	Note	31 December 2020	31 December 2019
Finance lease receivables	(1)	30,387	25,233
Settlement and cleaning accounts		1,966	1,895
Continuing involvement assets		978	169
Long-term prepaid expenses		739	724
Prepayment of land and building and deposit		683	708
Deductible input Value Added Tax ("VAT")		588	154
Interest receivable		476	480
Guaranteed deposits		343	832
Prepayment of improvements and equipments		158	489
Repossessed assets		731	10
Others		1,818	1,237
Total		38,867	31,931

(1) Finance lease receivables

	31 December 2020	31 December 2019
Finance lease receivables	35,209	29,396
Less: Unrecognized finance income	(3,602)	(3,369)
Subtotal	31,607	26,027
Less: Allowance for ECLs (Note VI. 25)	(1,220)	(794)
Carrying amount	30,387	25,233

The undiscounted finance lease receivables to be received in each of the five consecutive accounting years after the balance sheet date are as follow:

	31 December 2020		31 December 2019	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	12,927	36.72%	10,108	34.39%
1 – 2 years	9,860	28.00%	8,154	27.74%
2 – 3 years	6,652	18.89%	5,190	17.65%
3 – 4 years	2,721	7.73%	2,967	10.09%
4 – 5 years	1,173	3.33%	1,248	4.25%
Above 5 years	1,876	5.33%	1,729	5.88%
Total	35,209	100.00%	29,396	100.00%

Notes to Consolidated Financial Statements

For the year ended December 31, 2020
(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

25 Allowance for ECLs

	Note	1 January 2020	Charge/ (Reverse) for the year	Write-off and transfer out for the year	Others (i)	31 December 2020
Deposits with banks and other financial institutions	VI.13	54	295	-	-	349
Placements with banks and other financial institutions	VI.14	32	119	-	-	151
Loans and advances to customers	VI.17					
– measured at AC		31,060	9,269	(9,084)	578	31,823
– measured at FVOCI		178	608	(50)	-	736
Financial investment	VI.18					
– measured at AC		13,166	9,225	(9,085)	225	13,531
– measured at FVOCI		206	(161)	-	-	45
Finance lease receivables	VI. 24(1)	794	583	(157)	-	1,220
Other assets		74	78	(69)	12	95
Off-balance sheet items	VI.33	5,544	150	-	(8)	5,686
Total		51,108	20,166	(18,445)	807	53,636

	Note	1 January 2019	Charge/ (Reverse) for the year	Write-off and transfer out for the year	Others (i)	31 December 2019
Deposits with banks and other financial institutions	VI.13	2	52	-	-	54
Placements with banks and other financial institutions	VI.14	3	29	-	0	32
Loans and advances to customers	VI.17					
– measured at AC		28,029	7,590	(4,688)	129	31,060
– measured at FVOCI		128	50	-	-	178
Financial investment	VI.18					
– measured at AC		7,491	8,670	(2,996)	1	13,166
– measured at FVOCI		506	(300)	-	0	206
Finance lease receivables	VI.24(1)	411	383	0	-	794
Other assets		114	6	(49)	3	74
Off-balance sheet items	VI.33	3,118	2,422	-	4	5,544
Total		39,802	18,902	(7,733)	137	51,108

(i) Others include the recoveries of financial assets previously written off and effect of exchange rate changes.

Notes to Consolidated Financial Statements

For the year ended December 31, 2020
(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

26 Deposits from Banks and Other Financial Institutions

Analyzed by type and geographical location of counterparties

	31 December 2020	31 December 2019
In mainland China		
– Banks	79,878	75,888
– Other financial institutions	66,119	55,682
Outside mainland China		
– Other financial institutions	1,072	49
Accrued interest	1,204	1,331
Total	148,273	132,950

27 Placements from Banks and Other Financial Institutions

Analyzed by type and geographical location of counterparties

	31 December 2020	31 December 2019
In mainland China		
– Banks	43,640	28,486
– Other financial institutions	220	–
Outside mainland China		
– Banks	4,485	5,108
Accrued interest	198	259
Total	48,543	33,853

28 Financial liabilities at fair value through profit or loss

	31 December 2020	31 December 2019
Financial liabilities related to precious metals (i)	9,231	9,451
Short positions of trading bonds	–	5,692
Total	9,231	15,143

- (i) According to the risk management strategy, the Group matches the precious metals related financial liabilities with precious metals or derivatives, and therefore recognized as financial liabilities measured at fair value through profit and loss.

Notes to Consolidated Financial Statements

For the year ended December 31, 2020
(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

29 Financial Assets Sold Under Repurchase Agreements

Analyzed by type of collateral

	31 December 2020	31 December 2019
Bonds sold under repurchase agreements	900	6,002
Accrued interest	0	0
Total	900	6,002

30 Customer Deposits

	31 December 2020	31 December 2019
Demand deposits		
– Corporate customers	417,686	332,440
– Personal customers	45,164	44,331
Subtotal	462,850	376,771
Time deposits		
– Corporate customers	647,265	637,178
– Personal customers	207,880	115,332
Subtotal	855,145	752,510
Other deposits	1,941	2,596
Accrued interest	15,700	11,864
Total	1,335,636	1,143,741

Pledged deposits are listed as follow:

	31 December 2020	31 December 2019
Bank acceptances deposits	9,508	11,979
Letters of credit and guarantee deposits	13,343	10,814
Other pledged deposits	105,173	101,941
Total	128,024	124,734

Notes to Consolidated Financial Statements

For the year ended December 31, 2020
(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

31 Employee Benefits Payable

	1 January 2020	Accrual during the year	Payments during the year	31 December 2020
Salaries, bonuses and allowances	4,355	6,524	(6,090)	4,789
Staff welfare	–	413	(413)	–
Housing fund	–	334	(334)	–
Social insurance				
– Medical insurance	–	156	(156)	–
– Work-related injury insurance	–	1	(1)	–
– Maternity insurance	–	8	(8)	–
Commercial insurance	–	53	(53)	–
Labour union fee and staff education fee	84	149	(149)	84
Post employment benefits	–	66	(66)	–
Unemployment insurance	–	2	(2)	–
Annuity	–	491	(491)	–
Total	4,439	8,197	(7,763)	4,873

	1 January 2019	Accrual during the year	Payments during the year	31 December 2019
Salaries, bonuses and allowances	3,934	6,338	(5,917)	4,355
Staff welfare	–	384	(384)	–
Housing fund	–	298	(298)	–
Social insurance				
– Medical insurance	–	174	(174)	–
– Work-related injury insurance	–	5	(5)	–
– Maternity insurance	–	15	(15)	–
Commercial insurance	–	51	(51)	–
Labour union fee and staff education fee	72	166	(154)	84
Post employment benefits	–	359	(359)	–
Unemployment insurance	–	12	(12)	–
Annuity	–	440	(440)	–
Total	4,006	8,242	(7,809)	4,439

Notes to Consolidated Financial Statements

For the year ended December 31, 2020
(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

32 Tax Payable

	31 December 2020	31 December 2019
Income tax payable	4,103	3,966
VAT payable	332	439
Others	228	264
Total	4,663	4,669

33 Provisions

	31 December 2020	31 December 2019
ECL allowance for off-balance sheet items (Note VI.25)	5,686	5,544

34 Debt Securities Issued

	Note	31 December 2020	31 December 2019
Fixed-rate financial bonds – 2020	(1)	–	5,000
Fixed-rate financial bonds – 2021	(2)	10,000	10,000
Fixed-rate offering – tier 2 capital bond – 2026	(3)	10,000	10,000
Fixed-rate offering – tier 2 capital bond – 2028	(4)	15,000	15,000
Fixed-rate financial bonds – 2021	(5)	20,000	20,000
Fixed-rate green financial bonds – 2022	(6)	5,000	5,000
Fixed-rate small and micro businesses financial bonds – 2023	(7)	10,000	–
Fixed-rate small and micro businesses financial bonds – 2023	(8)	15,000	–
Certificates of deposit	(9)	392	348
Interbank certificates of deposit	(10)	149,675	139,801
Subtotal		235,067	205,149
Accrued interest		1,615	1,092
Total		236,682	206,241

Notes to Consolidated Financial Statements

For the year ended December 31, 2020
(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

34 Debt Securities Issued (continued)

- (1) Fixed-rate financial bond of RMB5 billion was issued on 24 December 2015, with a maturity of 5 years and a fixed coupon rate of 3.88% per annum payable annually. The Bank has no option to redeem the bond before maturity. The bond matured on 25 December 2020.
- (2) Fixed-rate financial bond of RMB10 billion was issued on 24 February 2016, with a maturity of 5 years and a fixed coupon rate of 3.60% per annum payable annually. The Bank has no option to redeem the bond before maturity.
- (3) Fixed-rate offering – tier 2 capital bond of RMB10 billion was issued on 14 September 2016, with a maturity of 10 years and a fixed coupon rate of 3.60% per annum payable annually. The Bank has an option to redeem the bond at the end of year 2021.
- (4) Fixed-rate offering – tier 2 capital bond of RMB15 billion was issued on 13 June 2018, with a maturity of 10 years and a fixed coupon rate of 4.80% per annum payable annually. The Bank has an option to redeem the bond at the end of year 2023.
- (5) Fixed-rate financial bond of RMB20 billion was issued on 27 August 2018, with a maturity of 3 years and a fixed coupon rate of 4.39% per annum payable annually. The Bank has no option to redeem the bond before maturity.
- (6) Fixed-rate green financial bond of RMB5 billion was issued on 16 September 2019, with a maturity of 3 years and a fixed coupon rate of 3.42%. The Bank has no option to redeem the bond before maturity.
- (7) Fixed-rate small and micro businesses financial bonds of RMB10 billion was issued on 3 March 2020, with a maturity of 3 years and a fixed coupon rate of 2.95%. The Bank has no option to redeem the bond before maturity.
- (8) Fixed-rate small and micro businesses financial bonds of RMB15 billion was issued on 8 April 2020, with a maturity of 3 years and a fixed coupon rate of 2.50%. The Bank has no option to redeem the bond before maturity.
- (9) There were 1 unpaid certificate of deposit at Hong Kong Branch at 31 December 2020, which has total face value amounted RMB392 million. The certificate of deposit was issued in US dollar with maturity less than one year and annual interest rate of 0.95%. (There was one unpaid certificates of deposit at Hong Kong Branch as at 31 December 2019, which has total face value amounted RMB348 million. The certificate of deposit was issued in US dollar with maturity of less than one year and annual interest rate of 2.25%.)
- (10) As at 31 December 2020, the Bank has issued a total of 86 inter-bank certificates of deposit in the inter-bank market but not yet due, with the maximum maturity of 1 year. (As at 31 December 2019, the Bank issued a total of 90 inter-bank certificates of deposit in the inter-bank market but not yet due, with the maximum maturity of 1 year.)

Notes to Consolidated Financial Statements

For the year ended December 31, 2020
(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

35 Other Liabilities

	31 December 2020	31 December 2019
Settlement accounts	3,506	3,326
Deposits related to finance lease	2,285	1,824
Bills payable	1,050	928
Continuing involvement liabilities	978	169
Deferred income	582	569
Dividends payable	261	6
Others	1,306	1,271
Total	9,968	8,093

36 Share Capital

	31 December 2020	31 December 2019
Ordinary shares listed in Mainland China (A share)	16,715	16,715
Ordinary shares listed in Hong Kong (H share)	4,554	4,554
Total	21,269	21,269

According to the Reply for the Approval of the Initial Public Offering of Zheshang Bank Co., Ltd. (China Securities Regulatory Commission [2019] No.1846), issued by the China Securities Regulatory Commission on 11 October 2019, the Bank was approved to issue 2,550,000,000 RMB ordinary shares at a price of RMB4.94 per share. The Bank received the above funds on 20 November 2019 and PricewaterhouseCoopers Zhong Tian LLP issued a capital verification report of PwC ZT Yan Zi (2019) No. 0685. The total funds raised amounted to RMB12,597 million, the Bank's share capital increased by RMB2,550 million, and after deducting the issuance cost of RMB159 million, the remaining RMB9,888 million was recognized in the capital reserve.

Notes to Consolidated Financial Statements

For the year ended December 31, 2020
(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

37 Other Equity Instruments

	31 December 2020	31 December 2019
Offshore preference shares		
Amount of issuance	14,989	14,989
Less: Issuance expense	(31)	(31)
Total	14,958	14,958

(1) List of preference shares issued at the end of the year

Equity instruments in issue	Preference shares (Offshore)
Issue date	29 March 2017
Accounting treatment	Equity instrument
Dividend rate	5.45%
Original issuance price per share (USD/share)	20
Number (In millions)	108.75
In original currency (USD in millions)	2,175
In RMB (RMB in millions)	14,989
Issuance fee (RMB in millions)	31
Maturity date	No maturity date
Conversion condition	Mandatory
Conversion status	No conversion during the year

(2) Main terms of preference shares

(a) Dividend

The dividend for offshore preference shares is non-cumulative. The offshore preference shares dividend will be calculated on following dividend yields:

- from the issuance date (including issuance date) to the first reset date (excluding reset date), at the rate of 5.45% per annum; and
- thereafter, for the period from the first reset date and the period from each reset date (including former reset date) to the next coming reset date (excluding latter reset date), at the relevant reset dividend rate.

Notes to Consolidated Financial Statements

For the year ended December 31, 2020
(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

37 Other Equity Instruments (continued)

(2) Main terms of preference shares (continued)

(b) Conditions to distribution of dividends

On the premise of ensuring that the Bank's capital adequacy ratio meets regulatory requirements, the Bank has a distributable after-tax profit after making up previous years' losses, contributing to the statutory surplus reserve and making statutory general reserve, and the Bank's board of directors has announced the distribution in accordance with the Bank's articles of association. In the case of the dividend resolution, the Bank may distribute such dividends to shareholders of overseas preference shares.

Subject to a resolution to be passed at the shareholders' general meeting of the Bank on each such occasion, the Bank may elect to cancel (in total or in partial) any dividend otherwise scheduled to be paid on a dividend payment date in the manner set out in the conditions. The Bank may at its discretion use the funds arising from the cancellation of such dividend to repay other indebtedness which are due.

Under the circumstances where the Bank cancels a dividend in total or in partial, in accordance with the shareholders' resolution and the conditions, the Bank would not make any distribution or dividend in cash or otherwise on, and will procure that no distribution or dividend in cash or otherwise is made on, any ordinary shares or on any other class of shares or obligations that ranks or is expressed to rank junior to the offshore preference shares.

