JINSHANG BANK CO., LTD.*

晉商銀行股份有限公司*

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

(Stock code: 2558)

2020 ANNUAL RESULTS ANNOUNCEMENT

The board (the "**Board**") of directors (the "**Directors**") of Jinshang Bank Co., Ltd.* (the "**Bank**") is pleased to announce the audited consolidated annual results of the Bank and its subsidiary (the "**Group**") for the year ended December 31, 2020 (the "**Reporting Period**"). The content of this results announcement has been prepared in accordance with applicable disclosure requirements under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Hong Kong Listing Rules**") in relation to preliminary announcements of annual results and the International Financial Reporting Standards (the "**IFRSs**") promulgated by the International Accounting Standards Board (the "**IASB**"). Such annual results have also been reviewed and confirmed by the Board and the audit committee of the Board. Unless otherwise indicated, the financial information set out in this announcement is on a consolidated basis and presented in Renminbi.

1. CORPORATE INFORMATION

1.1 Basic Information

Legal Chinese Name	晉商銀行股份有限公司
Abbreviation in Chinese	晉商銀行
Legal English Name	Jinshang Bank Co., Ltd.
Abbreviation in English	Jinshang Bank
Legal Representative	YAN Junsheng[(1)]
Authorized Representatives	LI Shishan, WONG Wai Chiu
Listing Place of H shares	The Stock Exchange of Hong Kong Limited ("**Hong Kong Stock Exchange**")
Stock Name	JINSHANG BANK
Stock Code	2558

(1) On January 8, 2020, Mr. YAN Junsheng tendered his resignation as the chairman of the Board and legal representative of the Bank. Pursuant to the Articles of Association, the chairman of the Board of the Bank is the legal representative of the Bank. Mr. WANG Junbiao was appointed as the chairman of the Bank on March 10, 2020, and the Bank will follow the procedures to make changes to the industrial and commercial registration with the Shanxi Administration for Market Regulation (山西市場監督管理局).

1.2 Contact Persons and Contact Details

Secretary to the Board of Directors	LI Weiqiang
Joint Company Secretaries	LI Weiqiang, WONG Wai Chiu
Registered Address and Address of Head Office	No. 59 Changfeng Street, Xiaodian District, Taiyuan City, Shanxi Province, the PRC
Principal Place of Business in Hong Kong	40th Floor, Dah Sing Financial Centre, No. 248 Queen's Road East, Wanchai, Hong Kong
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* JINSHANG BANK CO., LTD. is not an authorized institution within the meaning of the Banking Ordinance (Chapter 155 of the Laws of Hong Kong), not subject to the supervision of the Hong Kong Monetary Authority, and not authorized to carry on banking/deposit-taking business in Hong Kong.

2. SUMMARY OF ACCOUNTING DATA AND FINANCIAL INDICATORS

	For the year ended December 31,		
	2020	2019 (Restated [Note])	Rate of change (%)
	(Expressed in millions of RMB, unless otherwise stated)		
Results of operations			
Interest income [Note]	**9,429.4**	8,755.2	7.7
Interest expense	**(5,988.7)**	(5,496.2)	9.0
Net interest income [Note]	**3,440.7**	3,259.0	5.6
Fee and commission income [Note]	**890.7**	696.4	27.9
Fee and commission expense	**(178.2)**	(85.8)	107.7
Net fee and commission income [Note]	**712.5**	610.6	16.7
Net trading gains	**(119.5)**	435.4	(127.4)
Net gains arising from investment securities	**819.8**	746.2	9.9
Other operating income [(1)]	**14.5**	37.7	(61.5)
Operating income	**4,868.0**	5,088.9	(4.3)
Operating expenses	**(1,824.3)**	(1,836.8)	(0.7)
Impairment losses on assets	**(1,452.9)**	(1,665.5)	(12.8)
Share of profits of associate	**21.5**	20.9	2.9

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

	For the year ended December 31, 2020	2019 (Restated [Note])	Rate of change (%)
	(Expressed in millions of RMB, unless otherwise stated)		
Profit before tax	**1,612.3**	1,607.5	0.3
Income tax	**(41.4)**	(125.1)	(66.9)
Net profit for the period	**1,570.9**	1,482.4	6.0
Net profit attributable to:			
Equity shareholders of the Bank	**1,566.7**	1,483.6	5.6
Non-controlling interests	**4.2**	(1.2)	(450.0)
Earnings per share attributable to equity shareholders of the Bank (RMB per share)			
—Basic	**0.27**	0.28	(3.6)
—Diluted	**0.27**	0.28	(3.6)

Note:

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

	As of December 31, 2020	As of December 31, 2019	Rate of change (%)
	(Expressed in millions of RMB, unless otherwise stated)		
Key indicators for assets/liabilities			
Total assets	**270,943.6**	247,571.2	9.4
Of which: net loans and advances to customers	**131,836.5**	111,712.6	18.0
Total liabilities	**249,902.2**	227,411.9	9.9
Of which: deposits from customers	**176,781.7**	155,322.2	13.8
Share capital	**5,838.7**	5,838.7	0.0
Equity attributable to equity shareholders of the Bank	**21,013.6**	20,135.2	4.4
Total equity	**21,041.4**	20,159.3	4.4

	For the year ended December 31,		
	2020	2019 (Restated [Note])	Change
Profitability indicators (%)			
Return on average assets [(1)]	**0.61**	0.62	(0.01)
Return on average equity [(2)]	**7.63**	8.20	(0.57)
Net interest spread [(3) Note]	**1.59**	1.69	(0.10)
Net interest margin [(4) Note]	**1.54**	1.62	(0.08)
Net fee and commission income to operating income [Note]	**14.64**	12.00	2.64
Cost-to-income ratio [(5)]	**36.01**	34.79	1.22

	As of December 31,		
	2020	2019	Change
Asset quality indicators (%)			
NPL ratio [(6)]	**1.84**	1.86	(0.02)
Allowance coverage ratio [(7)]	**194.06**	199.92	(5.86)
Allowance to gross loan ratio [(8)]	**3.58**	3.71	(0.13)

	As of December 31,		
	2020	2019	Change
Capital adequacy indicators (%) [(9)]			
Core tier-one capital adequacy ratio [(10)]	**10.72**	11.47	(0.75)
Tier-one capital adequacy ratio [(11)]	**10.72**	11.47	(0.75)
Capital adequacy ratio [(12)]	**11.72**	13.60	(1.88)
Total equity to total assets	**7.77**	8.14	(0.37)

	As of December 31,		
	2020	2019	Change
Other indicators (%)			
Loan-to-deposit ratio [(13)]	**78.49**	75.49	3.00
Liquidity coverage ratio [(14)]	**327.19**	252.85	74.34
Liquidity ratio [(15)]	**102.62**	90.01	12.61

	As of December 31,	
	2020	2019
	(Expressed in millions of RMB, unless otherwise stated)	
Net stable funding ratio [16]		
Total available stable funding	**164,644.8**	147,133.4
Total required stable funding	**116,608.1**	107,250.6
Net stable funding ratio (%)	**141.19**	137.19

Notes:

(1) Calculated by dividing net profit for the period by the average balance of total assets at the beginning and the end of the period.

(2) Calculated by dividing net profit for the period by the average balance of total equity at the beginning and the end of the period.

(3) Calculated as the difference between the average yield on total interest-earning assets and the average cost of total interest-bearing liabilities.

(4) Calculated by dividing net interest income by the average balance of total interest-earning assets.

(5) Calculated by dividing total operating expenses (excluding tax and surcharges) by total operating income.

(6) Calculated by dividing total NPLs by gross loans and advances to customers. Except as otherwise stated, the "gross loans and advances" referred to in this announcement exclude interest accrued.

(7) Calculated by dividing total allowance for impairment losses on loans to customers (including the provision for impairment losses of loans and advances to customers measured at fair value through other comprehensive income) by total NPLs.

(8) Calculated by dividing total allowance for impairment losses on loans to customers (including the provision for impairment losses of loans and advances to customers measured at fair value through other comprehensive income) by gross loans and advances to customers.

(9) Calculated in accordance with the Administrative Measures for the Capital of Commercial Banks (Provisional).

(10) Calculated by dividing core tier-one capital, net of core tier-one capital deductions, by risk-weighted assets.

(11) Calculated by dividing tier-one capital, net of tier-one capital deductions, by risk-weighted assets.

(12) Calculated by dividing total capital, net of capital deductions, by risk-weighted assets.

(13) Calculated by dividing gross loans and advances to customers by total deposits from customers (excluding interest accrued).

(14) Liquidity coverage ratio is calculated in accordance with the formula promulgated by the China Banking and Insurance Regulatory Commission. Liquidity coverage ratio = eligible high-quality liquid assets/net cash outflows for the next 30 days × 100%.

(15) Liquidity ratio is calculated in accordance with the formula promulgated by the China Banking and Insurance Regulatory Commission. Liquidity ratio = balance of current assets/balance of current liabilities × 100%.

(16) Net stable funding ratio is calculated in accordance with the formula promulgated by the China Banking and Insurance Regulatory Commission. Net stable funding ratio = available stable funding/required stable funding × 100%. According to the Measures for Disclosure of Information on the Proportion of Net Stable Capital by Commercial Banks (Yin Bao Jian Fa〔2019〕No. 11) (《商業銀行淨穩定資金比例信息披露辦法》(銀保監發〔2019〕11號)) issued by the China Banking and Insurance Regulatory Commission in 2019.

3. MANAGEMENT DISCUSSION AND ANALYSIS

3.1 Review of the Economic, Financial and Policy Environment

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

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

3.2 Business Overview and Development Strategies

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

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

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

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

We insisted on service efficiency and continuously improved our management level. Focusing on the Party Committee of the head office's general strategic idea of "Comprehensive Development, Four Modernizations and Four-Efficiency", we formulated a new five-year strategic development plan and made scientific plans for the Bank's development in the next five years. The Bank continued to improve the level of refined risk management and focused its efforts on the "100-Day Campaign" to clear debts and collections which achieved significant results, with the non-performing loan ratio decreasing by 0.02 percentage point compared with the end of 2019. We continued to carry out knowledge trainings on laws and regulations, case prevention and compliance and production safety, and organized various supervision, inspection, audits and remediation and clear-up work to build a strong line of defense against risk compliance and production safety. The Bank placed great emphasis on financial technology innovation, strengthened the top-level IT design, successfully launched the new generation of core systems, and continued to push ahead with the construction of data base and the function optimization of channel products, thus starting a new journey of digital transformation across the Bank. The Bank also established a market-based recruitment mechanism and actively conducted the selection and cultivation of management staff, business backbones and junior staff, initially building up a talent team with appropriate size, clear hierarchy, excellent quality and outstanding performance.

3.3 Income Statement Analysis

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

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

Note:

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

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

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

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

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

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

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

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

Notes:

(1) Calculated by dividing interest income/expense by average balance.

(2) Consist of financial investments measured at amortized costs and financial investments measured at fair value through other comprehensive income.

(3) Consists primarily of statutory deposit reserves and surplus deposit reserves.

(4) Consists of certificates of interbank deposit, financial bonds and tier-two capital debts.

(5) Calculated as the difference between the average yield on total interest-earning assets and the average cost on total interest-bearing liabilities.

(6) Calculated by dividing net interest income by the average balance of total interest-earning assets.

3.3.2 Interest income

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

Interest income from loans and advances to customers

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

Interest income from financial investments

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

Interest income from placements with banks and other financial institutions

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

Interest income from financial assets held under resale agreements

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

Interest income from deposits with the central bank

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

Interest income from deposits with banks and other financial institutions

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

3.3.3 Interest expense

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

Interest expense on deposits from customers

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

Interest expense on deposits from banks and other financial institutions

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

Interest expense on placements from banks and other financial institutions

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

Interest expense on financial assets sold under repurchase agreements

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

Interest expense on debt securities issued

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

Interest expense on borrowing from the central bank

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

3.3.4 Net fee and commission income

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

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

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

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

3.3.5 Net trading gains

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

3.3.6 Net gains arising from investment securities

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

3.3.7 Operating expenses

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

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

Notes:

(1) Consist primarily of insurance premiums, electronic equipment operating cost, consulting expenses, business marketing expenses and security expenses.

(2) Calculated by dividing total operating expenses (net of taxes and surcharges) by total operating income.

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

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

Staff Costs

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

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

Rental and Property Management Expenses

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

Depreciation and Amortization

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

Taxes and Surcharges

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

Interest Expense on Lease Liabilities

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

Other General and Administrative Expenses

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

3.3.8 Impairment losses on assets

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

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

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

3.3.9 Income tax

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

	For the year ended December 31,			
	2020	2019	Amount change	Change (%)
	(in millions of RMB, except percentages)			
Profit before tax	**1612.3**	1,607.5	4.8	0.3
Income tax calculated at applicable statutory tax rate of 25%	**403.1**	401.9	1.2	0.3
Non-deductible expenses	**21.8**	48.7	(26.9)	(55.2)
Non-taxable income [(1)]	**(383.5)**	(325.5)	(58.0)	17.8
Income tax	**41.4**	125.1	(83.7)	(66.9)

Note:

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

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

3.4 Financial Statement Analysis

3.4.1 Assets

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

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

Note:

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

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

Loans and Advances to Customers

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

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

Corporate Loans

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

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

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

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

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

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

Note:

(1) Consist primarily of syndicated loans.

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

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

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

Personal Loans

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

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

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

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

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

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

Discounted Bills

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

Financial Investments

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

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

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

Debt Securities Investment

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

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

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

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

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

SPV Investment

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

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

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

Other Components of the Group's Assets

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

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

Note:

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

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

3.4.2 Liabilities

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

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

Notes:

(1) Consists of certificates of interbank deposit and financial bonds.

(2) Consists primarily of accrued staff cost, lease liabilities, estimated liabilities and dividend payable.

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

Deposits from Customers

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

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

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

Note:

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

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

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

Debt Securities Issued

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

Financial Assets Sold under Repurchase Agreements

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

3.4.3 Equity

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

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

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

3.5 Off-balance Sheet Items Analysis

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

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

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

3.6 Asset Quality Analysis

Distribution of Loans by Five-Category Loan Classification

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

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

Note:

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

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

Distribution of Loans by Collateral

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

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

Note:

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

Distribution of Corporate Loans by Industry

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

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

Note:

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

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

Distribution of Non-Performing Corporate Loans by Industry

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

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

Notes:

(1) Calculated by dividing NPLs to corporate customers in each industry by gross loans to corporate customers in that industry.

(2) Mainly comprised of information transmission, software and information technology services and accommodation and catering.

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

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

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

Distribution of NPLs by Product Type

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

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

Notes:

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

(2) Mainly comprised of advances for bank acceptance bills.

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

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

Distribution of NPLs by Geographical Region

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

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

Note:

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

Borrowers Concentration

Loans to the Ten Largest Single Borrowers

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

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

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

Note:

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

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

Loan Aging Schedule

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

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

Note:

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

Changes to Allowance for Impairment Losses

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

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

Notes:

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

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

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

3.7 Geographical Segments Report

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

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

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

3.8 Capital Adequacy Ratio Analysis

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

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

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

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

3.9 Risk Management

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

Credit Risk

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

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

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

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

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

Market Risk

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

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

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

Liquidity Risk

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

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

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

Operational Risk

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

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

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

Information Technology Risk

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

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

Reputational Risk

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

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

Strategic Risk

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

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

3.10 Business Review

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

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

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

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

Note:

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

Corporate banking

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

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

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

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

Retail banking

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

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

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

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

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

Financial markets

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

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

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

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

Small and micro enterprise

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

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

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

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

Interbank Market Transactions

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

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

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

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

Investment Management

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

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

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

Wealth Management

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

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

Debt Securities Distribution

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

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

4. ACQUISITION AND DISPOSAL OF ASSETS AND BUSINESS MERGER

During the Reporting Period, the Bank was not engaged in any material acquisition or disposal of assets or business merger.