(c) Conversion

If any trigger event occurs, the Bank shall (having notified and obtained the consent of the CBIRC but without the need for the consent of the offshore preference shareholders or the ordinary shareholders):

- Cancel any dividend in respect of the relevant loss absorption amount that is accrued but unpaid up to and including the conversion date; and
- On the conversion date, all or some of the offshore preference shares shall be irrevocably and compulsorily converted into H shares with equal number. The converted H shares number is equal to the loss absorption amount held by the offshore preference shareholders (as converted into Hong Kong dollars at the fixed exchange rate of USD\$1.00 to HK\$7.7544) divided by the effective conversion price, rounded down (to the extent permitted by applicable laws and regulations) to the nearest whole number of H shares. Any fractional share less than one H share resulting from the conversion will not be issued and no cash payment or other adjustment will be made in lieu thereof.

The "trigger event" refers to an additional tier one capital instrument trigger event or a non-viability trigger event, as the case may be. The "additional tier one capital instrument trigger event" refers to the occasion where the Bank's core tier one capital adequacy ratio of the Bank has fallen to 5.125% or below. The "non-viability trigger event" is defined as the earlier of: (i) the CBIRC having decided that without a conversion or write-off, the Bank would become non-viable; and (ii) the relevant authorities having decided that a public sector injection of capital or equivalent support is necessary, without which the Bank would become non-viable.

Notes to Consolidated Financial Statements

For the year ended December 31, 2020
(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

37 Other Equity Instruments (continued)

(2) Main terms of preference shares (continued)

(d) Order of distribution and liquidation method

Upon the winding-up of the Bank, the offshore preference shareholders shall rank: (1) junior to holders of all liabilities of the Bank including subordinated liabilities and obligations issued or guaranteed by the Bank that rank, or are expressed to rank, senior to the offshore preference shares; (2) equally in all respects with each other and without preference among themselves and with the holders of parity obligations; and (3) in priority to the ordinary shareholders.

On such winding-up of the Bank, any remaining assets of the Bank shall, after the distributions in accordance with the conditions have been made, be applied to the claims of the shareholders so that the claims of the offshore preference shareholders shall be pari passu with the claims of holders of any parity obligations and in priority to the claims of the ordinary shareholders.

(e) Redemption

The Bank may, subject to obtaining the CBIRC approval and compliance with the conditions to the distribution of dividends set out in the conditions and redemption preconditions, upon prior notice to the offshore preference shareholders and the fiscal agent, redeem all or some of the offshore preference shares on the first reset date and on any dividend payment date thereafter. The redemption price for each offshore preference share shall be the aggregate of an amount equal to its liquidation preference plus any declared but unpaid dividends in respect of the period from (and including) the immediately preceding dividend payment date to (but excluding) the date scheduled for redemption.

(3) Information related to the holders of the equity instrument

	31 December 2020	31 December 2019
Attributable to shareholders of the Bank		
– Equity attribute to ordinary shareholders of the Bank	115,554	111,288
– Equity attribute to other equity holders of the Bank	14,958	14,958
Attributable to non-controlling interest		
– Equity attribute to ordinary shareholders of non-controlling interest	2,031	1,781

(4) Changes in issued preference shares

	31 December 2019	Increased during the year	Decreased during the year	31 December 2020
Number of shares (In millions)	108.75	–	–	108.75
In original currency (USD in millions)	2,175	–	–	2,175
Total in RMB (RMB in millions)	14,958	–	–	14,958

Notes to Consolidated Financial Statements

For the year ended December 31, 2020
(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

38 Capital Reserve

	1 January 2020	Increased during the year	Decreased during the year	31 December 2020
Share premium	32,018	-	-	32,018

	1 January 2019	Increased during the year	Decreased during the year	31 December 2019
Share premium	22,130	9,888	-	32,018

39 Other Comprehensive Income

	Other comprehensive income in consolidated statement of financial position			Other comprehensive income in consolidated statement of comprehensive income for the year ended 31 December 2020			
	Net-of-tax amount attributable to shareholders of the Bank		31 December 2020	Before-tax amount of the year	Previously recognized amount transferred to profit or loss	Income tax expense	Net-of-tax amount attributable to shareholders of the Bank
	1 January 2020						
Items that may not be reclassified to profit or loss							
- Gains or losses arising from changes in fair value of financial investments designated to be measured at FVOCI	124	41	165	54	-	(13)	41
Items that may be reclassified to profit or loss							
- Gains or losses arising from changes in fair value of financial assets measured at FVOCI	505	(1,077)	(572)	106	(1,541)	358	(1,077)
- ECLs of financial assets measured at FVOCI	288	298	586	397	-	(99)	298
- Translation differences arising from translation of foreign currency financial statements	1,351	(1,269)	82	(1,269)	-	-	(1,269)
Total	2,268	(2,007)	261	(712)	(1,541)	246	(2,007)

Notes to Consolidated Financial Statements

For the year ended December 31, 2020
(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

39 Other Comprehensive Income (continued)

	Other comprehensive income in consolidated statement of financial position			Other comprehensive income in consolidated statement of comprehensive income for the year ended 31 December 2019			
	1 January 2019	Net-of-tax amount attributable to shareholders of the Bank	31 December 2019	Before-tax amount of the year	Previously recognized amount transferred to profit or loss	Income tax expense	Net-of-tax amount attributable to shareholders of the Bank
Items that may not be reclassified to profit or loss							
- Gains or losses arising from changes in fair value of financial investments designated to be measured at FVOCI	-	124	124	165	-	(41)	124
Items that may be reclassified to profit or loss							
- Gains or losses arising from changes in fair value of financial assets measured at FVOCI	28	477	505	1,859	(1,222)	(160)	477
- ECLs of financial assets measured at FVOCI	475	(187)	288	(250)	-	63	(187)
- Translation differences arising from translation of foreign currency financial statements	886	465	1,351	465	-	-	465
Total	1,389	879	2,268	2,239	(1,222)	(138)	879

40 Surplus Reserve

	Surplus reserve
Balance as at 1 January 2019	6,025
Appropriation	1,269
Balance as at 31 December 2019	7,294
Appropriation	1,205
Balance as at 31 December 2020	8,499

Pursuant to the Company Law of the PRC and the Articles, the Bank is required to appropriate 10% of its net profit to the statutory surplus reserve.

Notes to Consolidated Financial Statements

For the year ended December 31, 2020
(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

41 Statutory General Reserve

	Statutory general reserve
Balance as at 1 January 2019	18,462
Appropriation	992
Balance as at 31 December 2019	19,454
Appropriation	1,664
Balance as at 31 December 2020	21,118

Pursuant to Requirements on Impairment Allowance for Financial Institutions (Caijin [2012] No. 20) (“the Requirement”), the Bank establishes a statutory general reserve within equity through the appropriation of profit to address unidentified potential impairment risks, which should not be less than 1.5% of the year-end balance of its risk assets.

42 Dividends

	Note	2020	2019
Balance as at the beginning of the year		28,985	19,203
Net profit attributable to shareholders of the Bank		12,309	12,924
Appropriation to surplus reserve		(1,205)	(1,269)
Appropriation to statutory general reserve		(1,664)	(992)
Distribution to ordinary shareholders	(a)	(5,104)	–
Distribution to offshore preference shareholders	(b)	(932)	(881)
Balance as at the end of the year		32,389	28,985

(a) **Approved and distributed dividends of ordinary shareholders**

As approved by shareholders in 2019 Annual General Meeting on 16 June 2020, based on the Bank’s total ordinary shares amounting to 21,269 million shares on the record date of profit distribution, the Bank declared a cash dividend of RMB2.4 for each 10 ordinary shares, with total amount of RMB5,104 million.

As approved by shareholders in 2018 Annual General Meeting on 27 May 2019, the Bank did not distribute dividends to ordinary shareholders.

Notes to Consolidated Financial Statements

For the year ended December 31, 2020
(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

42 Dividends (continued)

(b) Approved and distributed dividends of offshore preference shareholders

On 11 March 2020, as approved by the resolution of the board of directors, the Bank would distribute dividends to offshore preference shareholders. A total dividend of USD132 million (tax inclusive) was distributed, calculated at a dividend rate of 5.45% (after tax), equivalent to RMB932 million. The dividend issuance date was 30 March 2020.

On 18 March 2019, as approved by the resolution of the board of directors, the Bank would distribute dividends to offshore preference shareholders. A total dividend of USD132 million (tax inclusive) was distributed, calculated at a dividend rate of 5.45% (after tax), equivalent to RMB881 million. The dividend issuance date was 29 March 2019.

43 Cash and Cash Equivalents

For the purposes of the consolidated statements of cash flow, cash and cash equivalents comprise the following balances with original maturities of less than three months used for the purpose of meeting short-term cash commitments:

	31 December 2020	31 December 2019
Cash	505	528
Surplus deposit reserve with central bank	12,314	22,219
Deposits with banks and other financial institutions with original maturities of less than three months	38,791	15,779
Placements with banks and other financial institutions with original maturities of less than three months	3,447	8,418
Financial assets purchased under resale agreements with original maturities of less than three months	57,064	–
Total	112,121	46,944

Notes to Consolidated Financial Statements

For the year ended December 31, 2020
(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

44 Transfer of Financial Assets

The Group enters into transactions in the normal course of business by which it transfers recognized financial assets to third parties or to special purpose vehicles. In some cases where these transfers may give rise to full or partial derecognition of the financial assets concerned. In other cases where these transferred assets do not qualify for derecognition as the Group has retained substantially all the risks and rewards of these financial assets, the Group continued to recognize the transferred financial assets.

(1) Securitization transactions

The Group transfers credit assets to structured entities which issue asset-backed securities to investors. The Group would determine whether or not to derecognize the associated credit assets by evaluating the extent to which it retains the risks and rewards of the assets or if cease to retain control over the asset.

As at 31 December 2020, the gross amount of the Group's transferred credit assets was RMB5,535 million (31 December 2019: RMB1,425 million). Among the transferred credit assets, the Group determined that it had continuing involvement of RMB5,375 million as at 31 December 2020 (31 December 2019: RMB1,048 million). The Group recognized other assets and other liabilities of RMB978 million as at 31 December 2020 (31 December 2019: RMB169 million) arising from such continuing involvement.

(2) Loan transfers

For the year ended 31 December 2020, the Group transferred non-performing loans amounting to RMB5,057 million (for the year ended 31 December 2019: RMB2,060 million) to asset management companies. As the Group transferred substantially all the risks and rewards of these non-performing loans, the Group derecognized these non-performing loans.

(3) Securities lending transactions

Transferred financial assets that do not qualify for derecognition mainly include debt securities lent to counterparties under securities lending agreements. The counterparties are allowed to sell or repledge those securities lent under agreements to repurchase in the absence of default by the Group, but have obligations to return the securities at the maturity of the contracts. The Group determined that it retained substantially all the risks and rewards of these securities and therefore did not derecognized them. As at 31 December 2020, the carrying amount of debt securities lent to counterparties was RMB7,290 million (31 December 2019: RMB9,070 million).

Notes to Consolidated Financial Statements

For the year ended December 31, 2020
(In RMB millions, unless otherwise stated)

VII The Equity in Other Entities

1 The Equity in Subsidiaries

As at the balance sheet date, the subsidiaries included in the consolidated financial statements are as follows:

Name	Place of incorporation	Registered address	Principal activities	Registered capital	Proportion of equity/voting rights
Zhejiang Zheyin Financial Leasing Co., Ltd.	Zhejiang Province	Zhoushan	Financial Industry	RMB3 billion	51%

2 Involvement with Unconsolidated Structured Entities

The Group manages or invests in multiple structured entities, mainly including investment funds, trust schemes, asset management plans and asset-backed securities. To determine whether the Group controls such structured entities, the Group assesses the overall interests (including direct income and expected management fees) in the structured entities through its participation in the decisions on the establishment of the structured entities, the extent of its participation and related contractual arrangements, as well as its decision-making power over the structured entities. If the Group has power over such structured entities through investment contracts and other arrangements, has variable interests through its involvement in the structured entities and has the ability to affect those interests through its power over the structured entities, the Group considers that it controls the structured entities and then consolidates them in the consolidated financial statements. If the Group does not have substantive rights to the primary activities of the structured entities, or the Group acts as an agent instead of a main owner due to its insignificant proportion of the overall interests in the structured entities over which the Group has power, the Group does not consolidate the structured entities in the consolidated financial statements.

(1) Basic information of unconsolidated structured entities directly held by the Group:

The unconsolidated structured entities directly held by the Group include investment funds, trust schemes and asset management plans and asset-backed securities initiated and established by third-party institutions directly held by the Group.

Considering the relevant agreements and the Group's investments in the structured entities, the Group does not consolidate the above structured entities in the consolidated financial statements.

Notes to Consolidated Financial Statements

For the year ended December 31, 2020
(In RMB millions, unless otherwise stated)

VII The Equity in Other Entities (continued)

2 Involvement with Unconsolidated Structured Entities (continued)

(1) Basic information of unconsolidated structured entities directly held by the Group: (continued)

The following table sets out an analysis of the line items in the consolidated statement of financial position in which assets were recognized relating to the Group's interests in structured entities sponsored by third party institutions on balance sheet days:

	31 December 2020		Total
	Financial investments measured at FVTPL	Financial investments measured at AC	
Fund investments	82,673	–	82,673
Trust schemes and asset management plans	1,629	62,613	64,242
Asset-backed securities	3,035	–	3,035
Total	87,337	62,613	149,950

	31 December 2019		Total
	Financial investments measured at FVTPL	Financial investments measured at AC	
Fund investments	86,143	–	86,143
Trust schemes and asset management plans	1,721	116,732	118,453
Asset-backed securities	1,459	–	1,459
Total	89,323	116,732	206,055

The maximum exposures to loss in the above unconsolidated structured entities directly held by the Group are the fair value or amortized cost of the assets held by the Group on the balance sheet date.

(2) Structured entities sponsored by the Group which the Group did not consolidate but held an interest:

The types of unconsolidated structured entities sponsored by the Group include the non-principal-guarantee wealth management products. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors. These structured entities are financed through the issue of notes to investors. Interest held by the Group are fees charged by providing management services. As at the balance sheet date, the carrying amount of fee receivables being recognized are not material in the consolidated statement of financial position.

As at 31 December 2020, the amount of assets held by the unconsolidated non-principal-guaranteed wealth management products which are sponsored by the Group was RMB288,908 million (31 December 2019: RMB330,480 million). During the year of 2020, the intermediate business income received by the Group for providing asset management services for such financial products was RMB274 million (2019: RMB581 million). As at 31 December, the balance of service charges receivable for asset management services of the Group was not material.

Notes to Consolidated Financial Statements

For the year ended December 31, 2020
(In RMB millions, unless otherwise stated)

VIII Segment Reporting

1 Business Segment

For management purposes, the Group is organised into different operating segments, namely corporate banking, retail banking and treasury operations, based on internal organisational structure, management requirement and internal reporting system.

Corporate banking

The corporate banking segment covers the provision of financial products and services to corporations, government agencies and other institutions. The products and services include corporate loans and advances, trade financing, deposit products and various types of corporate intermediary services, etc.

Retail banking

The retail banking segment covers the provision of financial products and services to individual customers. The products and services include personal loans and advances, deposit products, card business and various types of personal intermediary services, etc.

Treasury operations

The treasury operations segment covers the Group's treasury operations which include money market transactions, repurchase transactions, debt instruments investments, financial derivatives business for proprietary trading or on behalf of customers, as well as financial products and services provided to other financial institutions. The division also manages the liquidity level of the Group, including the issuance of debt securities.

Other business

Other business segments refer to other businesses not included in the above reporting segments and related businesses of the subsidiary.

The accounting policies adopted in the preparation of segment reports are consistent with those adopted in the preparation of the Group's consolidated financial statements.

Transactions between segments mainly represent the provision of funding to and from individual segments. These transactions are conducted on terms determined with reference to the average cost of funding and have been reflected in the performance of each segment. Net interest income and expense arising on internal fund transfer are referred to as internal net interest income/expense. Net interest income and expense relating to third parties are referred to as external net interest income/expense.

Segment revenues, expenses, profits, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment income, expenses, profits, assets and liabilities are included in the internal balances and internal transactions that are offsetted in preparing the financial statements. Segment capital expenditure refers to the total cash outflow of purchasing fixed assets, intangible assets and other long-term assets in the accounting period.

Notes to Consolidated Financial Statements

For the year ended December 31, 2020
(In RMB millions, unless otherwise stated)

VIII Segment Reporting (continued)

1 Business Segment (continued)

Other business (continued)

Business segments

	For the year ended 31 December 2020				Total
	Corporate banking	Retail banking	Treasury operations	Others	
External interest income	14,561	10,560	10,821	1,153	37,095
Inter-segment net interest income/(expenses)	8,176	(477)	(7,699)	-	-
Net interest income	22,737	10,083	3,122	1,153	37,095
Net fee and commission income	3,319	395	523	13	4,250
Net trading gains	-	-	4,367	-	4,367
Net gains on financial investments	623	-	927	2	1,552
Other operating income	-	74	64	369	507
Operating income	26,679	10,552	9,003	1,537	47,771
Operating expenses	(6,867)	(3,840)	(2,029)	(506)	(13,242)
Expected credit losses	(6,335)	(3,779)	(9,478)	(574)	(20,166)
Total operating expenses	(13,202)	(7,619)	(11,507)	(1,080)	(33,408)
Profit/(loss) before taxation	13,477	2,933	(2,504)	457	14,363
Segment assets	959,337	357,558	674,256	42,454	2,033,605
Unallocated assets					14,620
Total assets					2,048,225
Segment liabilities	(1,083,585)	(256,895)	(558,696)	(16,506)	(1,915,682)
Other segment information:					
Credit commitments	667,927	14,537	-	-	682,464
Depreciation and amortization	827	467	234	32	1,560
Capital expenditure	820	306	577	35	1,738

Notes to Consolidated Financial Statements

For the year ended December 31, 2020
(In RMB millions, unless otherwise stated)

VIII Segment Reporting (continued)

1 Business Segment (continued)

Other business (continued)

Business segments (continued)

	For the year ended 31 December 2019 (Restated)				
	Corporate banking	Retail banking	Treasury operations	Others	Total
External interest income	15,773	10,141	7,907	841	34,662
Inter-segment net interest income/(expenses)	7,814	(1,914)	(5,900)	–	–
Net interest income	23,587	8,227	2,007	841	34,662
Net fee and commission income	2,736	309	712	34	3,791
Net trading gains	–	–	6,222	–	6,222
Net gains on financial investments	463	–	896	2	1,361
Other operating income	–	0	117	294	411
Operating income	26,786	8,536	9,954	1,171	46,447
Operating expenses	(7,174)	(2,735)	(2,592)	(364)	(12,865)
Expected credit losses	(7,010)	(3,084)	(8,451)	(357)	(18,902)
Total operating expenses	(14,184)	(5,819)	(11,043)	(721)	(31,767)
Profit/(loss) before taxation	12,602	2,717	(1,089)	450	14,680
Segment assets	882,215	292,077	584,686	29,977	1,788,955
Unallocated assets					11,831
Total assets					1,800,786
Segment liabilities	(986,417)	(162,826)	(512,896)	(10,620)	(1,672,759)
Other segment information:					
Credit commitments	511,537	14,578	–	–	526,115
Depreciation and amortization	800	304	294	20	1,418
Capital expenditure	2,309	765	1,532	77	4,683

Notes to Consolidated Financial Statements

For the year ended December 31, 2020
(In RMB millions, unless otherwise stated)

VIII Segment Reporting (continued)

2 Regional Division

The Group operates principally in mainland China, and also has a branch in Hong Kong, China. Geographically, the Group mainly conducts its business in the four areas listed below in Mainland China:

“Yangtze River Delta Region” refers to the head office, Zheyin Leasing and the following areas serviced by the tier-one branches of the Group: Hangzhou, Ningbo, Wenzhou, Shaoxing, Zhoushan, Shanghai, Nanjing, Suzhou, Hefei, Jinhua;

“Bohai Rim Region” refers to the following areas serviced by the tier-one branches of the Group: Beijing, Tianjin, Jinan, Shenyang;

“Pearl River Delta and West Coast of the Taiwan Straits Region” refers to the following areas serviced by the tier-one branches of the Group: Shenzhen, Guangzhou, Hong Kong, Fuzhou; and

“Midwestern China” refers to the following areas serviced by the tier-one branches of the Group: Chengdu, Guiyang, Xi’an, Lanzhou, Chongqing, Wuhan, Zhengzhou, Changsha, Hohhot, Nanchang.

Notes to Consolidated Financial Statements

For the year ended December 31, 2020
(In RMB millions, unless otherwise stated)

VIII Segment Reporting (continued)

2 Regional Division (continued)

Regional division

	For the year ended 31 December 2020					
	Yangtze River Delta Region	Bohai Rim Region	Pearl River Delta and West Coast of the Taiwan Straits Region	Midwestern China	Elimination	Total
External interest income	22,460	3,381	1,760	9,494	-	37,095
Inter-segment net interest (expenses)/income	(2,056)	3,158	1,057	(2,159)	-	-
Net interest income	20,404	6,539	2,817	7,335	-	37,095
Net fee and commission income	959	1,258	557	1,476	-	4,250
Net trading gains	3,019	379	467	502	-	4,367
Net gains on financial investments	1,233	110	44	165	-	1,552
Other operating income	339	53	6	109	-	507
Operating income	25,954	8,339	3,891	9,587	-	47,771
Operating expenses	(7,457)	(2,134)	(1,144)	(2,507)	-	(13,242)
Expected credit losses	(13,761)	(1,629)	(1,617)	(3,159)	-	(20,166)
Total operating expenses	(21,218)	(3,763)	(2,761)	(5,666)	-	(33,408)
Profit before taxation	4,736	4,576	1,130	3,921	-	14,363
Segment assets	1,747,143	322,344	189,854	282,388	(508,124)	2,033,605
Unallocated assets						14,620
Total assets						2,048,225
Segment liabilities	(1,630,970)	(323,184)	(190,771)	(278,881)	508,124	(1,915,682)
Other segment information:						
Credit commitment	313,088	154,525	51,433	163,418	-	682,464
Depreciation and amortization	861	244	142	313	-	1,560
Capital expenditure	1,313	345	23	57	-	1,738

Notes to Consolidated Financial Statements

For the year ended December 31, 2020
(In RMB millions, unless otherwise stated)

VIII Segment Reporting (continued)

2 Regional Division (continued)

Regional division (continued)

	For the year ended 31 December 2019 (Restated)					
	Yangtze River Delta Region	Bohai Rim Region	Pearl River Delta and West Coast of the Taiwan Straits Region	Midwestern China	Elimination	Total
External interest income	18,047	5,348	2,189	9,078	-	34,662
Inter-segment net interest Income/(expenses)	1,682	770	261	(2,713)	-	-
Net interest income	19,729	6,118	2,450	6,365	-	34,662
Net fee and commission income	1,318	1,037	449	987	-	3,791
Net trading gains	3,609	1,018	804	791	-	6,222
Net gains on financial investments	1,150	92	39	80	-	1,361
Other operating income	175	57	9	170	-	411
Operating income	25,981	8,322	3,751	8,393	-	46,447
Operating expenses	(7,645)	(1,957)	(1,020)	(2,243)	-	(12,865)
Expected credit losses	(11,399)	(1,130)	(3,905)	(2,468)	-	(18,902)
Total operating expenses	(19,044)	(3,087)	(4,925)	(4,711)	-	(31,767)
Profit/(loss) before taxation	6,937	5,235	(1,174)	3,682	-	14,680
Segment assets	1,679,325	292,764	164,450	270,156	(617,740)	1,788,955
Unallocated assets						11,831
Total assets						1,800,786
Segment liabilities	(1,572,595)	(289,448)	(163,681)	(264,775)	617,740	(1,672,759)
Other segment information:						
Credit commitment	263,844	111,808	35,911	114,552	-	526,115
Depreciation and amortization	815	223	117	263	-	1,418
Capital expenditure	3,508	697	30	448	-	4,683

Notes to Consolidated Financial Statements

For the year ended December 31, 2020
(In RMB millions, unless otherwise stated)

IX Commitments and Contingencies

1 Credit Commitments and Financial Guarantee

Bank acceptances refer to the Group's commitment to honor bills issued by customers, block chain receivables confirmation refer to the Group's commitment to block chain receivables confirmation issued by customers. The Group expects that most of the bank acceptances and block chain receivables confirmation will be settled at the same time as the payment of customers. The Group provides letter of credit and financial guarantee services to guarantee the performance of customers to third parties. The Group's credit commitments include approved loan commitments and undrawn credit card limit.

The contractual amount of credit commitments and financial guarantee are set out below: the amount of bank acceptances, block chain receivables confirmation, letter of credit and letter of guarantee disclosed is the maximum potential loss amount that the Group will recognize at the balance sheet date if the counterparties fail to oblige. The disclosed corporate loan commitments amount and undrawn credit line of credit card are the contract amount assumed to be fully issued. The relevant credit line may not be used before maturity. Therefore, the contract amount mentioned below does not represent the expected cash outflow in the future.

	31 December 2020	31 December 2019
Bank acceptances	348,075	283,047
Block chain receivables confirmation	190,376	96,108
Letters of credit issued	104,480	106,861
Letters of guarantee issued		
– Financing letters of guarantee	14,594	15,603
– Non-financing letters of guarantee	9,749	9,115
Corporate loan commitments	653	803
Undrawn credit card facility	14,537	14,578
Total	682,464	526,115

2 Capital Commitments

As at the balance sheet date, the Group's capital commitments are as follows:

	31 December 2020	31 December 2019
Contracted but not yet incurred	2,571	687
Authorized but not contracted	2,706	5,505
Total	5,277	6,192

Notes to Consolidated Financial Statements

For the year ended December 31, 2020
(In RMB millions, unless otherwise stated)

IX Commitments and Contingencies (continued)

3 Bond Underwriting and Redemption Commitments

- (1) As at 31 December 2020, the Group has outstanding bond underwriting commitment with an amount of RMB250 million (31 December 2019: Nil).
- (2) As an underwriting agent of the Central Government, the Group is obliged to redeem these bonds at the discretion of the holders at any time prior to maturity. The redemption price for the bonds is based on the nominal value of the bonds plus any interest accrued up to the redemption date. The interest accrued shall be calculated in accordance with the relevant rules of the Ministry of Finance (the “MOF”) and the PBOC. The redemption price may be different from the fair value of similar bonds traded in the market on the redeem day.

As at 31 December 2020, the Group had underwritten and sold bonds with an accumulated amount of RMB983 million (31 December 2019: RMB672 million) to the general public, and these government bonds have not yet matured nor been redeemed. The Group expects that the amount of redemption of these government bonds through the Group prior to maturity will not be material.

4 Litigations and Disputes

As at the balance sheet date, the Group was involved in certain legal proceedings in the ordinary course of business. The Group expects that such pending litigations will not materially affect the Group’s financial position.

X Fiduciary Business

Entrusted loan refers to the depositor’s designation of a specific third party to the Group as the borrower, and the credit risk related to the loan is borne by the depositor of the designated lender. Entrusted financial management refers to the business in which the Group is entrusted by customers to operate and manage customers’ assets. The investment risk of entrusted financial management shall be borne by the client. Entrusted investment refers to the fact that the Group accepts the entrustment of a single or multiple clients based on the principal-agent relationship to engage in investment services such as asset operation, investment management, investment consultancy and so on. The investment risk of entrusted investment shall be borne by the client.

As at the balance sheet date, the entrusted business of the Group is as follows:

	31 December 2020	31 December 2019
Entrusted loans	25,610	27,666
Entrusted investments	–	300

Notes to Consolidated Financial Statements

For the year ended December 31, 2020
(In RMB millions, unless otherwise stated)

XI Collateral Information

1 Assets as Collateral

The book value of the Group's secured liabilities related to the assets as collateral on the balance sheet date is presented as due to central bank, financial assets sold under repurchase agreements and customer deposits. These transactions are conducted on the general standard terms of the relevant business.

	31 December 2020	31 December 2019
Due to central bank	83,666	92,583
Financial assets sold under repurchase agreements	900	6,002
Customer deposits	42,620	39,510
Total	127,186	138,095

(1) Analyzed by collateral type

	31 December 2020	31 December 2019
Bond investments	123,432	89,296
Bills	14,966	10,083
Corporate loans	—	107,657
Total	138,398	207,036

In addition, the Group provides collateral for the bonds borrowed through the bond lending business. As at 31 December 2020, no assets as collateral under the bond lending business of the Group (As at 31 December 2019: RMB1,080 million).

Notes to Consolidated Financial Statements

For the year ended December 31, 2020
(In RMB millions, unless otherwise stated)

XI Collateral Information (continued)

1 Assets as Collateral (continued)

2 Collateral Received

As at 31 December 2020, the Group received securities amounting to RMB200 million (As at 31 December 2019: RMB800 million) as collateral for financial assets purchased under resale agreements, the Group could sell or repledge the collateral in the absence of default by the owner of the collateral. The Group has an obligation to return the collateral to the owner on the date of resale, as at the reporting date, none of the collateral is re-sold or re-pledged. Details of collateral related information received by the Group in the granting of loans and advances to customers and financial investments that are credit impaired could be referred to in Note XIII.1(10).