Substantial Investments

The Bank had no substantial investments in 2020.

5. OTHER INFORMATION

5.1 Corporate Governance Code

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

The Bank has established a relatively comprehensive corporate governance structure in accordance with the requirements of the Hong Kong Listing Rules. The compositions of the Board and the special committees of the Board are in compliance with the requirements of the Hong Kong Listing Rules. The Bank clearly splits the responsibilities among the shareholders' general meeting, the Board of Directors, the Board of Supervisors and the senior management. The shareholders' general meeting is the highest organ of authority of our Bank. The Board of Directors is accountable to the shareholders' general meeting. The Board of Directors has established six special committees, which operate under the leadership of the Board of Directors and advise on board decisions. The Board of Supervisors is responsible for supervising performance of the Board of Directors and senior management, and the financial activities, risk management and internal control of the Bank. Under the leadership of the Board of Directors, senior management is responsible for implementing the resolutions of the Board of Directors and for the daily operation and management of the Bank, and reports to the Board of Directors and the Board of Supervisors on a regular basis. The President of the Bank is appointed by the Board of Directors and is responsible for the overall operations and management of the Bank.

The Bank has adopted the Corporate Governance Code (the "**Code**") in Appendix 14 to the Hong Kong Listing Rules and has also met the requirements of the administrative measures and corporate governance for domestic commercial banks, establishing a sound corporate governance system. During the Reporting Period, the Bank has complied with all applicable code provisions set out in Appendix 14 to the Hong Kong Listing Rules.

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

5.2 Directors, Supervisors and Senior Management

As at the date of this announcement, the composition of the Bank's Board of Directors, Board of Supervisors and senior management is as follows:

The Bank's Board of Directors consists of twelve Directors, including one executive Director, namely, Mr. WANG Junbiao*, Chairman of the Board of Directors#; five non-executive Directors, namely, Mr. LI Shishan, Mr. XIANG Lijun△, Mr. LIU Chenhang, Mr. LI Yang* and Mr. WANG Jianjun; and six independent non-executive Directors, namely, Mr. JIN Haiteng, Mr. SUN Shihu, Mr. WANG Liyan, Mr. DUAN Qingshan*, Mr. SAI Zhiyi and Mr. YE Xiang.

\# *Subject to the approval of his qualification as the Chairman by the relevant regulatory authorities, including the regulatory authorities for the banking industry.*

△ *Subject to the approval of his qualification as the Vice Chairman by the relevant regulatory authorities, including the regulatory authorities for the banking industry.*

* *Directorships subject to the approval by China Banking and Insurance Regulatory Commission ("**CBIRC**") Shanxi Office to come into effect.*

The Bank's Board of Supervisors consists of nine supervisors, including three employees' representative supervisors, namely, Mr. XIE Liying, Chairman of the Board of Supervisors, Mr. WEN Qingquan and Mr. GUO Zhenrong; three shareholders' representative supervisors, namely, Mr. BI Guoyu, Ms. XU Jin and Mr. XIA Guisuo; and three external supervisors, namely, Mr. LIU Shoubao, Mr. WU Jun and Mr. LIU Min.

The Bank's senior management consists of ten members, namely, Ms. HAO Qiang, Mr. GAO Jiliang, Mr. ZHANG Yunfei, Ms. HOU Xiuping, Mr. WEN Gensheng, Mr. ZHAO Jiquan, Mr. LI Weiqiang, Mr. ZHAO Fu, Mr. NIU Jun and Mr. SHANGGUAN Yujiang.

5.3 Changes in Directors, Supervisors and Senior Management during the Reporting Period and up to the Date of this Announcement

Changes in Directors

On January 8, 2020, Mr. YAN Junsheng tendered his resignation as an executive Director, the chairman of the Board, the chairperson and a member of the Development and Strategy Committee, a member of the Nomination, Remuneration and HR Committee and an authorized representative of the Bank due to work re-arrangement with effect from January 8, 2020. For details, please refer to the announcement entitled "RESIGNATION OF EXECUTIVE DIRECTOR AND CHAIRMAN" issued by the Bank on January 8, 2020.

On January 17, 2020, the Board considered and approved the proposed appointment of Mr. WANG Junbiao as an executive Director of the Bank. Such appointment was approved by the shareholders of the Bank at an extraordinary general meeting on March 10, 2020. His qualification of directorship shall be subject to the approval from the regulatory authorities for the banking industry and other relevant regulatory authorities (the "**Relevant Regulatory Authorities**"), and his term shall be effective for three years from the date of approval by the Relevant Regulatory Authorities to the date of expiration of the term of office of the fifth session of the Board of the Bank, which may be terminated by the Director with a written notice submitted to the Board, provided that he shall retire from office and offer himself for re-election at the shareholders' general meeting in accordance with the Articles of Association under any circumstances. For details, please refer to the announcement entitled "PROPOSED APPOINTMENT OF EXECUTIVE DIRECTOR", the shareholders' circular entitled "(1) PROPOSED APPOINTMENT OF AN EXECUTIVE DIRECTOR; AND (2) NOTICE OF THE EGM", and the announcement entitled "(I) POLL RESULTS OF THE 2020 FIRST EXTRAORDINARY GENERAL MEETING TO BE HELD ON MARCH 10, 2020 (TUESDAY) (II) APPOINTMENT OF DIRECTOR (III) ELECTION OF CHAIRMAN AND (IV) CHANGE OF BOARD COMMITTEE MEMBERS" issued by the Bank on January 17, 2020, January 23, 2020 and March 10, 2020, respectively.

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

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

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

Changes in Senior Management

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

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

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

5.4 Securities Transaction by Directors, Supervisors and Relevant Employees

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

5.5 Profits and Dividends

The Group's revenue for the year ended December 31, 2020 and financial position as of the same date are set out in the section headed "ANNUAL FINANCIAL STATEMENTS" in this annual results announcement.

On March 26, 2020, the Board passed a resolution which proposed to declare and distribute cash dividends of RMB11 per 100 shares (tax inclusive), totally RMB642.3 million for the year ended December 31, 2019 to all existing shareholders on record as of June 18, 2020. The declaration and distribution of these dividends were approved on the shareholders' general meeting on June 9, 2020. The Bank has distributed these dividends for the year ended December 31, 2019 with its internal funds on July 29, 2020.

The Board of Directors has proposed to distribute final cash dividends for the year ended December 31, 2020 at RMB10.0 (tax inclusive) per 100 shares, in an aggregate amount of approximately RMB583.9 million. The final dividend is subject to approval of shareholders at the Bank's annual general meeting of 2020. If approved, the Bank's final dividend for the year ended December 31, 2020 will be denominated and declared in RMB. Dividends will be distributed to holders of Domestic Shares of the Bank in Renminbi and to holders of H Shares in equivalent Hong Kong dollars. For this conversion, Renminbi will be converted to Hong Kong dollars at the average of the central parity rates as published by the PBoC of the five working days preceding to June 10, 2021 (inclusive) (the date of the Bank's annual general meeting of 2020). If approved at the Bank's annual general meeting of 2020, it is expected that the final dividend will be paid on July 30, 2021.

The registration of transfers of H Shares will be closed from June 17, 2021 (Thursday) to June 22, 2021 (Tuesday) (both days inclusive). Each shareholder whose name appears on the Bank's share registers of H Shares and Domestic Shares on June 22, 2021 (Tuesday) will be entitled to receive final dividends. For a holder of H Shares to be eligible for the final dividend, all transfer documents together with the relevant H Shares certificates must be delivered to the H Share Registrar, namely, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m., June 16, 2021 (Wednesday) for registration.

5.6 Purchase, Sale and Redemption of Listed Securities of the Bank

From January 1, 2020 to the date of this annual results announcement, neither the Bank nor its any subsidiary purchased, sold or redeemed any listed securities of the Bank.

5.7 Audit of Annual Results

The annual financial statements of the Bank for the year ended December 31, 2020, which were prepared in accordance with IFRSs promulgated by IASB, have been audited by Ernst & Young in accordance with International Standards on Auditing.

The annual results of the Bank have been reviewed and approved by the Board of Directors and its Audit Committee.

5.8 Use of Proceeds

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

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

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

5.9 Subsequent Events

On December 28, 2020, the CBIRC Shanxi Office approved Shanxi Finance Bureau to become the shareholder of the Bank and agreed that Shanxi Financial Investment Holding Group Co., Ltd. transferred all its 715,109,200 domestic shares of the Bank to Shanxi Finance Bureau for nil consideration. After completion of the registration of such share transfer, Shanxi Finance Bureau will become the shareholder and hold 715,109,200 domestic shares of the Bank. As of the reporting date, the registration procedures are still in process. For details, please see the announcement entitled VOLUNTARY ANNOUNCEMENT-CHANGE IN SHAREHOLDING OF A SUBSTANTIAL SHAREHOLDER published by the Bank on January 6, 2021.

As approved by the PBoC and the CBIRC Shanxi Office, in January 2021, the Bank publicly issued the tier-two capital bonds named JINSHANG BANK CO., LTD Tier II Capital Bond 2021 1 in an amount of RMB2,000 million, which started trading since January 25, 2021.

The Group had no other significant event subsequent to the Reporting Period.

5.10 Number of Employees, Remuneration Policies, Equity Incentive Plan and Training Programs

As of December 31, 2020, the total number of employees of the Group reached 4,492, of which 39.0% were employees aged 30 and below, and 86.9% were employees with a bachelor's degree or above. Leveraging the sound age distribution and academic backgrounds of its employees, the Bank managed to cultivate a positive and innovative corporate culture and enhance its capability of quickly identifying market trends and efficiently capturing market opportunities. As of December 31, 2020, the Bank had 337 employees with AFP certification, and 33 employees with CFP certificates.

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

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

6. ANNUAL FINANCIAL STATEMENTS

Audit Opinions

The 2020 financial statements of the Bank prepared in accordance with IFRS have been audited by Ernst & Young. Ernst & Young have expressed unqualified opinions in the auditor's report.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

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

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

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

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

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

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

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

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

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

		Attributable to equity holders of the Bank										
	Note	Share capital	Capital reserve	Surplus reserve	General reserve	Fair value reserve	Impairment reserve	Surplus/ (deficit) on remeasurement of net defined benefit liability	Retained earnings	Total	Non-controlling interests	Total equity
As at 1 January 2020		5,838,650	6,627,602	3,467,020	2,788,427	(23,204)	18,320	(1,223)	1,419,577	20,135,169	24,180	20,159,349
Changes in equity for the year:												
Net profit for the year		-	-	-	-	-	-	-	1,566,712	1,566,712	4,153	1,570,865
Other comprehensive income		-	-	-	-	(41,131)	(5,428)	458	-	(46,101)	-	(46,101)
Total comprehensive income		-	-	-	-	(41,131)	(5,428)	458	1,566,712	1,520,611	4,153	1,524,764
Appropriation of profit												
– Appropriation to surplus reserve	*32(b)*	-	-	156,290	-	-	-	-	(156,290)	-	-	-
– Appropriation to general reserve	*32(c)*	-	-	-	20,936	-	-	-	(20,936)	-	-	-
– Dividends paid to shareholders	*33*	-	-	-	-	-	-	-	(642,252)	(642,252)	-	(642,252)
– Dividends paid to non-controlling interests		-	-	-	-	-	-	-	-	-	(490)	(490)
As at 31 December 2020		5,838,650	6,627,602	3,623,310	2,809,363	(64,335)	12,892	(765)	2,166,811	21,013,528	27,843	21,041,371

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

	Note	Attributable to equity holders of the Bank										
		Share capital	Capital reserve	Surplus reserve	General reserve	Fair value reserve	Impairment reserve	Surplus/ (deficit) on remeasurement of net defined benefit liability	Retained earnings	Total	Non-controlling interests	Total equity
As at 1 January 2019		4,868,000	4,423,893	3,186,830	2,788,427	(17,935)	17,215	525	702,937	15,969,892	26,097	15,995,989
Changes in equity for the year:												
Net profit for the year		–	–	–	–	–	–	–	1,483,630	1,483,630	(1,182)	1,482,448
Other comprehensive income		–	–	–	–	(5,269)	1,105	(1,748)	–	(5,912)	–	(5,912)
Total comprehensive income for the year		–	–	–	–	(5,269)	1,105	(1,748)	1,483,630	1,477,718	(1,182)	1,476,536
Issue of H shares	*31*	970,650	2,203,709	–	–	–	–	–	–	3,174,359	–	3,174,359
Appropriation of profit												
– Appropriation to surplus reserve	*32(b)*	–	–	280,190	–	–	–	–	(280,190)	–	–	–
– Appropriation to general reserve	*32(c)*	–	–	–	–	–	–	–	–	–	–	–
– Dividends paid to shareholders	*33*	–	–	–	–	–	–	–	(486,800)	(486,800)	–	(486,800)
– Dividends paid to non-controlling interests		–	–	–	–	–	–	–	–	–	(735)	(735)
As at 31 December 2019		5,838,650	6,627,602	3,467,020	2,788,427	(23,204)	18,320	(1,223)	1,419,577	20,135,169	24,180	20,159,349

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

CONSOLIDATED STATEMENT OF CASH FLOWS

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

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

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

		2020	2019
Net cash flows from operating activities		**116,066**	16,958,392
Cash flows from investing activities			
Proceeds from disposal and redemption of investments		**123,891,770**	126,132,417
Gains received from investment activities		**772,032**	801,972
Proceeds from disposal of property and equipment and other assets		**5,998**	12,509
Payments on acquisition of investments		**(122,795,791)**	(142,241,336)
Payments on acquisition of property and equipment, intangible assets and other assets		**(221,766)**	(898,250)
Net cash flows from/(used in) investing activities		**1,652,243**	(16,192,688)
Cash flows from financing activities			
Net proceeds from issuance of H shares		**–**	3,174,359
Proceeds from debt securities issued	*34(c)*	**70,638,524**	56,246,356
Repayment of debt securities issued	*34(c)*	**(68,850,000)**	(57,190,000)
Interest paid on debt securities issued	*34(c)*	**(1,535,611)**	(1,780,914)
Dividends paid		**(704,542)**	(449,071)
Repayment of lease liabilities	*34(c)*	**(101,088)**	(54,705)
Interest paid on lease liabilities	*34(c)*	**(19,495)**	(21,615)
Net cash flows used in financing activities		**(572,212)**	(75,590)
Effect of exchange rate changes on cash and cash equivalents		**(2,388)**	2,305
Net increase in cash and cash equivalents	*34(a)*	**1,193,709**	692,419
Cash and cash equivalents as at 1 January		**7,894,947**	7,202,528
Cash and cash equivalents as at 31 December	*34(b)*	**9,088,656**	7,894,947
Interest received		**9,374,540**	8,669,297
Interest paid (excluding interest expense on debt securities issued)		**3,370,233**	3,098,315

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

7. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

1 BACKGROUND INFORMATION

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

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

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

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

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES

(1) Basis of preparation and presentation

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards (the "IFRSs"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards and Interpretations issued by the International Accounting Standards Board (the "IASB"). These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

(a) Changes in accounting policies

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(4) Use of estimates and judgements

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

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

(5) Subsidiary and non-controlling interests

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

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

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Bank, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Bank. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income between non-controlling interests and the equity shareholders of the Bank.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture (see Note 2(6)).