XII Related Party Relationship and Transactions

1 Shareholders

As at balance sheet days, the shareholding of major shareholder units directly or indirectly holding more than 5% of the Bank's shares are as follows:

	Number of shares held (in million shares)	Shareholding Percentage
Zhejiang Provincial Financial Holdings Co., Ltd.	2,655	12.49%
Zhejiang Provincial Energy Group Co., Ltd. and its group members, Zheneng Capital Holding Co., Ltd. and Zhejiang Energy International Co., Ltd.	1,487	6.99%
Traveller Automobile Group Co., Ltd.	1,347	6.33%
Zhejiang Hengyi Group Co., Ltd. and its group members Zhejiang Hengyi High-tech Material Co., Ltd. and Zhejiang Hengyi Petrochemical Co., Ltd.	1,243	5.84%
Hengdian Group Holdings Limited	1,243	5.84%

Notes to Consolidated Financial Statements

For the year ended December 31, 2020
(In RMB millions, unless otherwise stated)

XII Related Party Relationship and Transactions (continued)

2 Related Party Transactions

The amount of major transactions between the Group and related parties and the balance of major current accounts on the balance sheet date are as follows:

	Zhejiang Provincial Financial Holdings Co., Ltd. and its subsidiaries	Zhejiang Provincial Energy Group Co., Ltd. and its subsidiaries	Traveller Automobile Group Co., Ltd. and its subsidiaries	Zhejiang Hengyi Group Co., Ltd. and its subsidiaries	Hengdian Group Holdings Limited and its subsidiaries	Others	Total	Proportion in the amount/ balance of related similar transactions
The amount of significant transactions in 2020 is as follows:								
Interest income	70	-	-	12	2	87	171	0.20%
Interest expense	(356)	(13)	-	(5)	(14)	(73)	(461)	0.94%
Fee and commission income	0	0	-	10	0	6	16	0.34%
Net trading gains	72	1	-	-	83	-	156	3.57%
As at 31 December 2020, the balance of major current accounts is as follows:								
Loans and advances to customers	58	-	-	851	-	2,174	3,083	0.26%
Financial investments measured at FVTPL	1,323	-	-	-	2,490	-	3,813	2.95%
Financial investments measured at AC	-	-	-	1,500	1,000	600	3,100	0.90%
Customer deposits	(5,896)	(237)	-	(502)	(36)	(2,438)	(9,109)	0.69%
The major off balance sheet items as at 31 December 2020 are as follows:								
Credit commitment	1	-	-	2,108	106	543	2,758	0.41%
Loan balance guaranteed by related parties	300	-	-	1,122	106	3,108	4,636	0.39%

Notes to Consolidated Financial Statements

For the year ended December 31, 2020
(In RMB millions, unless otherwise stated)

XII Related Party Relationship and Transactions (continued)

2 Related Party Transactions (continued)

	Zhejiang Provincial Financial Holdings Co., Ltd. and its subsidiaries	Zhejiang Provincial Energy Group Co., Ltd. and its subsidiaries	Traveller Automobile Group Co., Ltd. and its subsidiaries	Zhejiang Hengyi Group Co., Ltd. and its subsidiaries	Hengdian Group Holdings Limited and its subsidiaries	Others	Total	Proportion in the amount/ balance of related similar transactions
The amount of significant transactions in 2019 is as follows :								
Interest income	134	-	-	2	1	284	421	0.53%
Interest expense	(542)	(6)	-	0	(2)	(26)	(576)	1.26%
Fee and commission income	0	0	-	1	0	8	9	0.18%
Net trading gains	108	-	-	-	237	-	345	5.54%
As at 31 December 2019, the balance of major current accounts is as follows:								
Loans and advances to customers	50	-	-	135	1	3,332	3,518	0.34%
Financial investments measured at FVTPL	1,841	-	-	-	3,547	-	5,388	4.17%
Financial investments measured at AC	2,500	-	-	-	-	2,573	5,073	1.62%
Customer deposits	(8,491)	(685)	-	(201)	(26)	(570)	(9,973)	0.88%
The major off balance sheet items as at 31 December 2019 are as follows:								
Credit commitment	-	-	-	1,100	0	1,370	2,470	0.48%
Loan balance guaranteed by related parties	3,427	-	-	-	-	8,229	11,656	1.14%

Notes to Consolidated Financial Statements

For the year ended December 31, 2020
(In RMB millions, unless otherwise stated)

XII Related Party Relationship and Transactions (continued)

3 Key Management

Key management personnel are those persons who have the authority and responsibility to plan, direct and control the activities of the Group. The Group enters into banking transactions with key management personnel in the normal course of business. For the reporting period, the Group had no material banking transactions and balances with key management personnel.

The remuneration of directors and other members of key management during the year were as follows:

	31 December 2020	31 December 2019
Fees	2	2
Salaries and allowances and benefits	14	20
Discretionary bonuses	8	13
Contribution to pension	3	3
Total	27	38

The total compensation packages for directors and key management personnel have not been finalised. The total compensation packages will be further disclosed when determined.

4 Transactions Between the Bank and the Subsidiary

The transactions between the Bank and its subsidiary include deposits with banks and other financial institutions, deposits from banks and other financial institutions, placements with banks and other financial institutions, leasing of movable and real estate, bills discounted, financial assets at fair value through other comprehensive income, credit commitments and financial guarantee and others. The terms of exchange between the Bank and its subsidiary are subjected to common business principals and carried out in accordance with normal business procedures or in accordance with the contract agreement of the Bank, and shall be approved by the corresponding decision-making authority depending on the type and content of the transaction.

5 Plan and Transaction of Annuity

Except for normal contributions, there were no other related party transactions in the enterprise annuity funds established by the Group and the Bank during the reporting period.

Notes to Consolidated Financial Statements

For the year ended December 31, 2020
(In RMB millions, unless otherwise stated)

XIII Financial Risk Management

The Group's activities expose it to a variety of financial risks and those activities involve analysis, evaluation, acceptance and management of some degree of risks or combination of risks. Managing those risks are crucial to the financial business, and risks are an inevitable consequence of being in business operation. The Group's aim is therefore to achieve an appropriate balance between risk and return and minimize potential adverse effects on the Group's financial performance.

The Group's risk management policies are designed to identify and analyze these risks, to set appropriate risk limits and control programs, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems.

The board of directors takes the ultimate responsibility for comprehensive risk management; the Board of supervisors is responsible for supervision of comprehensive risk management; and the senior management is responsible for implementing comprehensive risk management. The Bank establishes the position of chief risk officer. The senior management has established special committees including the risk management and internal control committee, asset and liability management committee, credit, investment and transaction review committee, asset risk classification review committee and business continuity management committee.

The risk management department at the head office is the coordination department for comprehensive risk management and the leading executive department for management of the credit risk, market risk (excluding interest rate risk of banking book), country risk and information technology risk. The planning and finance department (the asset and liability management department) at the head office is the leading executive department for management of the interest rate risk of banking book and liquidity risk. The internal control, compliance and legal department at the head office is the leading executive department for operational risk and compliance risk management. The general office at the head office is the leading executive department for reputational risk management. The development and planning department at the head office is the leading executive department for strategic risk management.

The primary financial risks the Group is exposed to are credit risk, market risk (including interest rate risk, foreign exchange risk), and liquidity risk.

1 Credit Risk

The Group is exposed to credit risk, which is the risk of loss arising from a client or counterparty's failure to perform its obligations under a contract. Credit exposures arise principally from interbank transactions, corporate and retail loans, as well as loan commitments arising from lending activities. It can also be derived from credit enhancement provided by the Group, such as credit derivatives (credit default swaps), financial guarantees, letters of credit, endorsements and acceptances. Management carefully manages its exposure to credit risks. The daily credit risk management and control are centralized in the risk management department of head office and reported to the Bank's senior management regularly.

Notes to Consolidated Financial Statements

For the year ended December 31, 2020
(In RMB millions, unless otherwise stated)

XIII Financial Risk Management (continued)

1 Credit Risk (continued)

(1) Credit risk measurement

Loans and advances to customers, loan commitments and financial guarantees

Based on changes in external business environment, internal business conditions and risks, the Group formulated basic credit policies, and defined the policy orientation of the customer structure, industry structure, regional structure and key business areas of the Group's credit business. In addition, the Group regularly adjusted the credit policy on the basis of continuous tracking of macro and industry economic development trends. The Group continued to strengthen the credit system, revised the unified credit management system for corporate customers, strengthened the overall management and unified control of the total credits of corporate customers, and improved the standard and standardized credit approval process, authorization system and risk responsibility mechanism, and timely adjust the credit policy and take effective measures to prevent credit risks.

The Group has established a credit risk limit framework system, formulated credit risk limit management plans and methods, and defined management mechanisms such as setting, adjusting, monitoring and processing quota indicators to effectively transmit risk preferences. When the Group has performed necessary measures and procedures and still can not recover the whole or part of the financial assets as the write off conditions of the MOF and the Group are met, it will be written off.

Bonds

The Group manages investment in bonds and other instruments based on the internal credit rating and credit rating of external rating agencies. Except for financial instruments with available credit ratings such as government bonds, central bank bills and policy bank financial bonds, the acquisition requirements of other bonds are required to meet credit rating assessment system to invest in. At the same time, the Group continues to pay attention to the credit rating, business development and changes in the industry of the issuers, and also continuously evaluates and manages the credit risk.

Non-bond debt investment

Non-bond debt investment includes trust schemes and asset management plans. The Group implemented rating assessment system for cooperative trust companies and securities companies, and set credit lines for the ultimate financing party of the targeted trust schemes and asset management plans, and conducted risk management review on a regular basis.

Interbank business

The Group conducts regular review and management of the credit risk of individual financial institutions. The Group also sets credit lines for individual banks or other financial institutions that have financial transactions with the Group.

Notes to Consolidated Financial Statements

For the year ended December 31, 2020
(In RMB millions, unless otherwise stated)

XIII Financial Risk Management (continued)

1 Credit Risk (continued)

(2) Risk limit control and mitigation policies

The Group built up credit risk limit management policies and procedures. The Group set credit risk limits based on customers credit-worthiness, industrial credit exposure, asset quality and etc. to establish mechanisms to manage credit limit such as setting, adjustment, monitoring, reporting and processing.

The Group transfers or mitigates its credit risk exposure by guarantee, collateral (pledge), net settlement and credit derivatives. Other specific management and mitigation measures include:

Collateral and pledge

The Group has formulated a series of policies and adopted various measures to mitigate credit risks. The acquisition of collateral and margins and obtaining company or individual guarantees is one of the important measures for the Group to control credit risk. The Group implements guidelines on the acceptability of specific classes of collateral. The principal types of collateral are as follows:

- Residential properties;
- Business assets such as premises, inventory and accounts receivable; and
- Financial instruments such as debt securities and stocks

The fair value of collaterals and pledges are assessed by professional valuation firms appointed by the Group. The Group has set maximum loan-to-value ratio (ratio of loan balances against fair value of collateral and pledge) for different collaterals and pledges. The principal types of collateral and pledge and maximum loan-to-value ratio for corporate and personal loans and advances are as follows:

Collaterals and pledge assets	Maximum loan to value rate
Time deposits (RMB)	100%
Time deposits (Foreign currency)	90%
PRC treasury bonds	90%
Financial institution bonds	80%
Residential property and commercial property	70%
Land use rights	70%
Special equipment	70%
Vehicles	60%
General equipment	50%

For loans guaranteed by a third-party guarantor, the Group will assess the financial condition, credit history and ability to meet obligations by the guarantor.

Notes to Consolidated Financial Statements

For the year ended December 31, 2020
(In RMB millions, unless otherwise stated)

XIII Financial Risk Management (continued)

1 Credit Risk (continued)

(2) Risk limit control and mitigation policies (continued)

Derivative financial instruments

The Group imposes strict restrictions on the trading of derivative financial instruments. The Group controls the credit risks associated with derivative financial instruments by collecting margins or grant credits from/to counterparties.

Credit commitment

The main purpose of the credit commitments is to ensure that customers can receive the funds they need. The letter of guarantee and the letter of credit is an irrevocable undertaking of the Group, that is, the Group will perform its payment obligations on behalf of its customers when they are unable to perform their payment obligations to third parties, and the Group bears the same credit risk as the loans to the customers. In the event that the credit commitments amount requested by the customer exceeds its original credit limit, the Group will collect deposit to reduce the credit risk of providing the service.

(3) Measurement of ECLs

The ECLs model is used for the measurement of the provision on financial assets at AC, financial assets at FVOCI and credit commitment.

The Group has developed the impairment model according to IFRS 9 to calculate ECLs. The top-down development method was used to establish a logistic regression model of risk parameters and macroeconomic indicators such as GDP and etc. A model that uses the forecast results of macro indicators to drive impairment calculations, enabling “forward-looking” calculations of ECL allowances.

The risk stage classification of financial instruments

The Group classifies financial instruments into three stages and makes provisions for ECLs accordingly, depending on whether credit risk of a financial instrument has increased significantly since initial recognition. The three risk stages are defined as follows:

Stage 1: The credit risk has not significantly increase since initial recognition. The amount equal to 12-month expected credit losses is recognized as loss allowance.

Stage 2: There is a significant increase in credit risk since initial recognition but the financial instrument is not considered to be credit-impaired. The amount equal to lifetime expected credit losses is recognized as loss allowance.

Stage 3: The financial instrument is considered to be credit-impaired as at the end of the reporting period. The amount equal to lifetime expected credit losses is recognized as loss allowance.

The detailed classification criteria has been set up, and take into consideration probability of default, overdue days, credit rating, etc.

Notes to Consolidated Financial Statements

For the year ended December 31, 2020
(In RMB millions, unless otherwise stated)

XIII Financial Risk Management (continued)

1 Credit Risk (continued)

(3) Measurement of ECLs (continued)

Definition of significant increase in credit risk

The Group assesses at each balance sheet date whether the credit risk of the relevant financial instruments has increased significantly since the initial recognition. The Group fully considers all reasonable information with solid evidence, including forward-looking information that reflects significant changes in its credit risk. The main considerations are regulatory and operating environment, external credit rating, solvency, operating capacity, loan contract terms, and repayment behavior. The Group determines the risk of default of financial instruments on the financial reporting date and the risk of default on the initial recognition date to determine changes in the risk of default in the expected duration of financial instruments.

The Group determines whether the credit risk of financial instruments has changed significantly since the initial confirmation by setting quantitative and qualitative criteria. The judgment criteria mainly include overdue days exceeding 30 days, changes in default probability, changes in credit risk classification and others indicate a significant change in credit risk.

Definition of credit-impaired financial assets

Generally, financial assets are considered to be credit-impaired if:

- The contract is overdue for more than 90 days;
- For economic or contractual reasons related to the financial difficulties of the borrower, the borrower's lender gives the borrower a reluctance to make concessions;
- Borrower has significant financial difficulties;
- The borrower is likely to go bankrupt or other financial restructuring; and
- The active market for financial assets disappears.

The ECLs of financial assets may be caused by the joint action of multiple events, and may not be caused by separately identifiable events.

The above standards apply to all financial instruments of the Group; the definition of credit impairment incurred is consistently applied to the calculation of ECLs of the Group and when considering about historical statistics and forward-looking indicators.

Notes to Consolidated Financial Statements

For the year ended December 31, 2020
(In RMB millions, unless otherwise stated)

XIII Financial Risk Management (continued)

1 Credit Risk (continued)

(3) Measurement of ECLs (continued)

Measurement of expected credit loss: explanation of parameters, assumptions and estimation techniques

Except for the financial assets with credit-impaired, depending on whether there is a significant increase in credit risk and whether the assets have been impaired, the Bank will measure the loss provision for different assets by expected credit losses for 12 months or entire life of the asset. Expected credit loss allowance is the product of probability of default (PD), exposure at default (EAD) and loss given default (LGD) after discount. Related definitions are as follows:

- Probability of default (PD) refers to the possibility that the borrower will not be able to fulfil his obligations in the next 12 months or throughout the remaining period of existence. The Group builds the migration matrix to calculate the 12-month probability of default, and derives the default probability of the entire duration from the 12-month probability of default through the Markov chain model;
- Loss given default (LGD) is the percentage of risk exposure loss at the time of default. The default loss rate varies depending on the type of counterparty, the way of recourse and priority and the availability of collateral or other credit support. The LGD of different product types is also different; and
- Exposure at default (EAD) refers to the amount that the Group should pay when the default occurs in the next 12 months or throughout the remaining life. The Group's exposure at default is determined by the expected repayment arrangements, and different types of products will vary. For installments and one-time repayments, the Group determines the exposure at default according to the repayment plan stipulated in the contract.

The Group determines the ECLs by forecasting the probability of default, loss given default and exposure at default of single debt. The Group multiplies the three parameters which can effectively calculate the expected credit losses for future periods, and then discount the results of each period to the report date in lump sum. The discount rate used in the calculation of expected credit loss is the real interest rate or its approximate value.

Forward-looking information and other adjustments included in the credit impairment model

The Group has established macro-economic forecast model, along with adjustments from external economy experts. The Group conduct forecasts regularly to establish three economic scenarios, optimistic, neutral and pessimistic to ensure coverage of non-linear features for the main expected credit loss model. Neutral scenario is defined as the most probable situation, which will become benchmark for other scenarios. Optimistic and pessimistic scenarios are possible scenarios which are better and worse than neutral scenario respectively. It can also be used as one of the sources of sensitivity testing.

The impairment model is established through a top down approach. The Group has developed regression models for different macro-economic indicators such as Gross Domestic Product growth (GDP), Producer Price Index growth (PPI), growth of broad measure of money supply (M2), etc. The Group uses forecasting results of macro-indicators to achieve "forward-looking" calculation of provision.

Notes to Consolidated Financial Statements

For the year ended December 31, 2020
(In RMB millions, unless otherwise stated)

XIII Financial Risk Management (continued)

1 Credit Risk (continued)

(3) Measurement of ECLs (continued)

Forward-looking information and other adjustments included in the credit impairment model (continued)

As at 31 December 2020, the main macro-economic indicators the Group used in neutral scenario includes: 4.35% of GDP, 6.35% of PPI, 16.40% of M2. When adjusting the weighting for the forward-looking scenario of the year, the external economic experts increased the weighting for pessimistic scenario moderately on the basis of macro-economic prediction.

The management of the Group has considered external economic situation that have not been reflected by the model such as impact of COVID-19 pandemic on macro economy, and increased the provision of particular credit risk exposure through stress testing to enhance the Group's risk compensation capability.

(4) Maximum credit risk exposure

The following table provides an analysis of the credit risk exposure of financial instruments applicable to the expected credit loss measurement. The carrying amount of the following financial assets is the maximum credit risk exposure faced by the Group:

	31 December 2020	31 December 2019
Cash and balances with central bank	137,441	131,029
Deposits with banks and other financial institutions	38,827	17,725
Placements with banks and other financial institutions	5,637	9,184
Financial assets purchased under resale agreements	57,067	28,950
Loans and advances to customers		
– measured at AC	965,235	903,873
– measured at FVOCI	200,640	95,060
Financial investments		
– measured at AC	336,109	305,160
– measured at FVOCI	62,013	82,922
Other financial assets	33,251	30,761
Total	1,836,220	1,604,664

As at the balance sheet date, the maximum credit risk exposure of the Group's off-balance-sheet credit commitments and financial guarantee contracts has been disclosed in Note IX. 1.

Notes to Consolidated Financial Statements

For the year ended December 31, 2020
(In RMB millions, unless otherwise stated)

XIII Financial Risk Management (continued)

1 Credit Risk (continued)

(5) Risk concentration

The credit risk usually increases if the counterparties are concentrated in a certain industry, region or based on certain economic characteristics. Meanwhile, the economic development is differentiated by the unique characteristics of industries and regions, so the credit risk is exposed in variety.

Geographical segments

The gross amount of loans and advances to customers (excluding fair value change and accrued interest) granted by the Group are listed as follows by region:

	31 December 2020		31 December 2019	
	Gross amount	Proportion (%)	Gross amount	Proportion (%)
Yangtze River Delta Region	687,825	57.60%	571,942	55.70%
Midwestern China	203,660	17.05%	198,548	19.33%
Bohai Rim Region	167,846	14.05%	165,623	16.13%
Pearl River Delta and West Coast of the Taiwan Straits Region	134,931	11.30%	90,806	8.84%
Total	1,194,262	100.00%	1,026,919	100.00%

Notes to Consolidated Financial Statements

For the year ended December 31, 2020
(In RMB millions, unless otherwise stated)

XIII Financial Risk Management (continued)

1 Credit Risk (continued)

(5) Risk concentration (continued)

Industry segments

The gross amount of loans and advances to customers (excluding fair value change and accrued interest) granted by the Group are listed as follows by industry:

	31 December 2020		31 December 2019	
	Gross amount	Proportion (%)	Gross amount	Proportion (%)
Corporate loans and advances				
Leasing and commercial services	168,182	14.08%	150,011	14.60%
Real estate	165,208	13.84%	148,341	14.45%
Manufacturing	136,187	11.41%	114,722	11.17%
Wholesale and retail trade	99,635	8.34%	82,824	8.07%
Administration of water conservancy, environment and public facilities	54,597	4.57%	53,253	5.19%
Construction	53,241	4.46%	45,432	4.42%
Financing	39,498	3.31%	19,785	1.93%
Information transmission, computer services and software industry	13,281	1.11%	9,719	0.95%
Transportation, storage and postal service	11,351	0.95%	10,580	1.03%
Production and supply of electricity, gas and water	10,900	0.91%	9,562	0.93%
Accommodation and catering	10,711	0.90%	8,857	0.86%
Scientific research, technology services and geological exploration	8,325	0.70%	5,633	0.55%
Mining	3,895	0.33%	6,722	0.65%
Culture, sports and entertainment	3,842	0.32%	5,519	0.54%
Agriculture, forestry, animal husbandry and fishery	3,724	0.31%	3,917	0.38%
Education	2,090	0.18%	1,175	0.11%
Health, social security and social welfare	1,928	0.16%	1,900	0.18%
Household services and other services	1,464	0.12%	1,648	0.16%
Public administration and social organization	7	0.00%	10	0.00%
Corporate loans and advances	788,066	66.00%	679,610	66.17%
Personal loans and advances	333,108	27.89%	275,677	26.85%
Discounted bills	73,088	6.11%	71,632	6.98%
Total	1,194,262	100.00%	1,026,919	100.00%

Notes to Consolidated Financial Statements

For the year ended December 31, 2020
(In RMB millions, unless otherwise stated)

XIII Financial Risk Management (continued)

1 Credit Risk (continued)

(6) Credit risk analysis of loans and advances to customers

The overdue information and ECLs of loans and advances to customers are listed as follows:

	31 December 2020	31 December 2019
Credit-impaired	19,327	14,391
Less: Allowance for ECLs	(11,306)	(9,450)
Subtotal	8,021	4,941
Overdue but not credit-impaired	5,133	9,113
Less: Allowance for ECLs	(644)	(2,123)
Subtotal	4,489	6,990
Neither overdue nor credit-impaired	1,169,650	1,003,627
Accrued interest	3,588	3,040
Less: Allowance for ECLs	(19,873)	(19,665)
Subtotal	1,153,365	987,002
Total	1,165,875	998,933

Notes to Consolidated Financial Statements

For the year ended December 31, 2020
(In RMB millions, unless otherwise stated)

XIII Financial Risk Management (continued)

1 Credit Risk (continued)

(7) Credit risk analysis of due from banks and other financial institutions

Due from banks and other financial institutions include deposits with banks and other financial institutions, placements with banks and other financial institutions and financial assets purchased under resale agreement. As at the balance sheet date, the carrying amount of the Group's due from banks and other financial institutions classified by stage and counterparties are analyzed as follows:

	31 December 2020	31 December 2019
Credit-impaired	545	737
Accrued interest	–	5
Less: Allowance for ECLs	(495)	(84)
Subtotal	50	658
Neither overdue nor credit-impaired		
– Commercial banks	68,266	32,479
– Policy banks	0	2,917
– Other financial institutions	33,128	19,754
Accrued interest	92	53
Less: Allowance for ECLs	(5)	(2)
Subtotal	101,481	55,201
Total	101,531	55,859

Notes to Consolidated Financial Statements

For the year ended December 31, 2020
(In RMB millions, unless otherwise stated)

XIII Financial Risk Management (continued)

1 Credit Risk (continued)

(8) Credit risk analysis of debt investments

The Group continuously monitors the credit risk of the debt instrument portfolios. As at the balance sheet date, the carrying amount of the debt instruments which are exposed to ECLs is listed as follows:

	31 December 2020	31 December 2019
Credit-impaired	12,509	13,143
Less: Allowance for ECLs	(9,030)	(8,248)
Subtotal	3,479	4,895
Overdue but not credit-impaired	2,584	4,337
Less: Allowance for ECLs	(375)	(1,296)
Subtotal	2,209	3,041
Neither overdue nor credit-impaired		
– Government	156,926	142,741
– Policy banks	71,182	51,791
– Commercial banks	15,928	32,152
– Other financial institutions	2,505	689
– Other enterprises	143,033	150,946
Accrued interest	6,986	5,449
Less: Allowance for ECLs	(4,126)	(3,622)
Subtotal	392,434	380,146
Total	398,122	388,082

As at 31 December 2020, the total allowance for ECLs of the debt investments measured at FVOCI which were either credit-impaired or overdue but not credit-impaired, were RMB19 million (31 December 2019: RMB9 million) and RMB26 million (31 December 2019: RMB197 million), respectively. The ECL allowance are recognized in other comprehensive income, without deducting the carrying amount of these financial assets.

Notes to Consolidated Financial Statements

For the year ended December 31, 2020
(In RMB millions, unless otherwise stated)

XIII Financial Risk Management (continued)

1 Credit Risk (continued)

(9) Rescheduled loans and advances to customers

Rescheduled loans are those loans that have revised repayment terms of loan contracts because of deterioration in the financial position of the borrower or of the inability to repay. As at 31 December 2020, the Group's loans and advances with book value of RMB307 million (31 December 2019: RMB240 million) incurred credit impairment and the relevant contract terms were rescheduled.

(10) Collateral and other credit enhancement

The Group closely monitors the collateral corresponding to credit-impaired financial assets, as compared with other collateral, the Group is more likely to confiscate these collaterals to reduce potential credit losses. As at the end of the reporting period, the Group's credit-impaired loans and advances to customers and financial investments and the value of collateral held to reduce its potential loss are listed as follows:

	31 December 2020			Fair value of collateral
	Gross amount	Allowance for ECLs	Carrying amount	
Loans and advances to customers				
– Corporate loans and advances	16,338	(9,468)	6,870	12,971
– Personal loans and advances	2,989	(1,838)	1,151	1,537
Financial investment				
– Financial investments measured at amortized cost	12,478	(9,030)	3,448	4,054
Total	31,805	(20,336)	11,469	18,562
	31 December 2019			Fair value of collateral
	Gross amount	Allowance for ECLs	Carrying amount	
Loans and advances to customers				
– Corporate loans and advances	11,906	(7,677)	4,229	7,673
– Personal loans and advances	2,485	(1,773)	712	1,015
Financial investment				
– Financial investments measured at amortized cost	13,121	(8,248)	4,873	4,830
Total	27,512	(17,698)	9,814	13,518

The fair value of the above collateral is determined by the Group on the basis of the latest available external evaluation value according to the collateral disposal experience and market conditions.

Notes to Consolidated Financial Statements

For the year ended December 31, 2020
(In RMB millions, unless otherwise stated)

XIII Financial Risk Management (continued)

2 Market Risk

Market risk refers to the risk of losses of on-balance sheet and off-balance sheet business arising from unfavorable changes in market prices including interest rates, exchange rates, stock prices and commodity prices. The Group's exposures to market risk occurs in the trading and non-trading businesses.

The Group's market risk management system consists of the board of directors, the board of supervisors, senior management, risk management and internal control committee, risk management department, financial market department, financial technology department, audit department, other departments, as well as branches, subbranches and subsidiaries. The Senior Management is responsible for implementing and organizing the market risk management, overseeing the implementation of market risk appetite, as well as formulating and carrying out relevant systems and policies for market risk management and establishing market risk management information system, so as to ensure the Group can effectively identify, measure, monitor and control a series of market risks borne by various businesses.

The market risk measurement methods adopted by the Group include duration analysis, foreign exchange exposure analysis, scenario analysis, sensitivity analysis, Value at Risk (VaR) measurement etc., and the measures taken by the Group to control market risks include, among others, limit management, hedging, reducing risk exposures etc. The Group has established a market risk management system pursuant to the relevant measures and guidelines of CBIRC. The Group has formulated market risk management policies and procedures applicable to the nature, scale, complexity and risk features of its business and aligned such policies and procedures with its overall business development strategy, management capabilities, capital strength and overall risk level that can be borne by the Group.

The Group update its market risk preferences and limit management system on a regular basis, further improved the market risk management systems and market risk measurement systems. The Group conducts market risk measurement, monitoring and routine management by using the independent market risk management system. The Group values positions of our trading book on a daily basis, continuously monitors non-stop-loss limits and stop-loss limits, and regularly evaluates market risks through stress testing and other methods.