In the Bank's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see Note 2(16)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(6) Associates and joint ventures

An associate is an entity in which the Group or the Bank has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A joint venture is an arrangement whereby the Group or the Bank and other parties contractually agree to share control of the arrangement and have rights to the net assets of the arrangement.

An investment in an associate or a joint venture is accounted for under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see Note 2(16)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the combined statement of profit or loss and other comprehensive income.

When the Group's share of losses exceeds its interest in the associate or the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate or the joint venture.

Unrealised profits and losses resulting from transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture or vice versa, retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset.

In the Bank's statement of financial position, investments in associates and joint ventures are stated at cost less impairment losses, unless these investments are classified as held for sale (or included in a disposal group that is classified as held for sale).

(7) Translation of foreign currencies

When the Group receives capital in foreign currencies from investors, the capital is translated to RMB at the spot exchange rate on the date of receipt. Other foreign currency transactions are, on initial recognition, translated to RMB at the spot exchange rates or the rates that approximate the spot exchange rates at the dates of transactions.

A spot exchange rate is quoted by the PBoC, the State Administration of Foreign Exchange, or a cross rate determined based on quoted exchange rates. A rate that approximates the spot exchange rate is determined by a systematic and rational method, normally the average exchange rate of the current period.

Monetary items denominated in foreign currencies are translated to RMB at the spot exchange rate at the end of the reporting period, the resulting exchange differences are recognised in profit or loss. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated to RMB using the foreign exchange rate at the transaction date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated using the foreign exchange rate at the date the fair value is determined; the exchange differences are recognised in profit or loss, except for the exchange differences arising from the translation of non-monetary financial investments which are recognised in fair value reserve.

(8) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, non-restricted balances with the central bank, deposits and placements with banks and other financial institutions with an original maturity of less than three months.

(9) Financial instruments

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

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

Financial assets and financial liabilities are measured initially at fair value. For financial assets and financial liabilities at fair value through profit or loss, any related directly attributable transaction costs are charged to profit or loss; for other categories of financial assets and financial liabilities, any related directly attributable transaction costs are included in their initial costs.

(b) Classification and subsequent measurement of financial assets

Classification of financial assets

The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Financial assets are classified as:

– Financial assets measured at amortised cost, mainly including loans and advances to customers and financial investments measured at amortised cost;

– Financial assets measured at fair value through other comprehensive income (FVOCI), mainly including loans and advances to customers and financial investments measured at FVOCI; and

– Financial assets measured at fair value through profit or loss (FVPL).

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVPL:

– it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

– its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVPL:

– it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

– its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held-for-trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The business model refers to how the Group manages its financial assets in order to generate cash flows. That is, the Group's business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both. The Group determines the business model for managing the financial assets according to the facts and based on the specific business objective for managing the financial assets determined by the Group's key management personnel.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. For the purposes of this assessment, "principal" is defined as the fair value of the financial asset on initial recognition. "Interest" is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period and for other basic lending risks and costs, as well as a profit margin. The Group also assesses whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

Subsequent measurement

– Financial assets measured at amortised cost

  Such financial assets that the Group holds are subsequently measured at amortised cost. That is, the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and adjusted for any loss allowance.

– Financial assets measured at fair value through other comprehensive income (FVOCI)

  Such financial assets that the Group holds are subsequently measured at fair value. A gain or loss on a financial asset measured at fair value through other comprehensive income shall be recognised in "Other comprehensive income", except for interest calculated using the effective interest method, impairment gains or losses and foreign exchange gains and losses. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss. The impairment allowances for such financial assets are recognised in other comprehensive income, impairment gains or losses are recognised in profit or loss, and not reduce the carrying amount of such financial assets in the statement of financial position.

– Equity instruments designated at fair value through other comprehensive income

  Such financial assets that the Group holds are subsequently measured at fair value. The dividend income shall be recognised through profit and loss, and a gain or loss on a financial asset measured at fair value through other comprehensive income shall be recognised in "Other comprehensive income". When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified to retained earnings.

– Financial assets measured at fair value through profit or loss (FVPL)

  Such financial assets that the Group holds are subsequently measured at fair value. A gain or loss on such financial asset is recognised in profit or loss unless it is part of a hedging relationship. Dividends, which the Group is entitled to collect, on equity investments in such measurement category are recognised in profit or loss.

(c) Classification and subsequent measurement of financial liabilities

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

– Financial liabilities at amortised cost

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

– Financial guarantee liabilities

  Financial guarantees are contracts that requires the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

  The financial guarantee liability is measured at the higher of the amount of the loss allowance determined in accordance with impairment policies of financial instruments (see Note 2(19)(a)) and the amount initially recognised less the cumulative amount of income.

(d) Impairment

The Group recognises loss allowances for expected credit losses (ECLs) on:

– financial assets measured at amortised cost;

– debt investments measured at FVOCI.

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

Measurement of ECLs

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

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

Lifetime ECL is the ECL that results from all possible default events over the expected life of a financial instrument.

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

Measurement methods of ECLs used by the Group in the above areas are set out in Note 38(a).

Presentation of ECLs

ECL is remeasured at each balance sheet date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for debt investments that are measured at FVOCI, for which the loss allowance is recognised in other comprehensive income.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. A write-off constitutes a derecognition event. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(e) *Fair value measurement principles*

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date.

If there is an active market for a financial asset or financial liability, the quoted price in the active market without adjusting for transaction costs that may be incurred upon future disposal or settlement is used to establish the fair value of the financial asset or financial liability. For a financial asset held or a financial liability to be assumed, the quoted price is the current bid price. For a financial asset to be acquired or a financial liability assumed, it is the current asking price. The quoted prices from an active market are prices that are readily and regularly available from an exchange, broker, industry group or pricing service agency, and represent actual and regularly occurring market transactions on an arm's length basis.

If no active market exists for a financial instrument, a valuation technique is used to establish the fair value. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis and option pricing models. Where discounted cash flow technique is used, future cash flows are estimated based on management's best estimates and the discount rate used is the prevailing market rate applicable for instruments with similar terms and conditions at the end of the reporting period. Where other pricing models are used, inputs are based on market data at the end of the reporting period.

In estimating the fair value of a financial asset and financial liability, the Group considers all factors including, but not limited to, risk-free interest rate, credit risk, foreign exchange rate and market volatility, that are likely to affect the fair value of the financial asset and financial liability.

The Group obtains market data from the same market where the financial instrument was originated or purchased.

(f) *Derecognition of financial assets and financial liabilities*

Financial asset is derecognised when one of the following conditions is met:

– the Group's contractual rights to the cash flows from the financial asset expire;

– the financial asset has been transferred and the Group transfers substantially all of the risks and rewards of ownership of the financial asset; or

– the financial asset has been transferred, although the Group neither transfers nor retains substantially all of the risks and rewards of ownership of the financial asset, it does not retain control over the transferred asset.

Where a transfer of a financial asset in its entirety meets the criteria for derecognition, the difference between the two amounts below is recognised in profit or loss:

– the carrying amount of the financial asset transferred measured at the date of derecognition;

– the sum of the consideration received from the transfer and, when the transferred financial asset is a debt investment at FVOCI, any cumulative gain or loss that has been recognised directly in other comprehensive income for the part derecognised.

The Group derecognises a financial liability (or part of it) only when its contractual obligation (or part of it) is extinguished.

(g) Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions, or valuation techniques, including discounted cash flow analysis and option pricing models, as appropriate.

All derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The method of recognising the resulting fair value gain or loss depends on whether the derivative is designated and qualifies as a hedging instrument, and if so, the nature of the item being hedged. For derivatives not designated or qualified as hedging instruments, including those intended to provide effective economic hedges of specific interest rate and foreign exchange risks, but do not qualify for hedge accounting, changes in the fair value of these derivatives are recognised in "Net trading gains" in profit or loss.

(h) Offsetting

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

– the Group currently has a legally enforceable right to set off the recognised amounts;

– the Group intends either to settle on a net basis, or to realise the financial asset and settle the financial liability simultaneously.

(10) Financial assets held under resale and repurchase agreements

Financial assets purchased under agreements to resell are not reported as purchases of the assets but as receivables and are carried in the statement of financial position at amortized cost.

Financial assets sold subject to a simultaneous agreement to repurchase these assets are retained in the statement of financial position and measured in accordance with their original measurement principles. The proceeds from the sale are reported as liabilities and are carried at amortized cost.

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

(11) Investment in a subsidiary

In the Group's consolidated financial statements, investment in a subsidiary is accounted for in accordance with the principles described in Note 2(5).

In the Bank's financial statements, investment in a subsidiary is accounted for using the cost method. An investment in a subsidiary acquired other than through a business combination is initially recognised at actual payment cost if the Bank acquires the investment by cash. The investment is stated at cost less impairment loss (see Note 2(16)) in the statement of financial position. Except for declared but not yet distributed cash dividends or profit distributions that have been included in the price or consideration paid-in obtaining the investments, the Group recognises its share of the cash dividends or profit distributions declared by the investees as investment income.

(12) Property and equipment and construction in progress

Property and equipment are assets held by the Group for operation and administration purposes with useful lives over one year.

Property and equipment are stated in the statement of financial position at cost less accumulated depreciation and impairment loss (see Note 2(16)). Construction in progress is stated in the statement of financial position at cost less impairment loss (see Note 2(16)).

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

All direct and indirect costs that are related to the construction of property and equipment and incurred before the assets are ready for their intended use are capitalised as the cost of construction in progress. Construction in progress is transferred to property and equipment when the item being constructed is ready for its intended use. No depreciation is provided against construction in progress.

Where the individual component parts of an item of property and equipment have different useful lives or provide benefits to the Group in different patterns thus necessitating the use of different depreciation rates or methods, they are recognised as a separate item of property and equipment.

The subsequent costs including the cost of replacing part of an item of property and equipment are recognised in the carrying amount of the item if the recognition criteria are satisfied, and the carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

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

The Group's property and equipment are depreciated using the straight-line method over their estimated useful lives, after considering their estimated residual values. The estimated useful lives, residual values and depreciation rates of each class of property and equipment are as follows:

Asset category	Estimated useful life	Estimated rate of residual value	Depreciation rate
Premises	10 – 20 years	3%	4.85% – 9.70%
Vehicle	4 years	3%	24.25%
Electronic equipment	3 – 5 years	3%	19.40% – 32.33%
Others	3 – 10 years	3%	9.70% – 32.33%

Estimated useful lives, estimated residual values and depreciation methods are reviewed at least at each year-end by the Group.

(13) Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

(a) As a lessee

At the commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative standalone prices.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

– its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variables;

– variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

– amounts expected to be payable under a residual value guarantee; and

– the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property in "other assets" and lease liabilities in "other liabilities" in the statement of financial position.

Short-term leases and leases of low-value assets:

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(b) As a lessor

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative standalone prices.

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, the Group applies IFRS 15 to allocate the consideration in the contract.

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of "other operating income".

(14) Intangible assets

The intangible assets of the Group have finite useful lives. The intangible assets are stated at cost less accumulated amortization and impairment loss (see Note 2(16)). The cost of intangible assets less residual value and impairment loss is amortized on the straight-line method over the estimated useful lives.

The respective amortization periods for intangible assets are as follows:

Computer software and system development	2 – 10 years

(15) Repossessed assets

Repossessed assets refer to the real assets or property rights paid by the debtor, guarantor or third party when the Group exercises the creditor's right or real right of guarantee in accordance with the law. Repossessed assets are initially recognised at fair value of assets not retained plus tax and related costs when they are obtained as the compensation for the loans' principal and interest. Subsequent measurement shall be made according to the lower amount of book value and fair value minus disposal expense. Repossessed assets do not depreciate or amortize.

(16) Provision for impairment losses on non-financial assets

The carrying amounts of the following assets are reviewed at the end of the reporting period based on the internal and external sources of information to determine whether there is any indication of impairment:

– property and equipment

– construction in progress

– intangible assets

– investment in a subsidiary

If any indication exists that an asset may be impaired, the recoverable amount of the asset is estimated.

A cash-generating unit ("CGU") is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or asset groups. A CGU is composed of assets directly relating to cash-generation. Identification of a CGU is based on whether major cash inflows generated by the asset group are largely independent of the cash inflows from other assets or asset groups. In identifying an asset group, the Group also considers how management monitors the Group's operations and how management makes decisions about keeping or disposing of the Group's assets.

The recoverable amount of an asset or CGU, or a group of CGUs (hereinafter called "asset") is the higher of its fair value less costs to sell and its present value of expected future cash flows. If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset; if it is not possible to estimate the recoverable amount of the individual asset, the Group determines the recoverable amount of the asset group to which the asset belongs.

An asset's fair value less costs to sell is the amount determined by the price of a sale agreement in an arm's length transaction, less the costs that are directly attributable to the disposal of the asset. The present value of expected future cash flows of an asset is determined by discounting the future cash flows, estimated to be derived from continuing to use the asset and from its ultimate disposal, to their present value using a pre-tax discount rate that reflects expected future cash flows, the useful life and the discount rate specific to the asset.

An impairment loss is recognised in profit or loss if the carrying amount of an asset exceeds its recoverable amount. A provision for an impairment loss of the asset is recognised accordingly.

If, in a subsequent period, the amount of impairment loss of the non-financial asset decreases and the decrease can be linked objectively to an event occurring after impairment was recognised, the previously recognised impairment loss is reversed through profit or loss. A reversal of impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior periods.

(17) Employee benefits

(a) Short-term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the period in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

The defined contribution retirement plans of the Group include social pension schemes, an annuity plan, a housing fund and other social insurances.

Social pension schemes

Pursuant to the relevant laws and regulations in the PRC, the Group has participated in the social pension schemes for the employees arranged by local government labour and security authorities. The Group makes contributions to the retirement schemes at the applicable rates based on the amounts stipulated by the government. The contributions are charged to profit or loss on an accrual basis. When employees retire, the local government labour and security authorities are responsible for the payment of the basic retirement benefits to the retired employees.

Annuity plan

The Group provides an annuity plan to the eligible employees. The Group makes annuity contributions in proportion to its employees' total salaries and bonuses, which are charged to profit or loss when the contributions are made.

Housing fund and other social insurances

In addition to the retirement benefits above, the Group has joined social security contribution schemes for employees pursuant to the relevant laws and regulations of the PRC. These schemes include a housing fund, basic medical insurance, unemployment insurance, injury insurance and maternity insurance. The Group makes monthly contributions to the housing fund and other social insurance schemes at the applicable rates based on the amounts stipulated by the relevant government authorities. The contributions are charged to profit or loss on an accrual basis.

(b) Supplementary retirement benefits

Early retirement plan

The Group provides early retirement benefit payments to employees who voluntarily agreed to retire early for the period from the date of early retirement to the regulated retirement date. The benefit is discounted to determine the present value based on certain assumptions. The calculation is performed by a qualified actuary using the projected unit credit method. Differences arising from changes in assumptions and estimates of the present value of the liabilities are recognised in profit or loss when incurred.

Supplementary retirement plan

The Group provides a supplementary retirement plan to its eligible employees. The Group's obligations in respect of the supplementary retirement plan are calculated by estimating the present value of the total amount of future benefits that the Group is committed to pay to the employees after their retirement. The calculation is performed by a qualified actuary using the projected unit credit method. Such obligations were discounted at the interest yield of government bonds with similar duration at the reporting date. The related service cost and net interest from the retirement plan are recognised in profit or loss, and the actuarial gains and losses arising from remeasurements are recognised in other comprehensive income.

Early retirement plan and supplementary retirement plan thereafter are collectively referred to as "supplementary retirement benefits". Except for the above mentioned, the Group has no significant responsibilities to pay any other retirement benefits to employees.

(18) Income tax

Income tax for the reporting period comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the reporting period, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilized, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilized.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investment in a subsidiary to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilized. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and the movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Bank or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, the Bank or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  – the same taxable entity; or

  – different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(19) Financial guarantees, provisions and contingent liabilities

(a) Financial guarantees

In terms of off-balance sheet credit commitments, the Group applies the expected credit loss model to measure the losses caused by particular debtors incapable of paying due debts, which are present in provisions. See Note 2(9)(d) for the description of the expected credit loss model.

(b) Other provisions and contingent liabilities

A provision is recognised for an obligation related to a contingency if the Group has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation. Factors pertaining to a contingency such as the risks, uncertainties and time value of money are taken into account as a whole in reaching the best estimate. Where the effect of time value of money is material, provisions are determined by discounting the expected future cash flows.

For a possible obligation resulting from a past transaction or event whose existence will only be confirmed by the occurrence or non-occurrence of uncertain future events or a present obligation resulting from a past transaction or event, where it is not probable that the settlement of the above obligation will cause an outflow of economic benefits, or the amount of the outflow cannot be estimated reliably, the possible or present obligation is disclosed as a contingent liability.

(20) Fiduciary activities

The Group acts in a fiduciary activity as a manager, a custodian, or an agent for customers. Assets held by the Group and the related undertakings to return such assets to customers are recorded as off-balance sheet items as the risks and rewards of the assets reside with customers.

The Group enters into entrusted loan agreements with customers, whereby the customers provide funding ("entrusted funds") to the Group, and the Group grants loans to third parties ("entrusted loans") under instructions of the customers. As the Group does not assume the risks and rewards of the entrusted loans and the corresponding entrusted funds, the entrusted loans and funds are recorded as off-balance sheet items at their principal amount. No provision for impairment loss is made for entrusted loans.

Intermediary matchmaking service refers to the Group's signing agreements with customers and financing parties respectively, and providing intermediary matchmaking, information registration, agent interest payment or redemption and information disclosure services. As for the intermediary matchmaking service, the Group only fulfills its management duties and collects corresponding service fees in accordance with the relevant agreements and does not bear the relevant default risk arising from the intermediary matchmaking service. Therefore, the relevant intermediary matchmaking service is recorded as an off-balance sheet item.

(21) Income recognition

Income is the gross inflow of economic benefit in the periods arising in the course of the Group's ordinary activities when the inflows result in an increase in shareholders' equity, other than an increase relating to contributions from shareholders.

Income is recognised when the Group satisfies the performance obligation in the contract which by transferring the control over relevant goods or services to the customers.

The following is the description of accounting policies regarding income from the Group's principal activities.

(a) Interest income

Interest income for financial assets is recognised in profit or loss as it is incurred, based on the time for alienation of right to use capital and effective interest rates. Interest income includes the amortization of any discount or premium or differences between the initial carrying amount of an interest-bearing asset and its amount at maturity calculated using the effective interest rate.

The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating the interest income over the reporting period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract, transaction costs and all other premiums or discounts that are an integral part of the effective interest rate.

Interest on the impaired assets is recognised using the rate of interest used to discount future cash flows for the purpose of measuring the related impairment loss.

(b) Fee and commission income

The Group earns fee and commission income from a diverse range of services it provides to its customers. The fee and commission income recognised by the Group reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring promised services to customers, and income is recognised when its performance obligation in contracts is satisfied.

The Group recognises income over time by measuring the progress towards the complete satisfaction of a performance obligation, if one of the following criteria is met:

– The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

– The customer controls the service provided by the Group in the course of performance or;

– The Group does not provide service with an alternative use to the Group, and the Group has an enforceable right to payment for performance completed to date.

In other cases, the Group recognises revenue at the point in time when a customer obtains control of the promised services.

(c) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

(d) Other income

Other income is recognised on an accrual basis.

(22) Expenses recognition

(a) Interest expense

Interest expense from financial liabilities is accrued on a time proportion basis with reference to the amortized cost and the applicable effective interest rate.

(b) Other expenses

Other expenses are recognised on an accrual basis.

(23) Dividends

Dividends or distributions of profits proposed in the profit appropriation plan which will be authorised and declared after the end of the reporting period are not recognised as a liability at the end of the reporting period but disclosed separately in the notes to the financial statements.

(24) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or a parent of the Group.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

(iii) Both entities are joint ventures of the same third party;

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) The entity is controlled or jointly controlled by a person identified in (a);

(vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity);

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to a parent of the Group.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(25) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to and assessing the performance of the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

(26) Significant accounting estimates and judgements

In the process of applying the Group's accounting policies, management has used its judgements and made assumptions of the effects of uncertain future events on the financial statements. The most significant use of judgements and key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are described below.

(a) Measurement of expected credit losses

The measurement of the expected credit loss allowance for the investment in financial assets measured at amortised cost and debt instruments measured at FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses).

A number of significant judgements are required in applying the accounting requirements for measuring expected credit losses, such as:

– Determining criteria for significant increase in credit risk;

– Choosing appropriate models and assumptions for the measurement of expected credit losses;

– Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated expected credit losses.

Detailed information about the judgements and estimates made by the Group in the above areas is set out in Note 38(a) credit risk.

(b) Fair value of financial instruments

There are no quoted prices from an active market for a number of financial instruments. The fair values for these financial instruments are established by using valuation techniques. These techniques include using recent arm's length market transactions by referring to the current fair value of similar instruments, discounted cash flow analysis, and option pricing models. Valuation models established by the Group make a maximum use of market input and rely as little as possible on the Group's specific data. However, it should be noted that some inputs, such as credit and counterparty risk, and risk correlations require management's estimates. The Group reviews the above estimations and assumptions periodically and makes adjustment if necessary.

(c) Income taxes

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. The Group carefully evaluates the tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislation. Deferred tax assets are recognised for tax losses not yet used and temporary deductible differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profits will be available against which the unused tax credits can be utilized, management's judgement is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax assets to be recovered.

(d) Impairment of non-financial assets

Non-financial assets are reviewed regularly to determine whether the carrying amount exceeds the recoverable amount of the assets. If any such indication exists, an impairment loss is provided.

Since the market price of an asset (the asset group) may not be obtained reliably, the fair value of the asset may not be estimated reliably. In assessing the present value of future cash flows, significant judgements are exercised over the asset's selling price, related operating expenses and discount rate to calculate the present value. All relevant materials which can be obtained are used for estimation of the recoverable amount, including the estimation of the selling price and related operating expenses based on reasonable and supportable assumption.

(e) Depreciation and amortisation

Property and equipment and intangible assets are depreciated and amortized using the straight-line method over their estimated useful lives after taking into account residual values. The estimated useful lives are regularly reviewed to determine the depreciation and amortisation costs charged in each reporting period. The estimated useful lives are determined based on historical experiences of similar assets and the estimated technical changes. If there is an indication that there has been a change in the factors used to determine the depreciation or amortisation, the amount of depreciation or amortisation will be revised.

(f) Determination of control over investees

Management applies its judgement to determine whether the control indicators set out in Note 2(5) indicate that the Group controls a non-principal guaranteed wealth management product and an asset management plan.

The Group may acquire or retain an ownership interest in, or act as a sponsor to, a structured entity through issuing a wealth management product, an asset management plan, a trust plan, an asset-backed security or an investment fund. Determining whether the Group controls such a structured entity usually focuses on the assessment of the aggregate economic interests of the Group in the entity (comprising any carried interest and expected management fees) and the decision-making authority of the entity. For all these structured entities managed by the Group, the Group's aggregate economic interest is in each case not significant and the decision makers establish, market and manage them according to restricted parameters as set out in the investment agreements as required by laws and regulations. As a result, the Group has concluded that it acts as agent as opposed to principal for the investors in all cases, and therefore has not consolidated these structured entities.

For further disclosure in respect of unconsolidated non-principal guaranteed wealth management products and asset management plans in which the Group has an interest or for which it is a sponsor, see Note 42.

(g) Defined benefit plan

The Group, in accordance with the projected unit credit method, using unbiased and mutually compatible actuarial assumption to estimate related demographic variables and financial variables, measure the obligations under the defined benefit plan, recognise a defined benefit plan liability by the present value of the defined benefit plan. The Group attributes obligations under a defined benefit plan to periods of service provided by employees, with a corresponding charge to profit or loss for the current period or the cost of a relevant asset which include the service cost and interest expense of under a defined benefit plan, changes as a result of remeasurements of the net defined benefit plan liability or asset are recognised in deficit/surplus on remeasurement of net defined benefit liability.

(27) Taxation

The principal income and other taxes to which the Group is subject are listed below:

Taxes	Statutory rates	Tax basis
Corporate income tax	25%	Taxable income
Value-added tax	6%	Taxable added value
City construction and maintenance tax	7% or 5%	Turnover tax paid
Education surcharges	3%	Turnover tax paid

(28) Comparative figures

Certain comparative figures have been adjusted to confirm with the disclosure methods used in financial statements in current year.

3 NET INTEREST INCOME

	2020	2019 (Restated)
Interest income arising from		
Deposits with the central bank	**228,176**	259,017
Deposits with banks and other financial institutions	**54,697**	35,240
Placements with banks and other financial institutions	**44,923**	80,262
Loans and advances to customers		
– Corporate loans and advances	**4,309,699**	3,989,257
– Personal loans	**943,895**	749,298
– Discounted bills	**947,819**	865,375
Financial assets held under resale agreements	**302,622**	349,799
Financial investments	**2,597,560**	2,427,032
Subtotal	**9,429,391**	8,755,280
Interest expense arising from		
Borrowings from the central bank	**(32,023)**	(21,720)
Deposits from banks and other financial institutions	**(105,885)**	(107,698)
Placements from banks and other financial institutions	**(40,858)**	(18,377)
Deposits from customers	**(3,993,046)**	(3,405,542)
Financial assets sold under repurchase agreements	**(238,266)**	(162,115)
Debt securities issued	**(1,578,609)**	(1,780,798)
Subtotal	**(5,988,687)**	(5,496,250)
Net interest income	**3,440,704**	3,259,030

Interest income arising from loans and advances to customers included RMB59 million for the year ended 31 December 2020 with respect to the accreted interest on credit-impaired loans (the year ended 31 December 2019: RMB49 million).

4 NET FEE AND COMMISSION INCOME

(a) Income and expense streams:

	2020	2019 (Restated)
Fee and commission income		
Agency service fees and others	**344,799**	249,078
Acceptance and guarantee service fees	**195,371**	157,439
Wealth management business fees	**148,573**	141,832
Bank card service fees	**122,197**	69,680
Settlement and clearing fees	**79,789**	78,348
Subtotal	**890,729**	696,377
Fee and commission expense		
Settlement and clearing fees	**(125,854)**	(37,185)
Bank card service fees	**(29,030)**	(22,499)
Others	**(23,299)**	(26,141)
Subtotal	**(178,183)**	(85,825)
Net fee and commission income	**712,546**	610,552

(b) Disaggregation of income:

	2020		2019 (Restated)	
	At a point in time	**Over time**	At a point in time	Over time
Agency service fees and others	**244,359**	**100,440**	170,246	78,832
Acceptance and guarantee service fees	**–**	**195,371**	–	157,439
Wealth management business fees	**–**	**148,573**	–	141,832
Bank card service fees	**113,155**	**9,042**	69,680	–
Settlement and clearing fees	**79,789**	**–**	78,348	–
Total	**437,303**	**453,426**	318,274	378,103

5 NET TRADING GAINS

	2020	2019
Net gains from investment management products	**12,785**	61,357
Net gains from funds	**800**	280,824
Exchange gain	**586**	92,889
Net gains/(losses) from derivative financial assets	**70**	(1,415)
Net losses from interbank deposits issued	**(201)**	(14)
Net (losses)/gains from equity investments and others	**(853)**	9,482
Net losses from debt securities	**(132,672)**	(7,755)
Total	**(119,485)**	435,368

6 NET GAINS ARISING FROM INVESTMENT SECURITIES

	2020	2019
Net gains on financial investments at fair value through profit or loss	**804,620**	742,072
Net gains on financial investments at fair value through other comprehensive income	**15,192**	4,172
Total	**819,812**	746,244

7 OTHER OPERATING INCOME

	2020	2019
Government grants	**2,292**	307
Penalty income	**1,373**	7,656
Rental income	**892**	858
Income from long-term unwithdrawn items	**662**	509
Net (losses)/gains on disposal of property and equipment	**(1,180)**	10,059
Others	**10,397**	18,358
Total	**14,436**	37,747

8 OPERATING EXPENSES

	2020	2019
Staff costs		
– Salaries, bonuses and allowances	**829,277**	785,544
– Social insurance and annuity	**96,964**	179,376
– Housing allowances	**66,808**	62,341
– Staff welfares	**51,673**	48,232
– Employee education expenses and labour union expenses	**27,520**	33,148
– Supplementary retirement benefits	**5,300**	17,740
– Others	**7,715**	12,098
Subtotal	**1,085,257**	1,138,479
Depreciation and amortisation	**278,342**	256,415
Taxes and surcharges	**71,272**	66,620
Rental and property management expenses	**48,390**	77,165
Interest expense on lease liabilities	**19,495**	21,615
Other general and administrative expenses	**321,529**	276,489
Total	**1,824,285**	1,836,783

Auditor's remunerations were RMB3.98 million for the year ended 31 December 2020 (2019: RMB3.98 million).

9 DIRECTORS' AND SUPERVISORS' EMOLUMENTS

The emoluments before individual income tax in respect of the directors and supervisors who held office during the year are as follows:

	Year ended 31 December 2020						
	Fees	Salaries	Discretionary bonus	Subtotal	Contributions to social pension schemes	Other welfares	Total
Executive directors							
Wang Junbiao	–	207	156	363	–	97	460
Tang Yiping	–	226	215	441	2	172	615
Wang Peiming	–	204	194	398	2	179	579
Rong Changqing	–	187	173	360	8	233	601
Non-executive directors							
Li Shishan	–	–	–	–	–	–	–
Xiang Lijun	–	–	–	–	–	–	–
Liu Chenhang	–	–	–	–	–	–	–
Li Yang	–	–	–	–	–	–	–
Wang Jianjun	–	–	–	–	–	–	–
Independent non-executive directors							
Sai Zhiyi	–	–	–	–	–	–	–
Wang Liyan	200	–	–	200	–	–	200
Duan Qingshan	200	–	–	200	–	–	200
Jin Haiteng	200	–	–	200	–	–	200
Sun Shihu	200	–	–	200	–	–	200
Ye Xiang	317	–	–	317	–	–	317
Employees' representative supervisors							
Xie Liying	–	204	194	398	2	169	569
Wen Qingquan	–	249	493	742	2	142	886
Guo Zhenrong	–	263	438	701	2	140	843
External supervisors							
Liu Shoubao	200	–	–	200	–	–	200
Wu Jun	200	–	–	200	–	–	200
Liu Min	200	–	–	200	–	–	200
Shareholders' representative supervisors							
Bi Guoyu	–	–	–	–	–	–	–
Xu Jin	–	–	–	–	–	–	–
Xia Guisuo	–	–	–	–	–	–	–
Total	1,717	1,540	1,863	5,120	18	1,132	6,270

	Year ended 31 December 2019						
	Fees	Salaries	Discretionary bonus	Subtotal	Contributions to social pension schemes	Other welfares	Total
Executive directors							
Yan Junsheng	–	226	227	453	28	68	549
Tang Yiping	–	226	227	453	28	68	549
Li Jianqiang	–	2	35	37	–	–	37
Wang Peiming	–	204	204	408	28	105	541
Rong Changqing	–	204	174	378	46	179	603
Non-executive directors							
Li Shishan	–	–	–	–	–	–	–
Xiang Lijun	–	–	–	–	–	–	–
Liu Chenhang	–	–	–	–	–	–	–
Li Yang	–	–	–	–	–	–	–
Wang Jianjun	–	–	–	–	–	–	–
Independent non-executive directors							
Jin Haiteng	200	–	–	200	–	–	200
Sun Shihu	200	–	–	200	–	–	200
Wang Liyan	200	–	–	200	–	–	200
Duan Qingshan	200	–	–	200	–	–	200
Sai Zhiyi	–	–	–	–	–	–	–
Ye Xiang	67	–	–	67	–	–	67
Employees' representative supervisors							
Xie Liying	–	204	203	407	28	125	560
Li Weiqiang	–	92	280	372	12	55	439
Shangguan Yujiang	–	95	344	439	12	55	506
Wen Qingquan	–	130	260	390	19	93	502
Guo Zhenrong	–	133	249	382	19	92	493
External supervisors							
Liu Shoubao	200	–	–	200	–	–	200
Wu Jun	200	–	–	200	–	–	200
Liu Min	200	–	–	200	–	–	200
Shareholders' representative supervisors							
Bi Guoyu	–	–	–	–	–	–	–
Xu Jin	–	–	–	–	–	–	–
Xia Guisuo	–	–	–	–	–	–	–
Total	1,467	1,516	2,203	5,186	220	840	6,246

There was no amount paid during the year to the directors in connection with their retirement from employment or compensation for loss of office with the Group, or inducement to join the Group. There was no arrangement under which a director or supervisor waived or agreed to waive any remuneration during the year.