Notes to Consolidated Financial Statements

For the year ended December 31, 2020
(In RMB millions, unless otherwise stated)

XIII Financial Risk Management (continued)

2 Market Risk (continued)

(1) Interest rate risk

Interest rate risk in the banking book refers to the risk of losses in the economic value and overall gain of the banking book arising from adverse changes in interest rate levels and term structure etc., mainly including gap risk, benchmark risk and option risk.

The Group's interest rate risk management system of banking book consists of the board of directors, the board of supervisors, senior management, risk management and internal control committee, asset and liability management committee, risk management department, planning and finance department (the asset and liability management department), financial market department, financial technology department, audit department and other operation and management departments of the head office, as well as branches, sub-branches and subsidiaries. The senior management is responsible for implementing the interest rate risk management of banking book, establishing the framework for interest rate risk management and the system for measurement of interest rate risk of banking book, and promoting the effective implementation of relevant systems and policies for interest rate risk management of banking book.

The Group measures and evaluates our interest rate risk of banking book mainly through price-resetting gap analysis, sensitivity analysis, scenario simulation analysis, stress test etc. During the reporting period, the Group gradually improved the management framework and measurement framework for interest rate risk of banking book and improved interest rate risk management skills in banking book in accordance with the requirements in the Guidelines for the Management of Interest Rate Risk in the Banking Book of Commercial Banks (Revision) issued by the CBIRC.

Due to fluctuations in market interest rates, the Group's interest margin may increase, or may decrease or even incur losses due to unexpected changes. The Group operates its business in accordance with the deposit and loan interest rate policies set by the PBOC. The PBOC issued the People's Bank of China Announcement [2019] No. 15 on 16 August 2019, deciding to reform and improve the loan market quote rate (LPR) formation mechanism, requiring banks to mainly refer to loan market quotes in newly issued loans Interest rate pricing, and use the loan market quoted interest rate as the pricing benchmark in the floating interest rate loan contract.

Notes to Consolidated Financial Statements

For the year ended December 31, 2020
(In RMB millions, unless otherwise stated)

XIII Financial Risk Management (continued)

2 Market Risk (continued)

(1) Interest rate risk (continued)

The following tables indicate the financial assets and financial liabilities as at the end of the balance sheet date by the expected next repricing dates or by maturity dates, dependent on earlier ones.

	As at 31 December 2020					Total
	Non-interest bearing	Within 3 months	Between 3 months and 1 year	Between 1 year and 5 years	More than 5 years	
Financial assets						
Cash and balances with central bank	567	136,874	-	-	-	137,441
Deposits with banks and other financial institutions	40	38,787	-	-	-	38,827
Placements with banks and other financial institutions	49	3,497	2,091	-	-	5,637
Derivative financial assets	23,434	-	-	-	-	23,434
Financial assets purchased under resale agreements	3	57,064	-	-	-	57,067
Loans and advances to customers	3,588	205,638	549,090	267,121	140,438	1,165,875
Financial investments						
– measured at FVTPL	85,476	2,828	7,743	25,211	8,011	129,269
– measured at AC	6,002	13,609	65,887	207,233	43,378	336,109
– measured at FVOCI	1,978	1,130	5,203	43,158	11,538	63,007
Other financial assets	2,864	3,402	7,867	17,601	1,517	33,251
Total financial assets	124,001	462,829	637,881	560,324	204,882	1,989,917
Financial liabilities						
Due to central bank	(1,103)	(41,475)	(42,190)	-	-	(84,768)
Deposits from banks and other financial institutions	(1,204)	(77,332)	(65,237)	(4,500)	-	(148,273)
Placements from banks and other financial institutions	(198)	(29,228)	(18,917)	(200)	-	(48,543)
Financial liabilities at fair value through profit or loss	(9,231)	-	-	-	-	(9,231)
Derivative financial liabilities	(23,478)	-	-	-	-	(23,478)
Financial assets sold under repurchase agreements	0	(900)	-	-	-	(900)
Customer deposits	(16,394)	(701,390)	(189,355)	(428,497)	-	(1,335,636)
Lease liabilities	-	(196)	(487)	(1,918)	(380)	(2,981)
Debt securities issued	(1,615)	(83,156)	(96,911)	(30,000)	(25,000)	(236,682)
Other financial liabilities	(7,615)	-	-	-	-	(7,615)
Total financial liabilities	(60,838)	(933,677)	(413,097)	(465,115)	(25,380)	(1,898,107)
Interest rate mismatch	63,163	(470,848)	224,784	95,209	179,502	91,810

Notes to Consolidated Financial Statements

For the year ended December 31, 2020
(In RMB millions, unless otherwise stated)

XIII Financial Risk Management (continued)

2 Market Risk (continued)

(1) Interest rate risk (continued)

	Non-interest bearing	Within 3 months	As at 31 December 2019			Total
			Between 3 months and 1 year	Between 1 year and 5 years	More than 5 years	
Financial assets						
Cash and balances with central bank	585	130,444	-	-	-	131,029
Deposits with banks and other financial institutions	32	16,293	1,400	-	-	17,725
Placements with banks and other financial institutions	17	9,067	100	-	-	9,184
Derivative financial assets	13,892	-	-	-	-	13,892
Financial assets purchased under resale agreements	9	28,739	202	-	-	28,950
Loans and advances to customers	3,040	180,244	485,529	219,665	110,455	998,933
Financial investments						
- measured at FVTPL	87,843	4,693	12,085	18,866	5,779	129,266
- measured at AC	4,812	38,896	62,071	167,781	31,600	305,160
- measured at FVOCI	1,327	10,712	28,301	37,214	6,058	83,612
Other financial assets	5,528	22,277	2,672	284	-	30,761
Total financial assets	117,085	441,365	592,360	443,810	153,892	1,748,512
Financial liabilities						
Due to central bank	(1,482)	(29,821)	(62,762)	-	-	(94,065)
Deposits from banks and other financial institutions	(1,331)	(80,333)	(51,286)	-	-	(132,950)
Placements from banks and other financial institutions	(259)	(13,838)	(18,956)	(800)	-	(33,853)
Financial liabilities at fair value through profit or loss	(9,451)	-	-	-	(5,692)	(15,143)
Derivative financial liabilities	(14,911)	-	-	-	-	(14,911)
Financial assets sold under repurchase agreements	-	(6,002)	-	-	-	(6,002)
Customer deposits	(12,446)	(601,426)	(189,176)	(340,523)	(170)	(1,143,741)
Lease liabilities	-	(165)	(376)	(1,846)	(721)	(3,108)
Debt securities issued	(1,092)	(53,073)	(92,076)	(35,000)	(25,000)	(206,241)
Other financial liabilities	(7,225)	-	-	-	-	(7,225)
Total financial liabilities	(48,197)	(784,658)	(414,632)	(378,169)	(31,583)	(1,657,239)
Interest rate mismatch	68,888	(343,293)	177,728	65,641	122,309	91,273

Notes to Consolidated Financial Statements

For the year ended December 31, 2020
(In RMB millions, unless otherwise stated)

XIII Financial Risk Management (continued)

2 Market Risk (continued)

(1) Interest rate risk (continued)

The Group measures the potential effect of changes in interest rates on the Group's net interest income and other comprehensive income with sensitivity analysis method. The following table sets forth the effect on the Group's net interest income and other comprehensive income from possible and reasonable interest rate fluctuations with an assumption that all other variables held constant. The effect on net interest income refers to the effect of certain interest rate changes on the net interest income generated by financial assets and liabilities that are held at the end of the year and whose interest rate are expected to reprice within one year. The effect on other comprehensive income refers to the effect of certain interest rate changes on the fair value change generated by debt investments measured at FVOCI that are held at the end of the year.

	2020		2019	
	Net interest income (Decrease)/ Increase	Other comprehensive income (Decrease)/ Increase	Net interest income (Decrease)/ Increase	Other comprehensive income (Decrease)/ Increase
Change in interest rate				
Increased by 100 basis points	(2,458)	(1,925)	(1,753)	(1,668)
Decreased by 100 basis points	2,458	2,717	1,753	1,747

For the purpose of the sensitivity analysis, the Group adopts the following assumptions in determining business conditions and financial inputs:

- (i) the analysis is based on the static position at the end of the reporting period, regardless of subsequent changes;
- (ii) all assets and liabilities that reprice or are due within one year will reprice or are due at the beginning of the respective periods;
- (iii) the fluctuations in interest rates of different interest-earning assets and interest-bearing liabilities are the same;
- (iv) there is a parallel shift in the yield curve due to change in interest rates;
- (v) there are no other changes to the assets or liabilities portfolio;
- (vi) no consideration of impact on market price, customers' behavior and off-balance sheet business resulting from interest rate changes; and
- (vii) no consideration of actions taken by the Group with regard to interest rate changes.

Therefore, the actual results on net interest income and other comprehensive income due to changes in interest rates may differ from the analysis above.

Notes to Consolidated Financial Statements

For the year ended December 31, 2020
(In RMB millions, unless otherwise stated)

XIII Financial Risk Management (continued)

2 Market Risk (continued)

(2) Foreign exchange risk

The Group's business is mainly operated in China and settled in RMB. The tables below show the Group's exposure to currency risk as at the end of the reporting period with the book values of various financial assets and liabilities converted into RMB.

	As at 31 December 2020				Total
	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	
Financial assets					
Cash and balances with central bank	134,673	2,756	7	5	137,441
Deposits with banks and other financial institutions	25,148	12,826	82	771	38,827
Placement with banks and other financial institutions	2,880	2,757	-	-	5,637
Derivative financial assets	23,007	423	3	1	23,434
Financial assets purchased under resale agreements	57,067	-	-	-	57,067
Loans and advances to customers	1,140,539	20,283	3,186	1,867	1,165,875
Financial investments					
- measured at FVTPL	111,201	18,068	-	-	129,269
- measured at AC	336,109	-	-	-	336,109
- measured at FVOCI	50,302	9,599	2,976	130	63,007
Other financial assets	33,079	172	-	-	33,251
Total financial assets	1,914,005	66,884	6,254	2,774	1,989,917
Financial liabilities					
Due to central bank	(84,768)	-	-	-	(84,768)
Deposits from banks and other financial institutions	(143,827)	(4,122)	(324)	-	(148,273)
Placements from banks and other financial institutions	(37,622)	(10,528)	(393)	-	(48,543)
Financial liabilities at fair value through profit or loss	(9,231)	-	-	-	(9,231)
Derivative financial liabilities	(23,112)	(343)	(22)	(1)	(23,478)
Financial assets sold under repurchase agreements	(900)	-	-	-	(900)
Customer deposits	(1,309,005)	(24,763)	(412)	(1,456)	(1,335,636)
Lease liabilities	(2,899)	-	(82)	-	(2,981)
Debt securities issued	(236,290)	(392)	-	-	(236,682)
Other financial liabilities	(7,460)	(141)	(14)	-	(7,615)
Total financial liabilities	(1,855,114)	(40,289)	(1,247)	(1,457)	(1,898,107)
Net position	58,891	26,595	5,007	1,317	91,810
Credit commitments	652,531	26,365	169	3,399	682,464

Notes to Consolidated Financial Statements

For the year ended December 31, 2020
(In RMB millions, unless otherwise stated)

XIII Financial Risk Management (continued)

2 Market Risk (continued)

(2) Foreign exchange risk (continued)

	As at 31 December 2019				Total
	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	
Financial assets					
Cash and balances with central bank	128,319	2,699	4	7	131,029
Deposits with banks and other financial institutions	14,395	2,504	203	623	17,725
Placements with banks and other financial institutions	1,194	7,531	402	57	9,184
Derivative financial assets	13,450	433	8	1	13,892
Financial assets purchased under resale agreements	28,950	–	–	–	28,950
Loans and advances to customers	974,449	20,096	3,626	762	998,933
Financial investments					
– measured at FVTPL	126,305	2,961	–	–	129,266
– measured at AC	305,160	–	–	–	305,160
– measured at FVOCI	70,919	9,669	3,024	–	83,612
Other financial assets	30,173	484	104	–	30,761
Total financial assets	1,693,314	46,377	7,371	1,450	1,748,512
Financial liabilities					
Due to central bank	(94,065)	–	–	–	(94,065)
Deposits from banks and other financial institutions	(125,896)	(7,047)	–	(7)	(132,950)
Placements from banks and other financial institutions	(16,552)	(17,111)	(179)	(11)	(33,853)
Financial liabilities at fair value through profit or loss	(15,143)	–	–	–	(15,143)
Derivative financial liabilities	(14,534)	(363)	(12)	(2)	(14,911)
Financial assets sold under repurchase agreements	(6,002)	–	–	–	(6,002)
Customer deposits	(1,117,190)	(23,772)	(1,703)	(1,076)	(1,143,741)
Lease liabilities	(3,006)	–	(102)	–	(3,108)
Debt securities issued	(205,893)	(348)	–	–	(206,241)
Other financial liabilities	(4,109)	(480)	(1,991)	(645)	(7,225)
Total financial liabilities	(1,602,390)	(49,121)	(3,987)	(1,741)	(1,657,239)
Net position	90,924	(2,744)	3,384	(291)	91,273
Credit commitments	490,512	29,392	4,293	1,918	526,115

Notes to Consolidated Financial Statements

For the year ended December 31, 2020
(In RMB millions, unless otherwise stated)

XIII Financial Risk Management (continued)

2 Market Risk (continued)

(2) Foreign exchange risk (continued)

The Group measures the potential effect of changes in foreign currency exchange rates on the Group's net profit and equity with sensitivity analysis method. The following table sets forth the effect on the Group's net profit and equity from possible foreign exchange rate fluctuations with an assumption that all other variables held constant.

	Sensitivity of net profit and equity	
	31 December 2020 Increase/ (Decrease)	31 December 2019 Increase/ (Decrease)
Change in USD exchange rate		
Appreciation against RMB by 100 bps	199	(21)
Depreciation against RMB by 100 bps	(199)	21
Change in HKD exchange rate		
Appreciation against RMB by 100 bps	38	25
Depreciation against RMB by 100 bps	(38)	(25)

The sensitivity analysis is based on the following assumptions:

- (i) the analysis is based on the static position at the end of the reporting period, regardless of subsequent changes;
- (ii) the foreign currency sensitivity is the gains or losses recognized as a result of a 100-basis point fluctuation in foreign currency exchange rates against RMB as at the end of the reporting period (middle price);
- (iii) the fluctuation of exchange rates by 100 basis points is based on the assumption of exchange rates movement over the next 12 months;
- (iv) when calculating the foreign exchange exposures, exposures from foreign currency spot, forward and swap transactions are included;
- (v) other variables (including interest rates) remain unchanged;
- (vi) no consideration of impact on customers' behavior and market price resulting from exchange rate changes; and
- (vii) the structure of the assets and liabilities remain static in respect of foreign exchange risk. No consideration of potential efforts taken by the Group to mitigate the negative effects on net profit and equity from foreign currency positions.

Therefore, the actual results on net profit and equity due to changes in foreign currency exchange rates may differ from the analysis above.

Notes to Consolidated Financial Statements

For the year ended December 31, 2020
(In RMB millions, unless otherwise stated)

XIII Financial Risk Management (continued)

3 Liquidity Risk

Liquidity risk refers to the risk of failure to obtain adequate funds in time at reasonable costs to repay debts when they are due, perform other payment obligations and meet other capital needs in the ordinary course of business. Factors affecting liquidity risks are divided into external factors and internal factors. The external factors include domestic and foreign financial conditions, macroeconomic regulation policies, depth and width of developments of financial markets and the competition status of the banking industry. The internal factors include maturities of assets and liabilities, business structures, stability of deposits, and ability to obtain financing in the market and various unexpected events, etc.

The Group's liquidity risk management system consists of the board of directors, the board of supervisors, senior management, risk management and internal control committee, asset and liability management committee, risk management department, planning and finance department (the asset and liability management department), financial market department, financial technology department, audit department, other operation and management departments of the head office, as well as branches, subbranches and subsidiaries. The senior management is responsible for implementing and organizing the liquidity risk management as well as the formulation and implementation of relevant systems and policies for liquidity risk management.

The Group managed the liquidity risk in a centralized manner. By establishing a scientific and complete liquidity risk management system, the Group can effectively identify, measure, monitor, control and report its liquidity risk. Specific measures for liquidity risk management include: continuously improving systems related to liquidity risk management, paying close attention to both domestic and foreign macroeconomic situations and market liquidity changes, as well as adjusting our asset and liability management strategy in a timely manner; strengthening debt management, making flexible use of active debt instruments, broadening long-term sources of fund, and continuously increasing the proportion of stable liabilities; promoting the diversification of financing channels construction and actively expanding financing channels while maintaining good relations with major financing counterparts; strengthening the early-warning monitoring and management of liquidity, optimizing our emergency response program for liquidity risk and conducting emergency drills on a regular basis; conducting stress tests for liquidity risk on a regular basis, identifying weak links in the Group's liquidity risk management based on results of such tests, adjusting liquidity risk management strategies and size and structure of high quality liquid assets if necessary, and modifying our liquidity risk management measures in a timely manner to improve our liquidity risk management mechanism.

Notes to Consolidated Financial Statements

For the year ended December 31, 2020
(In RMB millions, unless otherwise stated)

XIII Financial Risk Management (continued)

3 Liquidity Risk (continued)

(1) Analysis of undiscounted contract cash flow of non derivative financial assets and financial liabilities

The tables below present the contractual undiscounted cash flows of non-derivative financial assets and financial liabilities by remaining contractual maturities at the end of each reporting period:

	As at 31 December 2020						Total
	Overdue	On demand/ indefinite	Up to 3 months	3 months to 1 year	1 - 5 years	Over 5 years	
Financial assets							
Cash and balances with central bank	-	137,441	-	-	-	-	137,441
Deposits with banks and other financial institutions	-	30,535	8,338	-	-	-	38,873
Placements with banks and other financial institutions	-	51	3,540	2,145	-	-	5,736
Financial assets purchased under resale agreements	-	-	57,067	-	-	-	57,067
Loans and advances to customers	13,194	-	216,632	573,765	305,712	167,302	1,276,605
Financial investments							
- measured at FVTPL	-	85,476	3,054	9,348	29,029	7,847	134,754
- measured at AC	5,221	-	12,012	82,328	232,327	50,421	382,309
- measured at FVOCI	32	994	1,383	6,163	47,768	13,531	69,871
Other financial assets	256	2,864	3,218	9,012	19,690	1,813	36,853
Total financial assets	18,703	257,361	305,244	682,761	634,526	240,914	2,139,509
Financial liabilities							
Due to central bank	-	-	(42,104)	(42,778)	-	-	(84,882)
Deposits from banks and other financial institutions	-	(33,462)	(44,976)	(67,360)	(4,806)	-	(150,604)
Placements from banks and other financial institutions	-	-	(29,444)	(19,870)	(217)	-	(49,531)
Financial liabilities at fair value through profit or loss	-	(61)	(1,483)	(7,710)	-	-	(9,254)
Financial assets sold under repurchase agreements	-	-	(900)	-	-	-	(900)
Customer deposits	-	(610,929)	(122,612)	(182,104)	(463,308)	-	(1,378,953)
Lease liabilities	-	-	(194)	(419)	(1,925)	(615)	(3,153)
Debt securities issued	-	-	(84,615)	(100,256)	(35,831)	(27,520)	(248,222)
Other financial liabilities	-	(6,641)	(344)	(630)	-	-	(7,615)
Total financial liabilities	-	(651,093)	(326,672)	(421,127)	(506,087)	(28,135)	(1,933,114)
Net liquidity gap	18,703	(393,732)	(21,428)	261,634	128,439	212,779	206,395

Notes to Consolidated Financial Statements

For the year ended December 31, 2020
(In RMB millions, unless otherwise stated)

XIII Financial Risk Management (continued)

3 Liquidity Risk (continued)

(1) Analysis of undiscounted contract cash flow of non derivative financial assets and financial liabilities (continued)

	As at 31 December 2019						Total
	Overdue	On demand/ indefinite	Up to 3 months	3 months to 1 year	1 – 5 years	Over 5 years	
Financial assets							
Cash and balances with central bank	-	131,029	0	-	-	-	131,029
Deposits with banks and other financial institutions	-	12,572	3,761	1,419	-	-	17,752
Placements with banks and other financial institutions	-	-	9,105	105	-	-	9,210
Financial assets purchased under resale agreements	-	-	28,753	205	-	-	28,958
Loans and advances to customers	11,059	-	191,869	509,746	246,437	121,461	1,080,572
Financial investments							
– measured at FVTPL	-	87,843	4,696	12,214	20,879	8,739	134,371
– measured at AC	7,872	-	35,842	62,738	183,417	37,704	327,573
– measured at FVOCI	22	690	12,070	26,998	43,702	7,937	91,419
Other financial assets	297	5,528	2,482	6,936	17,196	1,691	34,130
Total financial assets	19,250	237,662	288,578	620,361	511,631	177,532	1,855,014
Financial liabilities							
Due to central bank	-	-	(30,594)	(63,974)	-	-	(94,568)
Deposits from banks and other financial institutions	-	(27,731)	(54,455)	(53,084)	-	-	(135,270)
Placements from banks and other financial institutions	-	-	(14,074)	(19,658)	(869)	-	(34,601)
Financial liabilities at fair value through profit or loss	-	(44)	(8,412)	(6,756)	-	-	(15,212)
Financial assets sold under repurchase agreements	-	-	(6,003)	-	-	-	(6,003)
Customer deposits	-	(496,910)	(107,509)	(195,994)	(378,917)	(215)	(1,179,545)
Lease liabilities	-	-	(190)	(433)	(2,128)	(831)	(3,582)
Debt securities issued	-	-	(54,120)	(95,521)	(41,980)	(27,520)	(219,141)
Other financial liabilities	-	(4,762)	(517)	(267)	(1,396)	(283)	(7,225)
Total financial liabilities	-	(529,447)	(275,874)	(435,687)	(425,290)	(28,849)	(1,695,147)
Net liquidity gap	19,250	(291,785)	12,704	184,674	86,341	148,683	159,867

Notes to Consolidated Financial Statements

For the year ended December 31, 2020
(In RMB millions, unless otherwise stated)

XIII Financial Risk Management (continued)

3 Liquidity Risk (continued)

(2) Analysis of derivative financial instruments cash flow

The Group's derivative financial instruments are either settled on a net basis or a gross basis.

The Group's derivative that will be settled on a net basis mainly include interest rate swaps. The table below analyzes the Group's derivative financial instruments that will be settled on a net basis into relevant maturity groups based on the remaining period as at the end of the reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	As at 31 December 2020					Total
	Up to 1 month	1-3 months	3 months to 1 year	1-5 years	Over 5 years	
Outflow	(2)	(1)	(32)	(63)	0	(98)
	As at 31 December 2019					
	Up to 1 month	1-3 months	3 months to 1 year	1-5 years	Over 5 years	Total
(Outflow)/inflow	(1)	(1)	8	(86)	1	(79)

The Group's derivative that will be settled on a gross basis mainly include foreign exchange derivatives. The following table analyzes the Group's undiscounted cash flows from the balance sheet date to the contractual maturity date classified by residual maturity and settled on a gross basis:

	As at 31 December 2020					Total
	Up to 1 month	1-3 months	3 months to 1 year	1-5 years	Over 5 years	
Outflow	(103,334)	(187,996)	(306,689)	(2,601)	0	(600,620)
Inflow	102,682	188,354	306,763	2,660	0	600,459
Total	(652)	358	74	59	0	(161)
	As at 31 December 2019					
	Up to 1 month	1-3 months	3 months to 1 year	1-5 years	Over 5 years	Total
Outflow	(127,842)	(299,686)	(659,100)	(11,892)	0	(1,098,520)
Inflow	127,895	299,613	657,441	11,798	0	1,096,747
Total	53	(73)	(1,659)	(94)	0	(1,773)

Notes to Consolidated Financial Statements

For the year ended December 31, 2020
(In RMB millions, unless otherwise stated)

XIII Financial Risk Management (continued)

3 Liquidity Risk (continued)

(3) Liquidity risk analysis of off-balance sheet items

The Group's off-balance sheet items include bank acceptances, block chain receivables confirmation, letters of credit, letters of guarantee, loan commitments and undrawn credit card limit. The table below shows the liquidity analysis of the Group's off-balance sheet items:

	As at 31 December 2020			Total
	Within 1 year	1-5 years	Over 5 years	
Bank acceptances	348,075	–	–	348,075
Block chain receivables confirmation	186,323	4,053	–	190,376
Letters of credit issued	104,442	38	–	104,480
Letters of guarantee issued	20,522	3,806	15	24,343
Corporate loan commitments	520	133	–	653
Undrawn credit card facility	14,537	–	–	14,537
Total	674,419	8,030	15	682,464

	As at 31 December 2019			Total
	Within 1 year	1-5 years	Over 5 years	
Bank acceptances	283,047	–	–	283,047
Block chain receivables confirmation	94,991	1,117	–	96,108
Letters of credit issued	106,723	138	–	106,861
Letters of guarantee issued	20,330	4,331	57	24,718
Corporate loan commitments	803	0	–	803
Undrawn credit card facility	14,578	–	–	14,578
Total	520,472	5,586	57	526,115

Notes to Consolidated Financial Statements

For the year ended December 31, 2020
(In RMB millions, unless otherwise stated)

XIV Capital Management

The core of the Group's Capital Management is capital adequacy ratio and return on capital. The objective of capital management is to meet external regulatory requirements and shareholders' return, protect the interests of creditors to the best effort, stimulate expansion of assets and improve risk management. The Group prudently determines the objective of capital adequacy ratio which meets the regulatory requirements and coincides with its own risk exposure. By taking a variety of actions such as limit management, the Group ensures the realization of the management objectives.

The Group has maintained a stable business development in recent years. As the consumption of capital by assets is increasing, the Group actively expands external capital replenishment channels, and meanwhile continues to strengthen the self-generating function of capital to replenish capital internally by increasing the capital profit rate, in order to provide shareholders with maximum returns in prerequisite of risk controlling and ensure capital adequacy ratio meeting regulatory requirements.

Since 1 January 2013, the Group calculated and disclosed capital adequacy ratio in accordance with the Administrative Measures for the Capital of Commercial Banks (Trial Implementation) issued by the CBIRC on 7 June 2012 and other relevant regulations.

Core tier-one capital includes paid-in capital, capital reserve, surplus reserve, general risk preparation, undistributed retained earnings, and non-controlling shareholders' capital that could be included in core tier-one capital. Other tier-one capital includes other tier-one capital instruments and their premiums, and non-controlling shareholders' capital that could be included in other tier-one capital. Tier-two capital includes tier-two capital instruments and their premiums, the allowable portion of excessive allowance for loan losses, and non-controlling shareholders' capital that could be included in tier-two capital. The primary regulatory deduction item in the calculation of the capital adequacy ratio is other intangible assets (excluding land use rights).

The Group calculates the capital adequacy ratio in accordance with *Administrative Measures on the Capital of Commercial Banks (Trial Implementation)* and relevant requirements is listed as below:

	31 December 2020	31 December 2019
Net core tier-one capital	116,378	112,239
Net tier-one capital	131,503	127,337
Net capital	171,988	165,753
Risk-weighted assets	1,330,565	1,164,197
Core tier-one capital adequacy ratio	8.75%	9.64%
Tier-one capital adequacy ratio	9.88%	10.94%
Capital adequacy ratio	12.93%	14.24%

Notes to Consolidated Financial Statements

For the year ended December 31, 2020
(In RMB millions, unless otherwise stated)

XV Fair Value of Financial Instrument

1 Fair Value of Financial Assets and Liabilities

(1) Fair value hierarchy

The following table presents the fair value information and the fair value hierarchy, at the end of the current reporting period, of the Group's assets and liabilities which are measured at fair value on each balance sheet date on a 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 are defined as follows:

Level 1 inputs: unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date;

Level 2 inputs: observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available; and

Level 3 inputs: fair value measured using significant unobservable inputs.

The tables below analyzes financial instruments, measured at fair value as at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised:

	31 December 2020			Total
	Level 1 fair value measurement	Level 2 fair value measurement	Level 3 fair value measurement	
Derivative financial assets	-	23,434	-	23,434
Loans and advances to customers	-	200,640	-	200,640
Financial investments				
– measured at FVTPL	14,687	110,818	3,764	129,269
– measured at FVOCI	-	62,013	994	63,007
Total assets measured at fair value on a recurring basis	14,687	396,905	4,758	416,350
Financial liabilities at fair value through profit or loss	-	(9,231)	-	(9,231)
Derivative financial liabilities	-	(23,478)	-	(23,478)
Total liabilities measured at fair value on a recurring basis	-	(32,709)	-	(32,709)

Notes to Consolidated Financial Statements

For the year ended December 31, 2020
(In RMB millions, unless otherwise stated)

XV Fair Value of Financial Instrument (continued)

1 Fair Value of Financial Assets and Liabilities (continued)

(1) Fair value hierarchy (continued)

	31 December 2019			Total
	Level 1 fair value measurement	Level 2 fair value measurement	Level 3 fair value measurement	
Derivative financial assets	–	13,892	–	13,892
Loans and advances to customers	–	95,060	–	95,060
Financial investments				
– measured at FVTPL	14,155	111,549	3,562	129,266
– measured at FVOCI	–	82,922	690	83,612
Total assets measured at fair value on a recurring basis	14,155	303,423	4,252	321,830
Financial liabilities at fair value through profit or loss	–	(15,143)	–	(15,143)
Derivative financial liabilities	–	(14,911)	–	(14,911)
Total liabilities measured at fair value on a recurring basis	–	(30,054)	–	(30,054)

(2) Level 1 fair value measurement

For financial instruments that could obtain the unadjusted price of the same assets or liabilities in the active market, the Group takes the unadjusted price as fair value. The financial instruments defined as level 1 by the Group mainly include open-end funds.