Notes:

(a) On 25 January 2019, Li Jianqiang resigned as an executive director.

(b) In the meeting of the labor union committee of the Bank on 13 May 2019, Li Weiqiang and Shangguan Yujiang resigned as employees' representative supervisors.

(c) In the meeting of the labor union committee of the Bank on 13 May 2019, Wen Qingquan and Guo Zhenrong were elected as employees' representative supervisors.

(d) On 8 January 2020, Yan Junsheng resigned as an executive director.

(e) In the extraordinary general meeting of the Bank on 10 March 2020, Wang Junbiao was elected as executive director of the Bank. His directorship is subject to the approval by CBIRC Shanxi Office to come into effect.

(f) On 20 November 2020, Rong Changqing resigned as an executive director.

(g) On 9 December 2020, Tang Yiping resigned as an executive director.

(h) On 20 January 2021, Wang Peiming resigned as an executive director.

10 INDIVIDUALS WITH HIGHEST EMOLUMENTS

For the year ended 31 December 2020, the five individuals with highest emoluments did not include any directors and supervisors of the Bank.

The emoluments for the five highest paid individuals for the year ended 31 December 2020 are as follows:

	2020	2019
Salaries and other emoluments	**1,382**	961
Discretionary bonuses	**7,825**	12,978
Contributions to pension schemes	**12**	140
Others	**501**	410
Total	**9,720**	14,489

The number of these individuals whose emoluments are within the following bands is set out below:

	2020	2019
HKD1,500,001- 2,000,000	**–**	–
HKD2,000,001- 2,500,000	**4**	1
HKD2,500,001- 3,000,000	**1**	1
HKD3,000,001- 3,500,000	**–**	1
HKD3,500,001- 4,000,000	**–**	1
HKD4,000,001- 4,500,000	**–**	1
HKD4,500,001- 5,000,000	**–**	–
HKD5,000,001- 5,500,000	**–**	–

None of these individuals received any inducement to join or upon joining the Group or as compensation for loss of office, or waived any emoluments during the year.

11 IMPAIRMENT LOSSES ON ASSETS

	2020	2019
Loans and advances to customers	**992,493**	1,008,870
Credit commitments	**345,409**	148,825
Financial investments	**90,641**	504,208
Deposits with banks and other financial institutions	**487**	13
Placements with banks and other financial institutions	**42**	7
Others	**23,860**	5,673
Subtotal of impairment losses on credit	**1,452,932**	1,667,596
Other impairment losses on assets	**–**	(2,115)
Total	**1,452,932**	1,665,481

12 INCOME TAX EXPENSE

(a) Income tax expense:

	Note	2020	2019
Current tax		**280,626**	295,496
Deferred tax	*23(b)*	**(239,152)**	(170,389)
Total		**41,474**	125,107

(b) Reconciliations between income tax and accounting profit are as follows:

		2020	2019
Profit before tax		**1,612,339**	1,607,555
Statutory tax rate		**25%**	25%
Income tax calculated at the statutory tax rate		**403,085**	401,889
Non-deductible expenses		**21,904**	48,736
Non-taxable income	*(i)*	**(383,515)**	(325,518)
Income tax		**41,474**	125,107

(i) The non-taxable income mainly represents the interest income arising from the People's Republic of China (the "PRC") government bonds, and dividends from domestic enterprises.

13 BASIC AND DILUTED EARNINGS PER SHARE

	Note	**2020**	2019
Net profit attributable to equity holders of the Bank		**1,566,712**	1,483,630
Weighted average number of ordinary shares (in thousands)	*(a)*	**5,838,650**	5,301,261
Basic and diluted earnings per share attributable to equity holders of the Bank (in RMB)		**0.27**	0.28

There is no difference between basic and diluted earnings per share as there were no potentially dilutive shares outstanding during the year.

(a) Weighted average number of ordinary shares (in thousands)

	2020	2019
Number of ordinary shares at the beginning of the year	**5,838,650**	4,868,000
Weighted average number of ordinary shares issued during the year	**–**	433,261
Weighted average number of ordinary shares	**5,838,650**	5,301,261

On 18 July 2019, the Bank issued 860 million H shares with a par value of RMB1 at an offering price of HKD3.82 per share. On 14 August 2019, the Bank exercised the over-allotment option and issued 111 million H shares with a par value of RMB1 at HKD3.82 per share.

Basic earnings per share has been computed by taking into account the aforesaid shares subscribed by the investors during the period.

14 CASH AND DEPOSITS WITH THE CENTRAL BANK

	Note	**31 December 2020**	31 December 2019
Cash on hand		**346,696**	244,124
Deposits with the central bank			
– Statutory deposit reserves	*(a)*	**13,595,756**	13,048,479
– Surplus deposit reserves	*(b)*	**6,524,372**	5,554,358
– Fiscal deposits		**62,270**	254,946
Subtotal		**20,182,398**	18,857,783
Interest accrued		**6,708**	6,418
Total		**20,535,802**	19,108,325

(a) The Group places statutory deposit reserves with the PBoC in accordance with relevant regulations. As at the end of each year, the statutory deposit reserve ratios applicable to the Bank were as follows:

	31 December 2020	31 December 2019
Reserve ratio for RMB deposits	**8.0%**	8.5%
Reserve ratio for foreign currency deposits	**5.0%**	5.0%

The statutory deposit reserves are not available for the Bank's daily business. The subsidiary of the Bank is required to place statutory RMB deposit reserve at rates determined by the PBoC.

(b) The surplus deposit reserves are maintained with the PBoC for the purpose of clearing.

15 DEPOSITS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

Analysed by type and location of counterparty

	31 December 2020	31 December 2019
Deposits in mainland China		
– Banks	**1,384,789**	612,733
– Other financial institutions	**813,010**	536,059
Subtotal	**2,197,799**	1,148,792
Deposits outside mainland China		
– Banks	**32,798**	147,672
Interest accrued	**14,093**	7,361
Less: Provision for impairment losses	**(653)**	(166)
Total	**2,244,037**	1,303,659

16 PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

Analysed by type and location of counterparty

	31 December 2020	31 December 2019
Placements in mainland China		
– Banks	**1,100,000**	1,300,000
Subtotal	**1,100,000**	1,300,000
Interest accrued	**485**	383
Less: Provision for impairment losses	**(50)**	(8)
Total	**1,100,435**	1,300,375

17 FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

(a) Analysed by type and location of counterparty

	31 December 2020	31 December 2019
In mainland China		
– Banks	**17,127,861**	13,675,474
– Other financial institutions	**1,786,790**	2,949,522
Subtotal	**18,914,651**	16,624,996
Interest accrued	**655**	5,023
Less: Provision for impairment losses	**(1)**	(1)
Total	**18,915,305**	16,630,018

(b) Analysed by type of collateral held

	31 December 2020	31 December 2019
Securities		
– Government	**3,510,640**	1,095,000
– Policy banks	**846,171**	1,779,923
– Commercial banks and other financial institutions	**–**	2,244,448
Subtotal	**4,356,811**	5,119,371
Bank acceptances	**14,557,840**	11,505,625
Subtotal	**18,914,651**	16,624,996
Interest accrued	**655**	5,023
Less: Provision for impairment losses	**(1)**	(1)
Total	**18,915,305**	16,630,018

As at 31 December 2020 and 31 December 2019, certain financial assets held under buyout resale agreements were pledged for repurchase agreements (Note 41(f)).

18 LOANS AND ADVANCES TO CUSTOMERS

(a) Analysed by nature

	31 December 2020	31 December 2019
Loans and advances to customers measured at amortised cost:		
Corporate loans and advances	**84,459,556**	72,750,413
Personal loans		
– Residential mortgage loans	**14,340,584**	10,787,868
– Personal consumption loans	**1,705,336**	1,628,255
– Personal business loans	**2,140,593**	2,569,126
– Credit cards	**3,858,360**	2,850,087
Subtotal	**22,044,873**	17,835,336
Interest accrued	**585,848**	490,986
Less: Provision for loans and advances to customers measured at amortised cost	**(4,854,175)**	(4,260,918)
Subtotal	**102,236,102**	86,815,817
Loans and advances to customers measured at fair value through other comprehensive income:		
Corporate loans and advances	**–**	187,447
Discounted bills	**29,600,410**	24,709,293
Subtotal	**29,600,410**	24,896,740
Net loans and advances to customers	**131,836,512**	111,712,557

(b) Loans and advances to customers (excluding interest accrued) analysed by industry sector

	31 December 2020		
	Amount	**Percentage**	**Loans and advances secured by collateral**
Manufacturing	**28,018,543**	**20.59%**	**4,326,494**
Mining	**19,032,833**	**13.98%**	**2,370,984**
Real estate	**10,415,971**	**7.65%**	**4,082,473**
Public administration, public security and social organisations	**6,016,234**	**4.42%**	**580,783**
Wholesale and retail trade	**5,868,055**	**4.31%**	**2,461,447**
Leasing and commercial services	**5,812,215**	**4.27%**	**706,627**
Construction	**4,963,959**	**3.65%**	**556,471**
Production and supply of electric power, gas and water	**1,361,798**	**1.00%**	**156,900**
Transportation, storage and postal services	**858,159**	**0.63%**	**44,929**
Agriculture, forestry, animal husbandry and fishery	**558,427**	**0.41%**	**79,328**
Education	**38,197**	**0.03%**	**24,997**
Others	**1,515,165**	**1.11%**	**1,399,739**
Subtotal of corporate loans and advances	**84,459,556**	**62.05%**	**16,791,172**
Personal loans	**22,044,873**	**16.20%**	**8,294,083**
Discounted bills	**29,600,410**	**21.75%**	**29,600,410**
Gross loans and advances to customers	**136,104,839**	**100.00%**	**54,685,665**

	31 December 2019		
	Amount	Percentage	Loans and advances secured by collateral
Manufacturing	22,784,905	19.73%	4,131,709
Mining	16,645,944	14.41%	1,741,882
Real estate	11,386,899	9.86%	3,346,282
Wholesale and retail trade	5,964,871	5.17%	2,195,908
Leasing and commercial services	4,900,715	4.24%	1,076,901
Public administration, public security and social organisations	4,328,290	3.75%	585,726
Construction	3,949,962	3.42%	841,076
Transportation, storage and postal services	1,136,420	0.98%	405,100
Production and supply of electric power, gas and water	1,006,733	0.87%	249,273
Agriculture, forestry, animal husbandry and fishery	114,370	0.10%	33,870
Education	38,397	0.03%	29,897
Others	680,354	0.60%	549,325
Subtotal of corporate loans and advances	72,937,860	63.16%	15,186,949
Personal loans	17,835,336	15.44%	4,706,774
Discounted bills	24,709,293	21.40%	24,709,293
Gross loans and advances to customers	115,482,489	100.00%	44,603,016

As at the end of the reporting period and during the year, detailed information of the impaired loans and advances to customers (excluding interests accrued) as well as the corresponding provision for impairment losses in respect of each industry sector which constitutes 10% or more of gross loans and advances to customers are as follows:

	31 December 2020					
	Credit-impaired loans and advances	**Loans and advances that are assessed for expected credit losses over the next 12 months**	**Loans and advances that are not credit-impaired and assessed for lifetime expected credit losses**	**Credit-impaired loans and advances that are assessed for lifetime expected credit losses**	**Impairment losses charged during the year**	**Written-off during the year**
Manufacturing	**760,296**	**876,874**	**154,441**	**292,667**	**(22,916)**	**–**
Mining	**713,484**	**589,135**	**187,901**	**244,360**	**14,578**	**–**

	31 December 2019					
	Credit-impaired loans and advances	Loans and advances that are assessed for expected credit losses over the next 12 months	Loans and advances that are not credit-impaired and assessed for lifetime expected credit losses	Credit-impaired loans and advances that are assessed for lifetime expected credit losses	Impairment losses charged during the year	Written-off during the year
Manufacturing	790,717	693,570	310,050	343,278	351,800	16,347
Mining	562,886	436,835	256,204	313,779	331,321	8,275

(c) Analysed by type of collateral

	31 December 2020	31 December 2019
Unsecured loans	**12,224,097**	8,848,004
Guaranteed loans	**69,195,077**	62,031,469
Collateralised loans	**20,277,695**	15,528,913
Pledged loans	**34,407,970**	29,074,103
Subtotal	**136,104,839**	115,482,489
Interest accrued	**585,848**	490,986
Gross loans and advances to customers	**136,690,687**	115,973,475
Less: Provision for loans and advances to customers measured at amortised cost	**(4,854,175)**	(4,260,918)
Net loans and advances to customers	**131,836,512**	111,712,557

(d) Overdue loans (excluding interest accrued) analysed by overdue period

	31 December 2020				
	Overdue within three months (inclusive)	**Overdue for more than three months to one year (inclusive)**	**Overdue for more than one year to three years (inclusive)**	**Overdue for more than three years**	**Total**
Unsecured loans	**53,530**	**70,523**	**34,318**	**542**	**158,913**
Guaranteed loans	**291,498**	**881,745**	**242,904**	**132,172**	**1,548,319**
Collateralised loans	**142,725**	**591,709**	**174,687**	**38,422**	**947,543**
Pledged loans	**5,330**	**1,900**	**9,500**	**3,122**	**19,852**
Total	**493,083**	**1,545,877**	**461,409**	**174,258**	**2,674,627**
As a percentage of gross loans and advances to customers	**0.36%**	**1.14%**	**0.34%**	**0.13%**	**1.97%**

	31 December 2019				
	Overdue within three months (inclusive)	Overdue for more than three months to one year (inclusive)	Overdue for more than one year to three years (inclusive)	Overdue for more than three years	Total
Unsecured loans	25,754	19,338	11,450	30	56,572
Guaranteed loans	2,236,039	878,945	498,382	444,310	4,057,676
Collateralised loans	199,449	153,486	76,977	13,474	443,386
Pledged loans	86,723	–	10,000	971	97,694
Total	2,547,965	1,051,769	596,809	458,785	4,655,328
As a percentage of gross loans and advances to customers	2.21%	0.91%	0.52%	0.40%	4.04%

Overdue loans represent loans of which the whole or part of the principals or interest were overdue for one day or more.

(e) Loans and advances and provision for impairment losses

	31 December 2020			
	Loans and advances that are assessed for expected credit losses over the next 12 months	**Loans and advances that are not credit-impaired and assessed for lifetime expected credit losses**	**Credit-impaired loans and advances that are assessed for lifetime expected credit losses *(i)***	**Total**
Total loans and advances to customers measured at amortised cost	**101,686,785**	**2,897,228**	**2,506,264**	**107,090,277**
Less: Provision for impairment losses	**(2,980,705)**	**(718,958)**	**(1,154,512)**	**(4,854,175)**
Carrying amount of loans and advances to customers measured at amortised cost	**98,706,080**	**2,178,270**	**1,351,752**	**102,236,102**
Carrying amount of loans and advances to customers measured at fair value through other comprehensive income	**29,598,010**	**–**	**2,400**	**29,600,410**
Net loans and advances to customers	**128,304,090**	**2,178,270**	**1,354,152**	**131,836,512**

	31 December 2019			
	Loans and advances that are assessed for expected credit losses over the next 12 months	Loans and advances that are not credit-impaired and assessed for lifetime expected credit losses	Credit-impaired loans and advances that are assessed for lifetime expected credit losses *(i)*	Total
Total loans and advances to customers measured at amortised cost	84,559,772	4,376,354	2,140,609	91,076,735
Less: Provision for impairment losses	(2,223,034)	(906,674)	(1,131,210)	(4,260,918)
Carrying amount of loans and advances to customers measured at amortised cost	82,336,738	3,469,680	1,009,399	86,815,817
Carrying amount of loans and advances to customers measured at fair value through other comprehensive income	24,894,340	–	2,400	24,896,740
Net loans and advances to customers	107,231,078	3,469,680	1,011,799	111,712,557

Notes:

(i) The loans and advances are "credit-impaired" when one or more events that have a detrimental impact on the estimated future cash flows of the loans and advances have occurred. Evidence that loans and advances are credit-impaired includes the following observable data: significant financial difficulty of the borrower or issuer; a breach of contract, such as a default or delinquency in interest or principal payments; for economic or contractual reasons relating to the borrower's financial difficulty, the Group having granted to the borrower a concession that otherwise would not consider; it is probable that the borrower will enter bankruptcy or other financial reorganisation; the disappearance of an active market for that financial asset because of financial difficulties; or debts overdue for more than 90 days.

(f) Movements in provision for impairment losses

(i) Movements in provision for impairment losses on loans and advances to customers measured at amortised cost:

	Year ended 31 December 2020			
	Loans and advances that are assessed for expected credit losses over the next 12 months	**Loans and advances that are not credit-impaired and assessed for lifetime expected credit losses**	**Credit-impaired loans and advances that are assessed for lifetime expected credit losses**	**Total**
As at 1 January	**2,223,034**	**906,674**	**1,131,210**	**4,260,918**
Transferred:				
– to expected credit losses over the next 12 months	**22,649**	**(21,428)**	**(1,221)**	**–**
– to lifetime expected credit losses: not credit-impaired loans	**(10,582)**	**14,512**	**(3,930)**	**–**
– to lifetime expected credit losses: credit-impaired loans	**(21,503)**	**(298,619)**	**320,122**	**–**
Charge for the year	**767,107**	**117,819**	**115,365**	**1,000,291**
Transfer out	**–**	**–**	**(353,707)**	**(353,707)**
Recoveries	**–**	**–**	**21,103**	**21,103**
Write-offs	**–**	**–**	**(15,032)**	**(15,032)**
Other changes	**–**	**–**	**(59,398)**	**(59,398)**
As at 31 December	**2,980,705**	**718,958**	**1,154,512**	**4,854,175**

	Year ended 31 December 2019			
	Loans and advances that are assessed for expected credit losses over the next 12 months	Loans and advances that are not credit-impaired and assessed for lifetime expected credit losses	Credit-impaired loans and advances that are assessed for lifetime expected credit losses	Total
As at 1 January	2,158,195	776,736	1,082,335	4,017,266
Transferred:				
– to expected credit losses over the next 12 months	968	(968)	–	–
– to lifetime expected credit losses: not credit-impaired loans	(50,757)	50,773	(16)	–
– to lifetime expected credit losses: credit-impaired loans	(8,696)	(148,717)	157,413	–
Charge for the year	123,324	228,850	656,094	1,008,268
Transfer out	–	–	(545,733)	(545,733)
Recoveries	–	–	928	928
Write-offs	–	–	(170,859)	(170,859)
Other changes	–	–	(48,952)	(48,952)
As at 31 December	2,223,034	906,674	1,131,210	4,260,918

(ii) ***Movements in provision for impairment of loans and advances to customers measured at fair value through other comprehensive income:***

	Year ended 31 December 2020			
	Loans and advances that are assessed for expected credit losses over the next 12 months	**Loans and advances that are not credit-impaired and assessed for lifetime expected credit losses**	**Credit-impaired loans and advances that are assessed for lifetime expected credit losses**	**Total**
As at 1 January	**12,506**	**–**	**9,600**	**22,106**
Reversal for the year	**(7,798)**	**–**	**–**	**(7,798)**
As at 31 December	**4,708**	**–**	**9,600**	**14,308**

	Year ended 31 December 2019			
	Loans and advances that are assessed for expected credit losses over the next 12 months	Loans and advances that are not credit-impaired and assessed for lifetime expected credit losses	Credit-impaired loans and advances that are assessed for lifetime expected credit losses	Total
As at 1 January	13,104	–	8,400	21,504
(Reversal)/charge for the year	(598)	–	1,200	602
As at 31 December	12,506	–	9,600	22,106

Provision for impairment losses on loans and advances to customers measured at fair value through other comprehensive income is recognised in other comprehensive income without decreasing the carrying amount of loans and advances to customers presented in the statement of financial position, and impairment loss or gain is recognised in profit or loss.

(g) Disposal of loans and advances to customers

During the year ended 31 December 2020, the Group transferred loans and advances with a gross amount of RMB1,757 million (31 December 2019: RMB644 million) to independent third parties, and the transfer price was RMB1,368 million (31 December 2019: RMB98 million).

During the years ended 31 December 2020 and 31 December 2019, the Group did not transfer any portfolio of customer loans and advances through the asset securitisation business.

19 FINANCIAL INVESTMENTS

	Note	**31 December 2020**	31 December 2019
Financial investments measured at fair value through profit or loss	*(a)*	**29,775,086**	29,976,480
Financial investments measured at fair value through other comprehensive income	*(b)*	**8,898,454**	11,709,118
Financial investments measured at amortised cost	*(c)*	**52,986,363**	51,227,041
Total		**91,659,903**	92,912,639

(a) Financial investments measured at fair value through profit or loss

	31 December 2020	31 December 2019
Debt securities issued by the following institutions in Mainland China		
– Government	**694,844**	696,031
– Policy banks	**98,255**	205,461
– Banks and other financial institutions	**738,782**	98,182
– Corporates	**208,394**	199,343
Subtotal	**1,740,275**	1,199,017
Investment funds	**25,375,979**	26,387,551
Investment management products	**2,608,677**	2,330,815
Other investments	**50,155**	59,097
Total	**29,775,086**	29,976,480

As at the end of each year, there were no investments subject to material restrictions in the realization.

(b) Financial investments measured at fair value through other comprehensive income

	31 December 2020	31 December 2019
Debt securities issued by the following institutions in Mainland China		
– Government	**4,766,504**	4,265,396
– Policy banks	**1,525,382**	1,406,987
– Banks and other financial institutions	**499,978**	235,199
– Corporates	**300,609**	101,367
Subtotal	**7,092,473**	6,008,949
Interest accrued	**95,507**	98,145
Subtotal	**7,187,980**	6,107,094
Interbank deposits	**884,407**	4,678,317
Investment management products	**658,382**	743,270
Interest accrued	**32,232**	29,247
Subtotal	**690,614**	772,517
Equity investments	**135,453**	151,190
Total	**8,898,454**	11,709,118

Notes:

(i) As at 31 December 2020 and 31 December 2019, there were no investments subject to material restrictions in the realisation.

(ii) Movements in provision for impairment of financial investments measured at fair value through other comprehensive income:

	Year ended 31 December 2020			
	Expected credit losses over the next 12 months	**Lifetime expected credit losses not credit-impaired**	**Lifetime expected credit losses credit-impaired**	**Total**
Balance at 1 January	**2,321**	**–**	**–**	**2,321**
Charge for the year	**561**	**–**	**–**	**561**
Balance at 31 December	**2,882**	**–**	**–**	**2,882**

	Year ended 31 December 2019			
	Expected credit losses over the next 12 months	Lifetime expected credit losses not credit-impaired	Lifetime expected credit losses credit-impaired	Total
Balance at 1 January	1,449	–	–	1,449
Charge for the year	872	–	–	872
Balance at 31 December	2,321	–	–	2,321

Provision for impairment losses on financial investments measured at fair value through other comprehensive income is recognised in other comprehensive income without decreasing the carrying amount of financial investments presented in the statement of financial position, and impairment loss or gain is recognised in profit or loss.

(c) Financial investments measured at amortised cost

	Note	**31 December 2020**	31 December 2019
Debt securities issued by the following institutions in Mainland China	*(i)*		
– Government		**30,479,109**	22,446,690
– Policy banks		**2,132,540**	3,552,145
– Corporates		**1,110,994**	640,914
Interest accrued		**461,078**	384,826
Subtotal		**34,183,721**	27,024,575
Interbank deposits		**685,866**	–
Investment management products		**19,272,015**	25,202,601
Interest accrued		**395,713**	460,737
Subtotal		**19,667,728**	25,663,338
Less: Provision for impairment losses	*(ii)*	**(1,550,952)**	(1,460,872)
Total		**52,986,363**	51,227,041

(i) As at the end of each of the reporting periods, certain debt securities were pledged for repurchase agreements (Note 41(f)).

(ii) Movements in provision for impairment losses on financial investments measured at amortised cost:

	Year ended 31 December 2020			
	Expected credit losses over the next 12 months	**Lifetime expected credit losses not credit-impaired**	**Lifetime expected credit losses credit-impaired**	**Total**
Balance at 1 January	**489,084**	**1,975**	**969,813**	**1,460,872**
Transfers:				
– to lifetime expected credit losses credit-impaired	**–**	**(1,975)**	**1,975**	**–**
Charge/(reversal) for the year	**(70,109)**	**232,000**	**(71,811)**	**90,080**
Balance at 31 December	**418,975**	**232,000**	**899,977**	**1,550,952**

	Year ended 31 December 2019			
	Expected credit losses over the next 12 months	Lifetime expected credit losses not credit-impaired	Lifetime expected credit losses credit-impaired	Total
Balance at 1 January	468,002	37,064	452,470	957,536
Transfers:				
– to lifetime expected credit losses credit-impaired	(3,363)	(37,064)	40,427	–
Charge for the year	24,445	1,975	476,916	503,336
Balance at 31 December	489,084	1,975	969,813	1,460,872

(d) Financial investments are analysed as follows:

	31 December 2020	31 December 2019
Financial investments measured at fair value through profit or loss		
Debt securities		
– Listed	**1,631,868**	932,877
– Unlisted	**108,407**	266,140
Fund investments and others		
– Unlisted	**28,034,811**	28,777,463
Subtotal	**29,775,086**	29,976,480
Financial investments measured at fair value through other comprehensive income		
Debt securities		
– Listed	**7,187,980**	5,033,359
– Unlisted	**–**	1,073,735
Interbank deposits		
– Listed	**884,407**	4,678,317
Equity investments and investment management products		
– Unlisted	**826,067**	923,707
Subtotal	**8,898,454**	11,709,118
Financial investments measured at amortised cost		
Debt securities		
– Listed	**33,681,601**	23,959,043
– Unlisted	**381,100**	3,063,597
Interbank deposits		
– Listed	**685,435**	–
Investment management products		
– Unlisted	**18,238,227**	24,204,401
Subtotal	**52,986,363**	51,227,041
Total	**91,659,903**	92,912,639
Listed	**44,071,291**	34,603,596
Unlisted	**47,588,612**	58,309,043
Total	**91,659,903**	92,912,639

Interbank deposits traded in the Mainland China interbank bond market are included in "Listed".

20 INTEREST IN AN ASSOCIATE

	31 December 2020	31 December 2019
Interest in an associate	**294,119**	272,576

The following table contains information about the Bank's associate which is immaterial to the Bank and is an unlisted corporate entity whose quoted market price is not available:

Name	**Percentage of equity/voting rights 31 December 2020**	31 December 2019	**Place of incorporation/ registration**	**Business sector**
Jinshang Consumer Finance Co., Ltd.	**40%**	40%	Shanxi, China	Consumer finance

In February 2016, the Bank and other third-party shareholders jointly established Jinshang Consumer Finance Co., Ltd. (Jinshang Consumer Finance), which was registered in Taiyuan, Shanxi, China with its main business operating in China. The registered capital of Jinshang Consumer Finance amounted to RMB500 million and the Bank holds 40% of the equity of Jinshang Consumer Finance. As at 31 December 2020, Jinshang Consumer Finance has share capital of RMB500 million.

The following tables illustrate the financial information of the Group's associate that is not individually material:

	31 December 2020	31 December 2019
Carrying amount of individually the immaterial associate in the statement of financial position of the Bank	**294,119**	272,576
Amounts of the Bank's share of results of the associate		
– Profit from continuing operations	**21,543**	20,878
– Other comprehensive income	**–**	–
– Total comprehensive income	**21,543**	20,878

21 INVESTMENT IN A SUBSIDIARY

	31 December 2020	31 December 2019
Qingxu Village and Township Bank (清徐晉商村鎮銀行股份有限公司)	**25,500**	25,500

Qingxu Jinshang Village and Township Bank Co., Ltd (Qingxu Village and Township Bank) was incorporated on 19 January 2012, which was registered in Taiyuan, Shanxi, China with registered capital of RMB50 million. The principal activities of Qingxu Village and Township Bank are in China, and it is a corporate legal entity and a non-wholly-owned subsidiary of the Bank. As at 31 December 2020 and 31 December 2019, the Bank holds the provision of 51% of equity interests and voting rights of Qingxu Village and Township Bank. As at 31 December 2020, Qingxu Village and Township Bank has share capital of RMB50 million.