Notes to Consolidated Financial Statements

For the year ended December 31, 2020
(In RMB millions, unless otherwise stated)

XV Fair Value of Financial Instrument (continued)

1 Fair Value of Financial Assets and Liabilities (continued)

(3) Level 2 fair value measurement

If the main parameters used in the valuation are observable and available from the active open market, the relevant financial instruments are defined as level 2 fair value measurement. The Group's level 2 financial instruments mainly include bond investment, bill discounted, trade finance, foreign exchange forwards and swaps, interest rate swaps, foreign exchange options, and precious metal contracts.

For the fair value of RMB bonds, the Group adopts the valuation results issued by China Central Depository & Clearing Co., Ltd. or China Securities Depository and Clearing Co., Ltd. according to the differentiation of bond market. For the fair value of foreign currency bonds, the Group adopts Bloomberg results. For bill discounted and trade finance, the Group adopts discounted cash flow analysis. Based on SHIBOR, the Group constructs the interest rate curve by adjusting in accordance with credit and liquidity risk.

For non-derivative financial instruments and some derivative financial instruments including interest rate swaps, foreign exchange forwards etc. that could not be quoted from the active market, the Group adopts discounted cash flow analysis. The main parameters used include the recent transaction price, relevant yield curve, exchange rate and counterparty risk. For the valuation of option derivatives, the Group adopts Black-Scholes model with main parameters of relevant yield curve, exchange rate, volatility, and counterparty risk.

During the reporting period, the valuation techniques mentioned above of level 2 fair value measurement of the Group remained unchanged.

Notes to Consolidated Financial Statements

For the year ended December 31, 2020
(In RMB millions, unless otherwise stated)

XV Fair Value of Financial Instrument (continued)

1 Fair Value of Financial Assets and Liabilities (continued)

(4) Level 3 fair value measurement

The Group has developed relevant procedures to determine the appropriate valuation techniques and inputs for level 3 fair value measurement on a recurring basis, and regularly reviews the appropriateness of the relevant procedures and determination of the fair value.

Financial instruments of level 3 fair value adopt discounted cash flow model. Based on the interest rate curve issued by China Central Depository & Clearing Co., Ltd., the Group constructs an interest rate curve by adjusting in accordance with credit risk. The valuation model of level 3 fair value mentioned above involves both observable and unobservable parameters. Observable parameters include the application of market interest rates. Unobservable parameters include credit spreads. Quantitative information of level 3 fair value measurement is as follows:

	Fair value as at 31 December 2020	Valuation technique	Unobservable inputs
Financial investments measured at FVTPL			
– Trust schemes and asset management plans	895	Discounted cash flow analysis	Risk-adjusted discount rate
– Bonds and asset-backed securities	1,394	Discounted cash flow analysis	Risk-adjusted discount rate
– Equity investments	1,475	Net assets analysis	Net assets
Financial investments measured at FVOCI			
– Equity investments	994	Net assets analysis	Net assets
		Fair value as at 31 December 2019	Unobservable inputs
Financial investments measured at FVTPL			
– Trust schemes and asset management plans	1,721	Discounted cash flow analysis	Risk-adjusted discount rate
– Bonds and asset-backed securities	602	Discounted cash flow analysis	Risk-adjusted discount rate
– Equity investments	1,239	Net assets analysis	Net assets
Financial investments measured at FVOCI			
– Equity investments	690	Net assets analysis	Net assets

Notes to Consolidated Financial Statements

For the year ended December 31, 2020
(In RMB millions, unless otherwise stated)

XV Fair Value of Financial Instrument (continued)

1 Fair Value of Financial Assets and Liabilities (continued)

(4) Level 3 fair value measurement (continued)

As at the end of the reporting period, replacing the original unobservable assumptions with other reasonable unobservable assumptions has no significant impact on the measurement results of fair value. The above assumptions and methods provide a unified basis for the calculation of the fair value of the Group's assets and liabilities. However, due to the different methods and assumptions that may be used by other institutions, the fair values disclosed by financial institutions may not be completely comparable. Reconciliation of the opening and closing balance for assets of level 3 fair value on a recurring basis is as follows:

	Financial investments measured at FVTPL	Financial investments measured at FVOCI	Total
As at 1 January 2020	3,562	690	4,252
Total gains recorded in profit or loss	164	–	164
Total gains recorded in other comprehensive income	–	54	54
Additions	1,151	250	1,401
Disposals and settlements	(1,113)	–	(1,113)
As at 31 December 2020	3,764	994	4,758

	Financial investments measured at FVTPL	Financial investments measured at FVOCI	Total
As at 1 January 2019	4,351	275	4,626
Total gains recorded in profit or loss	93	2	95
Total gains recorded in other comprehensive income	–	165	165
Additions	1,788	250	2,038
Disposals and settlements	(2,670)	(2)	(2,672)
As at 31 December 2019	3,562	690	4,252

Notes to Consolidated Financial Statements

For the year ended December 31, 2020
(In RMB millions, unless otherwise stated)

XV Fair Value of Financial Instrument (continued)

2 Change of Items Measured at Fair Value Between Different Levels

During the reporting period, the Group's assets and liabilities measured at fair value have not been changed significantly between different levels.

3 Change of Valuation Techniques and the Reasons

During the reporting period, valuation techniques used by the Group for fair value measurement were not changed significantly.

4 Fair value of Financial Assets and Liabilities not Measured at Fair Value

In addition to the following items, there was no significant difference between the carrying amount and the fair value of the Group's other financial assets and liabilities as at the end of reporting date.

	31 December 2020			Fair Value	Book Value
	Level 1	Level 2	Level 3		
Financial assets					
Financial investments measured at AC	-	192,617	143,486	336,103	336,109
Financial liabilities					
Debt securities issued	-	234,439	-	234,439	236,682
	31 December 2019			Fair Value	Book Value
	Level 1	Level 2	Level 3		
Financial assets					
Financial investments measured at AC	-	193,681	121,909	315,590	305,160
Financial liabilities					
Debt securities issued	-	204,921	-	204,921	206,241

For the above financial assets and liabilities not measured at fair value, the Group used the following methods to determine their fair value:

The fair value of financial investments at AC and debt securities issued is quoted in the valuation system of relevant registration and settlement institutions that employs observable inputs that reflect the market in the formation of quotations. For those fail to quote in relevant institutions, the fair value shall be estimated by discounted cash flow method.

Notes to Consolidated Financial Statements

For the year ended December 31, 2020
(In RMB millions, unless otherwise stated)

XVI Subsequent Events

1 Issuance of Medium Term Note Programme

On 4 January 2021, the Bank made application to Hong Kong Stock Exchange for the listing of the U.S.\$2,000,000,000 Medium Term Note Programme within 12 months by way of debt issues to professional investors only. The listing of the Programme was effective on 5 January 2021.

2 Profit Distribution

On 5 January 2021, as approved by the resolution of the board of directors, the Bank would distribute dividends to offshore preference shareholders. A total dividend of USD132 million (tax inclusive) was distributed, calculated at a dividend rate of 5.45% (after tax). The dividend issuance date was 29 March 2021.

On 30 March 2021, the Board of Directors of the Bank reviewed and approved the 2020 dividend distribution plan. This profit distribution was distributed to the A-share shareholders and H-share shareholders registered on the equity registration date, and a cash dividend of RMB1.61 per 10 shares (tax inclusive), cash dividends totaling RMB3.42 billion. This plan is yet to be considered and approved by the Bank's general meeting.

3 Issuance of Undated Additional Tier 1 Capital Bond with Write-down clause

On 5 January 2021, the Bank's general meeting approved the proposal to issue of undated tier 1 capital bond with write-down clause with principal amount no more than RMB25 billion, which will be used to replenish additional tier 1 capital of the Bank. The issuance plan is subject to the approval of the relevant authorities.

XVII Comparative Figures

For the purpose of the presentation of these financial statements, the Group reclassified certain comparative figures. In addition, the Group reclassified the income of credit cards installment from fee and commission income to interest income since 2020, and restated the comparative figures of 2019.

Notes to Consolidated Financial Statements

For the year ended December 31, 2020
(In RMB millions, unless otherwise stated)

XVIII Statements of Financial Position of the Bank

	Note	31 December 2020	31 December 2019
ASSETS			
Cash and balances with central bank		137,411	131,029
Precious metal		19,478	21,251
Deposits with banks and other financial institutions		38,455	17,596
Placements with banks and other financial institutions		8,648	8,834
Derivative financial assets		23,434	13,892
Financial assets purchased under resale agreements		57,067	28,950
Loans and advances to customers		1,165,875	998,933
Financial investments			
– Financial investments measured at fair value through profit or loss		128,762	128,474
– Financial investments measured at amortized cost		336,109	305,160
– Financial investments measured at fair value through other comprehensive income		63,102	83,895
Investment in subsidiaries	VI.19	1,530	1,530
Fixed assets		12,552	11,680
Right-of-use assets		4,826	5,081
Intangible assets		279	256
Deferred income tax assets		14,244	11,545
Other assets		7,472	6,208
TOTAL ASSETS		2,019,244	1,774,314

Notes to Consolidated Financial Statements

For the year ended December 31, 2020
(In RMB millions, unless otherwise stated)

XVIII Statements of Financial Position of the Bank (continued)

	31 December 2020	31 December 2019
LIABILITIES		
Due to central bank	84,768	94,065
Deposits from banks and other financial institutions	148,378	133,320
Placements from banks and other financial institutions	26,825	12,514
Financial liabilities at fair value through profit or loss	9,231	15,143
Derivative financial liabilities	23,478	14,911
Financial assets sold under purchase agreements	900	6,002
Customer deposits	1,335,130	1,143,741
Employee benefits payable	4,804	4,383
Tax payable	4,486	4,521
Provision	5,686	5,544
Lease liabilities	2,981	3,108
Debt securities issued	236,682	206,241
Other liabilities	5,966	4,902
TOTAL LIABILITIES	1,889,315	1,648,395
EQUITY		
Share capital	21,269	21,269
Other equity instruments	14,958	14,958
Capital reserve	32,018	32,018
Other comprehensive income	261	2,268
Surplus reserve	8,499	7,294
Statutory general reserve	20,926	19,454
Retained earnings	31,998	28,658
TOTAL EQUITY	129,929	125,919
TOTAL LIABILITIES AND EQUITY	2,019,244	1,774,314

The financial statements were approved by the board of directors on 30 March 2021:

Shen Renkang
Chairman

Xu Renyan
President

Liu Long
*Principal in-charge
of Finance*

Jing Feng
Chief Finance Officer

Unaudited Supplementary Financial Information

(In RMB millions, unless otherwise stated)

1 Illustration of Differences Between the Financial Statements Prepared Under IFRSs and Those Prepared in accordance with PRC GAAP

There are no differences between the profit attributable to shareholders of the Bank under IFRSs and PRC GAAP for the year ended 31 December 2020 (2019: no differences). There are no differences between the equity attributable to equity holders of the Bank under IFRSs and PRC GAAP as at 31 December 2020 (As at 31 December 2019: no differences).

2 Liquidity Coverage Ratio

	31 December 2020	31 December 2019
Liquidity coverage ratio	111.49%	223.49%

The liquidity coverage ratio is calculated in accordance with the relevant provisions of the CBIRC.

3 International Claims

The Group is principally engaged in business operations within Mainland China. International claims are local claims in foreign currencies and the sum of cross-border claims in local claims in foreign currencies and all currencies.

International claims include balances with central banks, due from banks and other financial institutions, financial assets at fair value through profit or loss, loans and advances to customers, financial assets at fair value through other comprehensive income, financial assets measured at amortized cost.

Unaudited Supplementary Financial Information

(In RMB millions, unless otherwise stated)

3 International Claims (continued)

International claims are disclosed based on different countries or regions. A country or region is reported where it constitutes 10% or more of the aggregate amount of international claims, after taking into account any risk transfers. Risk transfer is only made if the claims are guaranteed by a party in a country which is different from that of the counterparty or if the claims are on an overseas branch of a bank whose head office is located in another country.

As at 31 December 2020	Bank	Official sector	Non-bank private sector	Total
Local claims in foreign currencies	8,255	3,255	23,660	35,170
Asia Pacific excluding Mainland China	9,409	226	18,804	28,439
– of which attributed to Hong Kong	7,661	226	18,804	26,691
Europe	307	–	–	307
North America	7,500	719	3,104	11,323
Oceania	130	–	–	130
Total	25,601	4,200	45,568	75,369

As at 31 December 2019	Bank	Official sector	Non-bank private sector	Total
Local claims in foreign currencies	12,262	–	19,208	31,470
Asia Pacific excluding Mainland China	5,496	–	11,250	16,746
– of which attributed to Hong Kong	5,483	–	11,250	16,733
Europe	1,088	–	2,664	3,752
North America	1,837	–	139	1,976
Oceania	734	–	–	734
Total	21,417	–	33,261	54,678

Unaudited Supplementary Financial Information

(In RMB millions, unless otherwise stated)

4 Currency Concentrations

	Equivalent in RMB			Total
	US Dollars	HK Dollars	Others	
As at 31 December 2020				
Spot assets	66,884	6,254	2,774	75,912
Spot liabilities	(40,289)	(1,247)	(1,457)	(42,993)
Forward purchases	304,109	1,111	17,487	322,707
Forward sales	(318,334)	–	(14,705)	(333,039)
Net options position	(4,859)	–	45	(4,814)
Net long position	7,511	6,118	4,144	17,773
	Equivalent in RMB			Total
	US Dollars	HK Dollars	Others	Total
As at 31 December 2019				
Spot assets	46,377	7,371	1,450	55,198
Spot liabilities	(49,121)	(3,987)	(1,741)	(54,849)
Forward purchases	599,613	–	14,976	614,589
Forward sales	(572,200)	–	(17,120)	(589,320)
Net options position	1,112	–	(1,473)	(361)
Net long/(short) position	25,781	3,384	(3,908)	25,257

5 Non-Bank Mainland China Exposure

The Bank is a commercial bank incorporated in Mainland China with its banking business conducted in Mainland China. As at 31 December 2020, the substantial amounts of the Group's non-bank exposures arise from businesses with Mainland China corporates and individuals.

CZBANK  浙商银行



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全国性股份制商业银行

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