22 PROPERTY AND EQUIPMENT

	Premises	Office equipment	Motor vehicles	Electronic equipment	Leasehold improvements	Total
Cost						
As at 1 January 2019	811,653	35,873	14,716	388,306	368,755	1,619,303
Additions	783,927	4,158	–	44,240	14,565	846,890
Disposals	(6,528)	(210)	–	(2,686)	(28,379)	(37,803)
As at 31 December 2019	1,589,052	39,821	14,716	429,860	354,941	2,428,390
Additions	65,910	16,288	2,032	54,797	19,598	158,625
Disposals	–	(1,412)	(3,287)	(17,390)	(2,754)	(24,843)
As at 31 December 2020	**1,654,962**	**54,697**	**13,461**	**467,267**	**371,785**	**2,562,172**
Accumulated depreciation						
As at 1 January 2019	(228,083)	(24,443)	(13,192)	(303,818)	(303,141)	(872,677)
Charge for the year	(56,443)	(4,117)	(468)	(37,618)	(25,386)	(124,032)
Disposals	4,509	125	–	2,261	26,079	32,974
As at 31 December 2019	(280,017)	(28,435)	(13,660)	(339,175)	(302,448)	(963,735)
Charge for the year	(77,246)	(3,152)	(624)	(41,228)	(21,007)	(143,257)
Disposals	–	1,365	3,188	16,816	2,367	23,736
As at 31 December 2020	**(357,263)**	**(30,222)**	**(11,096)**	**(363,587)**	**(321,088)**	**(1,083,256)**
Net book value						
As at 31 December 2019	1,309,035	11,386	1,056	90,685	52,493	1,464,655
As at 31 December 2020	**1,297,699**	**24,475**	**2,365**	**103,680**	**50,697**	**1,478,916**

As at 31 December 2020, the net book values of premises of which title deeds were not yet finalised totalled RMB653 million (31 December 2019: RMB690 million). The Group is still in the progress of applying for the outstanding title deeds for the above premises. The directors of the Bank are of the opinion that there would be no significant costs in obtaining the title deeds.

The net book values of premises as at the end of each of the reporting periods are analysed by the remaining terms of the leases as follows:

	31 December 2020	31 December 2019
Held in Mainland China		
– Medium-term leases (10-50 years)	**1,297,699**	1,309,035

23 DEFERRED TAX ASSETS

(a) Analysed by nature

	31 December 2020		31 December 2019	
	Deductible/ (taxable) temporary differences	**Deferred income tax assets/ (liabilities)**	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)
Deferred income tax assets				
– Allowance for impairment losses	**5,754,328**	**1,438,582**	4,937,139	1,234,285
– Accrued staff costs	**628,040**	**157,010**	597,791	149,448
– Others	**533,528**	**133,382**	539,469	134,867
Subtotal	**6,915,896**	**1,728,974**	6,074,399	1,518,600
Deferred income tax liabilities				
– Fair value changes of financial assets	**(133,376)**	**(33,344)**	(309,955)	(77,489)
Subtotal	**(133,376)**	**(33,344)**	(309,955)	(77,489)
Net balances	**6,782,520**	**1,695,630**	5,764,444	1,441,111

(b) Movements in deferred tax

	Allowance for impairment losses *(i)*	**Accrued staff costs**	**Change in fair value** *(ii)*	**Others**	**Net balance of deferred tax assets**
1 January 2019	1,046,712	144,712	(7,557)	84,885	1,268,752
Recognised in profit or loss	187,573	4,154	(71,688)	49,982	170,021
Recognised in other comprehensive income	–	582	1,756	–	2,338
31 December 2019	1,234,285	149,448	(77,489)	134,867	1,441,111
Recognised in profit or loss	204,297	7,714	30,435	(1,485)	240,961
Recognised in other comprehensive income	–	(152)	13,710	–	13,558
31 December 2020	1,438,582	157,010	(33,344)	133,382	1,695,630

Notes:

(i) The Group made provision for impairment losses on loans and advances to customers and other assets. The provision for impairment losses was determined based on the expected recoverable amount of the relevant assets at the end of the reporting period. However, the amounts deductible for income tax purposes are calculated at 1% of the gross carrying amount of qualifying assets at the end of the reporting period, together with write-offs which fulfill specific criteria as set out in the PRC tax rules and are approved by the tax authorities.

(ii) Net gains or losses on fair value changes of financial instruments are subject to tax when realised.

24 OTHER ASSETS

	Note	31 December 2020	31 December 2019
Accounts receivable and prepayments		**433,405**	608,853
Right-of-use assets	*(a)*	**412,964**	503,471
Intangible assets	*(b)*	**186,781**	167,971
Land use rights	*(c)*	**63,568**	65,786
Repossessed assets	*(d)*	**59,480**	14,562
Interest receivables	*(e)*	**40,633**	69,983
Long-term deferred expenses		**15,806**	9,922
Subtotal		**1,212,637**	1,440,548
Less: Allowances for impairment losses		**(29,785)**	(15,250)
Total		**1,182,852**	1,425,298

(a) Right-of-use assets

	Premises
Cost	
As at 1 January 2019	570,962
Additions	35,105
Deductions	(6,498)
As at 31 December 2019	599,569
Additions	49,103
Deductions	(42,244)
As at 31 December 2020	606,428
Accumulated depreciation	
As at 1 January 2019	–
Additions	(97,119)
Deductions	1,021
As at 31 December 2019	(96,098)
Additions	(100,141)
Deductions	2,775
As at 31 December 2020	(193,464)
Net book value	
As at 31 December 2019	503,471
As at 31 December 2020	412,964

(b) Intangible assets

	Computer software and system development
Cost	
As at 1 January 2019	247,485
Additions	56,002
Disposals	–
As at 31 December 2019	303,487
Additions	51,253
Disposals	(13,451)
As at 31 December 2020	341,289
Accumulated amortisation	
As at 1 January 2019	(107,870)
Additions	(27,646)
Disposals	–
As at 31 December 2019	(135,516)
Additions	(29,754)
Disposals	10,762
As at 31 December 2020	(154,508)
Book value	
As at 31 December 2019	167,971
As at 31 December 2020	186,781

(c) Land use rights

The carrying value of land use rights is analysed based on the remaining terms of the leases as follows:

	31 December 2020	31 December 2019
Located in mainland China:		
10-50 years	**63,568**	65,786

The Group's right-of-use assets include the above fully prepaid land use rights and other right-of-use assets disclosed in note 24(a).

The Group's land use right amortization period is between 25 and 50 years.

(d) Repossessed assets

	31 December 2020	31 December 2019
Land use right and buildings	**59,480**	14,562
Less: impairment allowances	**(1,709)**	(1,709)
Net balances	**57,771**	12,853

(e) Interest receivables

	31 December 2020	31 December 2019
Interest receivables arising from:		
Loans and advances to customers	**40,633**	69,983
Total	**40,633**	69,983

As at 31 December 2020 and 31 December 2019, interest receivables only include interest that has been due for the relevant financial instruments but not yet received at the balance sheet date. Interest on financial instruments based on the effective interest method has been reflected in the balance of the corresponding financial instruments.

25 DEPOSITS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

Analysed by type of and location of counterparty

	31 December 2020	31 December 2019
Deposits in mainland China		
– Banks	**1,877,799**	3,832,947
– Other financial institutions	**19,338**	360,969
Subtotal	**1,897,137**	4,193,916
Interest accrued	**8,647**	17,392
Total	**1,905,784**	4,211,308

26 PLACEMENTS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

Analysed by type and location of counterparty

	31 December 2020	31 December 2019
Placements in mainland China		
– Banks	**800,000**	1,010,000
– Other financial institutions	**–**	900,000
Subtotal	**800,000**	1,910,000
Interest accrued	**730**	1,455
Total	**800,730**	1,911,455

27 FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

(a) Analysed by type and location of counterparty

	31 December 2020	31 December 2019
In mainland China		
– Banks	**11,996,600**	12,130,493
– Other financial institutions	**1,423,064**	64,898
Subtotal	**13,419,664**	12,195,391
Interest accrued	**10,809**	5,771
Total	**13,430,473**	12,201,162

(b) Analysed by type of collateral held

	31 December 2020	31 December 2019
Debt securities	**11,996,600**	8,118,550
Bank acceptances	**1,423,064**	4,076,841
Subtotal	**13,419,664**	12,195,391
Interest accrued	**10,809**	5,771
Total	**13,430,473**	12,201,162

28 DEPOSITS FROM CUSTOMERS

	31 December 2020	31 December 2019
Demand deposits		
– Corporate customers	**46,339,221**	42,147,037
– Individual customers	**9,783,440**	9,831,716
Subtotal	**56,122,661**	51,978,753
Time deposits		
– Corporate customers	**26,882,027**	26,598,692
– Individual customers	**72,330,403**	58,660,659
Subtotal	**99,212,430**	85,259,351
Pledged deposits		
– Acceptances	**15,736,964**	12,342,650
– Letters of credit and guarantees	**1,322,195**	940,743
– Letters of guarantees	**43,286**	49,150
– Others	**830,328**	2,288,930
Subtotal	**17,932,773**	15,621,473
Fiscal deposits	**17**	–
Inward and outward remittances	**125,506**	118,553
Interest accrued	**3,388,309**	2,344,100
Total	**176,781,696**	155,322,230

29 DEBT SECURITIES ISSUED

	Note	**31 December 2020**	31 December 2019
Interbank deposits issued	*(a)*	**43,084,271**	43,300,165
Financial bonds issued	*(b)*	**8,998,985**	4,998,818
Tier-two capital debts issued	*(c)*	**–**	1,995,749
Subtotal		**52,083,256**	50,294,732
Interest accrued		**93,370**	50,372
Total		**52,176,626**	50,345,104

(a) Interbank deposits issued

(i) During the year ended 31 December 2020, the Bank issued a number of certificates of interbank deposits with a total nominal amount of RMB66,490 million and maturity between 1 and 12 months. The coupon interest rates ranged from 1.35% to 3.60% per annum.

(ii) In 2019, the Bank issued a number of certificates of interbank deposits with a total nominal amount of RMB43,950 million and maturity between 1 and 12 months. The coupon interest rates ranged from 2.65% to 3.74% per annum.

(iii) As at 31 December 2020, the fair value of interbank deposits issued was RMB42,730 million (31 December 2019: RMB42,908 million).

(b) Financial bonds issued

(i) In April 2020, the Bank issued three-year financial bonds with a face value of RMB4,000 million. The coupon interest rate per annum is 3.00%. No financial bonds were issued in 2019.

(ii) As at 31 December 2020, the fair value of the financial bonds issued was RMB8,960 million (31 December 2019: RMB5,051 million).

(c) Tier-two capital debts issued

The Bank issued 10-year fixed interest rate tier-two capital debts with a face value of RMB2,000 million on 19 August 2015. The coupon interest rate per annum is 5.80%. The Bank had an option to redeem the debt at the end of the fifth year, and the bank redeemed the debt on 21 August 2020.

30 OTHER LIABILITIES

	Note	**31 December 2020**	31 December 2019
Accrued staff cost	*(a)*	**667,725**	658,392
Provisions	*(b)*	**677,771**	332,362
Accounts payable in the process of clearance and settlement		**603,388**	583,917
Lease liabilities	*(c)*	**368,622**	462,813
Dividend payable		**127,827**	189,628
Contract liabilities	*(d)*	**95,883**	67,101
Other taxes payable		**97,684**	60,053
Total		**2,638,900**	2,354,266

(a) Accrued staff cost

	31 December 2020	31 December 2019
Salary, bonuses and allowances payable	**491,535**	459,114
Supplementary retirement benefits payable	**42,629**	51,115
Pension and annuity payable	**34,414**	64,421
Other social insurance payable	**17,811**	11,887
Housing fund payable	**13,471**	12,343
Others	**67,865**	59,512
Total	**667,725**	658,392

Supplementary retirement benefits

The supplementary retirement benefits of the Group include an early retirement plan and a supplementary retirement plan. The early retirement plan is provided to employees who voluntarily agreed to retire before the retirement age during the period from the date of early retirement to the statutory retirement date. The supplementary retirement plan is provided to the Group's eligible employees.

(i) The balances of supplementary retirement benefits of the Group are as follows:

	31 December 2020	31 December 2019
Present value of supplementary retirement benefits	**42,629**	51,115

(ii) The movements of supplementary retirement benefits of the Group are as follows:

	2020	2019
As at 1 January	**51,115**	49,035
Benefits paid during the year	**(14,376)**	(19,130)
Defined benefit cost recognised in profit or loss	**6,500**	18,880
Defined benefit cost recognised in other comprehensive income	**(610)**	2,330
As at 31 December	**42,629**	51,115

(iii) Principal actuarial assumptions of the Group are as follows:

Early retirement plan

	31 December 2020	31 December 2019
Discount rate	**3.00%**	2.75%
Mortality	**Note (a)**	Note (a)
Retired age		
Male	**60**	60
Female	**55**	55
Annual increase rate of living expenses, social insurance and housing fund for existing retirees	**7.00%**	7.00%
Annual increase rate of other allowance for existing retirees	**4.50%**	4.50%

Supplementary retirement plan

	31 December 2020	31 December 2019
Discount rate	**3.25%**	3.25%
Mortality	**Note (a)**	Note (a)
Turnover rate	**0.00%**	0.00%
Retired age		
Male	**60**	60
Female	**55**	55

Note:

(a) As at 31 December 2020 and 2019, mortality assumptions are based on China Life Insurance Annuity Table (2010-2013) in China Life Insurance Mortality Table compiled by PLICC, which are published historical statistics in China.

(b) Provisions

	Note	**31 December 2020**	31 December 2019
Expected credit losses	*(i)*	**677,771**	332,362

(i) Movements in provisions for expected credit losses are as follows:

	Year ended 31 December 2020			
	Expected credit losses over the next 12 months	**Lifetime expected credit losses not credit-impaired**	**Lifetime expected credit losses credit-impaired**	**Total**
Balance at 1 January	**308,738**	**21,732**	**1,892**	**332,362**
Transfers				
– to expected credit losses over the next 12 months	**252**	**(252)**	**–**	**–**
– to lifetime expected credit losses not credit-impaired	**(26)**	**26**	**–**	**–**
– to lifetime expected credit losses credit-impaired	**(22)**	**(79)**	**101**	**–**
Charge/(reversal) for the year	**351,209**	**(5,049)**	**(751)**	**345,409**
Balance at 31 December	**660,151**	**16,378**	**1,242**	**677,771**

	Year ended 31 December 2019			
	Expected credit losses over the next 12 months	Lifetime expected credit losses not credit-impaired	Lifetime expected credit losses credit-impaired	Total
Balance at 1 January	168,335	12,282	2,920	183,537
Transfers				
– to expected credit losses over the next 12 months	151	(151)	–	–
– to lifetime expected credit losses not credit-impaired	(22)	22	–	–
– to lifetime expected credit losses credit-impaired	(3)	(2)	5	–
Charge/(reversal) for the year	140,277	9,581	(1,033)	148,825
Balance at 31 December	308,738	21,732	1,892	332,362

(c) Lease liabilities

The maturity analysis of lease liabilities – undiscounted analysis:

	31 December 2020	31 December 2019
Within one year (inclusive)	**99,967**	103,024
Between one year and two years (inclusive)	**93,974**	102,789
Between two years and three years (inclusive)	**75,446**	88,444
Between three years and five years (inclusive)	**82,359**	122,106
More than five years	**66,565**	108,284
Total undiscounted lease liabilities	**418,311**	524,647
Total carrying amount	**368,622**	462,813

(d) Contract liabilities

As at 31 December 2020, the aggregate amount of the transaction prices allocated to the remaining performance obligations under the Group's existing contracts was RMB96 million (31 December 2019: RMB67 million). This amount represents income expected to be recognised in the future from acceptance and guarantee services. The Group will recognise the expected income in future when the services are provided.

31 SHARE CAPITAL

Authorised and issued share capital

	31 December 2020	31 December 2019
Number of shares authorised, issued and fully paid at par value of RMB1 each	**5,838,650**	5,838,650

On 18 July 2019, the Bank issued 860 million H shares with a par value of RMB1 at an offering price of HKD3.82 per share. On 14 August 2019, the Bank exercised the over-allotment option and issued 111 million H shares with a par value of RMB1 at HKD3.82 per share. The capital contribution was verified by KPMG Huazhen LLP.

32 RESERVES

(a) Capital reserve

	31 December 2020	31 December 2019
Share premium	**6,568,558**	6,568,558
Other capital reserve	**59,044**	59,044
Total	**6,627,602**	6,627,602

(b) Surplus reserve

The surplus reserve at the end of each of the reporting periods represented statutory surplus reserve and discretionary surplus reserve.

Pursuant to the Company Law of the PRC and the Article of Association of the Bank, the Bank is required to appropriate 10% of its net profit on an annual basis under the People's Republic of China Generally Accepted Accounting Principles (PRC GAAP) after making good of the prior year's accumulated losses, to statutory surplus reserve until the balance reaches 50% of its registered capital.

The Bank appropriated an amount of RMB156 million to the statutory surplus reserve fund for the year ended 31 December 2020 (2019: RMB148 million).

(c) General reserve

Pursuant to the "Measures on Impairment Allowances for Financial Enterprises (Cai Jin [2012] No. 20)" issued by the Ministry of Finance, the Bank is required to set aside a general reserve through profit appropriation which should not be lower than 1.5% of the ending balance of its gross risk-bearing assets on an annual basis. The balance of the general reserve of the Bank amounted to RMB2,802 million as at 31 December 2020 (31 December 2019: RMB2,781 million).

(d) Fair value reserve

	Year ended 31 December 2020	Year ended 31 December 2019
As at 1 January	**(23,204)**	(17,935)
Changes in fair value recognised in other comprehensive income	**46,133**	(4,053)
Transfer to profit or loss upon disposal	**(100,974)**	(2,972)
Less: deferred tax	**13,710**	1,756
As at 31 December	**(64,335)**	(23,204)

(e) Impairment reserve

	Year ended 31 December 2020	Year ended 31 December 2019
As at 1 January	**18,320**	17,215
Impairment losses recognised in other comprehensive income	**(7,237)**	1,473
Less: deferred tax	**1,809**	(368)
As at 31 December	**12,892**	18,320

(f) Remeasurement of net defined benefit liability

Remeasurement of net defined benefit liability represents actuarial gains or losses, net of tax, from remeasuring the net defined benefit liability.

	Year ended 31 December 2020	Year ended 31 December 2019
As at 1 January	**(1,223)**	525
Changes in fair value recognised in other comprehensive income	**610**	(2,330)
Less: deferred tax	**(152)**	582
As at 31 December	**(765)**	(1,223)

33 RETAINED EARNINGS

(a) Appropriation of profits

In accordance with the consideration and approval at the Bank's Board of Directors Meeting on 26 March 2021, the profit appropriation of the Bank for the year ended 31 December 2020 shows as follows:

– Appropriation of statutory surplus reserve based on 10% of the net profit;

– Appropriation of general reserve amounting to approximately RMB21 million; and

– Declaration of cash dividends in an aggregate amount of approximately RMB584 million to all existing shareholders.

In accordance with the resolution at the Bank's Annual General Meeting of Shareholders on 9 June 2020, the shareholders approved the profit appropriations of the Bank for the year ended 31 December 2019 as follows:

– Appropriation of statutory surplus reserve based on 10% of the net profit; and

– Declaration of cash dividends in an aggregate amount of approximately RMB642 million to all existing shareholders.

(b) Movements in components of equity

Details of the changes in the Bank's individual components of equity for the reporting period are set out below:

	Share capital	**Capital reserve**	**Surplus reserve**	**General reserve**	**Fair value reserve**	**Impairment reserve**	**(Deficit)/ surplus on remeasurement of net defined benefit liability**	**Retained earnings**	**Total**
Balance at 1 January 2020	**5,838,650**	**6,627,602**	**3,467,020**	**2,781,004**	**(23,204)**	**18,320**	**(1,223)**	**1,427,330**	**20,135,499**
Changes in equity for the year:									
Net profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1,562,902**	**1,562,902**
Other comprehensive income	**–**	**–**	**–**	**–**	**(41,131)**	**(5,428)**	**458**	**–**	**(46,101)**
Total comprehensive income	**–**	**–**	**–**	**–**	**(41,131)**	**(5,428)**	**458**	**1,562,902**	**1,516,801**
Appropriation of profits									
– Appropriation to surplus reserve	**–**	**–**	**156,290**	**–**	**–**	**–**	**–**	**(156,290)**	**–**
– Appropriation to general reserve	**–**	**–**	**–**	**20,936**	**–**	**–**	**–**	**(20,936)**	**–**
– Dividends paid to shareholders	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(642,252)**	**(642,252)**
Balance at 31 December 2020	**5,838,650**	**6,627,602**	**3,623,310**	**2,801,940**	**(64,335)**	**12,892**	**(765)**	**2,170,754**	**21,010,048**

	Share capital	Capital reserve	Surplus reserve	General reserve	Fair value reserve	Impairment reserve	(Deficit)/ Surplus on remeasurement of net defined benefit liability	Retained earnings	Total
Balance at 1 January 2019	4,868,000	4,423,893	3,186,830	2,781,004	(17,935)	17,215	525	708,695	15,968,227
Changes in equity for the year:									
Net profit for the year	–	–	–	–	–	–	–	1,485,625	1,485,625
Other comprehensive income	–	–	–	–	(5,269)	1,105	(1,748)	–	(5,912)
Total comprehensive income	–	–	–	–	(5,269)	1,105	(1,748)	1,485,625	1,479,713
Issue of H shares	970,650	2,203,709	–	–	–	–	–	–	3,174,359
Appropriation of profits									
– Appropriation to surplus reserve	–	–	280,190	–	–	–	–	(280,190)	–
– Appropriation to general reserve	–	–	–	–	–	–	–	–	–
– Dividends paid to shareholders	–	–	–	–	–	–	–	(486,800)	(486,800)
Balance at 31 December 2019	5,838,650	6,627,602	3,467,020	2,781,004	(23,204)	18,320	(1,223)	1,427,330	20,135,499

34 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Net increase in cash and cash equivalents

	2020	2019
Cash and cash equivalents as at 31 December	**9,088,656**	7,894,947
Less: Cash and cash equivalents at the beginning of the year	**(7,894,947)**	(7,202,528)
Net increase in cash and cash equivalents	**1,193,709**	692,419

(b) Cash and cash equivalents

	31 December 2020	31 December 2019
Cash on hand	**346,696**	244,124
Deposits with the central bank other than restricted deposits	**6,524,372**	5,554,358
Deposits with banks and other financial institutions	**1,417,588**	796,465
Placements with banks and other financial institutions	**800,000**	1,300,000
Total	**9,088,656**	7,894,947

(c) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Debt securities issued *(Note 29)*	Interest accrued arising from debt securities issued *(Note 29)*	Lease liabilities	Total
As at 1 January 2020	**50,294,732**	**50,372**	**462,813**	**50,807,917**
Changes from financing cash flows				
Net proceeds from new debt securities issued	**70,638,524**	**–**	**–**	**70,638,524**
Repayment of debt securities issued	**(68,850,000)**	**–**	**–**	**(68,850,000)**
Interest paid on debt securities issued	**–**	**(1,535,611)**	**–**	**(1,535,611)**
Repayment of lease liabilities	**–**	**–**	**(101,088)**	**(101,088)**
Interest paid on lease liabilities	**–**	**–**	**(19,495)**	**(19,495)**
Total changes from financing cash flows	**1,788,524**	**(1,535,611)**	**(120,583)**	**132,330**
Other changes				
Interest expense *(Note 3)*	**–**	**1,578,609**	**–**	**1,578,609**
New leases	**–**	**–**	**26,392**	**26,392**
Total other changes	**–**	**1,578,609**	**26,392**	**1,605,001**
As at 31 December 2020	**52,083,256**	**93,370**	**368,622**	**52,545,248**

	Debt securities issued *(Note 29)*	Interest accrued arising from debt securities issued *(Note 29)*	Lease liabilities	Total
As at 1 January 2019	51,238,376	50,488	515,788	51,804,652
Changes from financing cash flows				
Net proceeds from new debt securities issued	56,246,356	–	–	56,246,356
Repayment of debt securities issued	(57,190,000)	–	–	(57,190,000)
Interest paid on debt securities issued	–	(1,780,914)	–	(1,780,914)
Repayment of lease liabilities	–	–	(54,705)	(54,705)
Interest paid on lease liabilities	–	–	(21,615)	(21,615)
Total changes from financing cash flows	(943,644)	(1,780,914)	(76,320)	(2,800,878)
Other changes				
Interest expense *(Note 3)*	–	1,780,798	–	1,780,798
New leases	–	–	23,345	23,345
Total other changes	–	1,780,798	23,345	1,804,143
As at 31 December 2019	50,294,732	50,372	462,813	50,807,917

35 CAPITAL MANAGEMENT

The Group's capital management includes capital adequacy ratio management and capital financing management, of which the primary focus is on capital adequacy ratio management. The Group calculates the capital adequacy ratio in accordance with guidelines issued by the former CBRC. The capital of the Group is divided into core tier-one capital, other core tier-one capital and tier-two capital.

Capital adequacy ratio management is the key in capital management. The capital adequacy ratio reflects the soundness of the Group's operations and risk management capabilities. The main objective in capital adequacy ratio management is to set an optimal capital adequacy ratio that meets the regulatory requirements by benchmarking against the capital adequacy ratio level of leading peer banks with reference to its own business environment and conditions.

The Group considers its strategic development plans, business expansion plans and risk variables when conducting scenario analysis and stress testing and executing other measures to forecast, plan and manage its capital adequacy ratio.

The Group calculates its capital adequacy ratios in accordance with "Regulation Governing Capital of Commercial Banks (Provisional)" and other relevant regulations promulgated by the former CBRC.

The CBRC requires commercial banks to meet the requirements of capital adequacy ratios by the end of 2018 in accordance with "Regulation Governing Capital of Commercial Banks (Provisional)". For non-systemically important banks, the minimum ratios for core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio are 7.50%, 8.50% and 10.50%, respectively.

The on-balance sheet risk-weighted assets are measured using different risk weights, which are determined according to the credit, market and other risks associated with each asset and counterparty, taking into account any eligible collateral or guarantees. Similar treatment is adopted for off-balance sheet exposure, with adjustments made to reflect the more contingent nature of any potential losses. Market risk-weighted assets are calculated using the standardised approach. Operational risk-weighted assets are calculated using the basic indicator approach.

The capital adequacy ratios and related components of the Group illustrated below are computed based on the Group's statutory financial statements prepared in accordance with PRC GAAP.

The Group's capital adequacy ratios at 31 December 2020 and 31 December 2019 calculated in accordance with "Regulation Governing Capital of Commercial Banks (Provisional)" and relevant requirements promulgated by the former CBRC are as follows:

	31 December 2020	31 December 2019
Total core tier-one capital		
– Share capital	**5,838,650**	5,838,650
– Qualifying portion of capital reserve	**6,627,602**	6,627,602
– Surplus reserve	**3,623,310**	3,467,020
– General reserve	**2,809,363**	2,788,427
– Other comprehensive income	**(52,208)**	(6,107)
– Retained earnings	**2,166,810**	1,419,577
– Qualifying portions of non-controlling interests	**14,950**	14,030
Core tier-one capital	**21,028,477**	20,149,199
Core tier-one capital deductions	**(186,781)**	(167,971)
Net core tier-one capital	**20,841,696**	19,981,228
Other tier-one capital	**1.993**	1,871
Net tier-one capital	**20,843,689**	19,983,099
Tier-two capital		
– Instruments issued and share premium	**–**	2,000,000
– Surplus provision for loan impairment	**1,954,147**	1,699,559
– Qualifying portions of non-controlling interests	**3,987**	3,741
Net tier-two capital	**1,958,134**	3,703,300
Net capital base	**22,801,823**	23,686,399
Total risk weighted assets	**194,498,525**	174,157,429
Core tier-one capital adequacy ratio	**10.72%**	11.47%
Tier-one capital adequacy ratio	**10.72%**	11.47%
Capital adequacy ratio	**11.72%**	13.60%

36 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(a) Related parties of the Group

(i) Major shareholders

Major shareholders of the Bank refer to shareholders holding or controlling 5% or more of shares or voting right of the Bank, or holding less than 5% of total capital or total shares of the Bank but having significant impact on the operational management of the Bank.

The significant impact mentioned above includes but not limited to dispatching directors, supervisors or senior management to a commercial bank, influencing the financial and operational management decisions of commercial banks through agreements or other means and other circumstances identified by the CBRC or its local offices.

Shareholdings in the Bank:

	31 December 2020	31 December 2019
Shanxi Financial Investment Holdings Limited (山西金融投資控股集團有限公司)	**12.25%**	12.25%
Huaneng Capital Services Co., Ltd. (華能資本服務有限公司)	**10.28%**	10.28%
Taiyuan Municipal Finance Bureau (太原市財政局)	**7.98%**	7.98%
Changzhi Nanye Industry Group Co., Ltd. (長治市南燁實業集團有限公司)	**7.72%**	7.72%
Shanxi Lu'an Mining (Group) Co., Ltd. (山西潞安礦業(集團)有限責任公司)	**6.15%**	6.15%
Shanxi International Electricity Group Limited Company (山西國際電力集團有限公司)	**5.14%**	5.14%
Shanxi Coking Coal Group Co., Ltd. (山西焦煤集團有限責任公司)	**4.99%**	4.99%
Changzhi Huashengyuan Mining Industry Co., Ltd. (長治市華晟源礦業有限公司)	**4.02%**	4.02%
Jinneng Holding Equipment Manufacturing Group Co., Ltd.* (晉能控股裝備製造集團有限公司) * previously known as Shanxi Jincheng Anthracite Mining Group Co., Ltd. (山西晉城無菸煤礦業集團有限責任公司)	**3.43%**	3.43%

The official names of these related parties are in Chinese. The English translation is for reference only.

(ii) Subsidiary of the Bank

The detailed information of the Bank's subsidiary is set out in Note 21.

(iii) Associate of the Bank

The detailed information of the Bank's associate is set out in Note 20.

(iv) Other related parties

Other related parties can be individuals or enterprises, which include: members of the board of directors, the board of supervisors and senior management, and close family members of such individuals; entities (and their subsidiary) controlled or jointly controlled by members of the board of directors, the board of supervisors and senior management, and close family members of such individuals; and entities controlled or jointly controlled by the major shareholders of the Bank as set out in Note 36(a) or their controlling shareholders.

(b) Transactions with related parties other than key management personnel

(i) Transactions between the Bank and its major shareholders:

	2020	2019
Transactions during the year		
Interest income	**23,824**	24,207
Interest expense	**40,346**	59,411

	31 December 2020	31 December 2019
Balances at the end of the year		
Loans and advances to customers	**157,899**	443,792
Financial investments	**91,047**	–
Deposits from customers	**572,350**	1,040,536

(ii) Transactions between the Bank and its subsidiary:

The subsidiary of the Bank is its related party. The transactions between the Bank and its subsidiary are eliminated on combination.

	2020	2019
Transactions during the year		
Interest expense	**1,972**	5,206

	31 December 2020	31 December 2019
Balances at the end of the year		
Deposits from banks and other financial institutions	**55,791**	208,756

(iii) Transactions between the Bank and its associate:

	2020	2019
Transactions during the year		
Interest income	**29,686**	23,569
Interest expense	**621**	1,343

	31 December 2020	31 December 2019
Balances at the end of the year		
Deposits with banks and other financial institutions	**750,986**	507,355
Deposits from banks and other financial institutions	**9,264**	1,175

(iv) Transactions between the Bank and other related parties:

	2020	2019
Transactions during the year		
Interest income	**841,978**	858,999
Interest expense	**170,526**	292,703
Operating expenses	**2,705**	74
Fee and commission income	**35,425**	11,082
Debt securities investments	**524,211**	565,529
Debt securities transferring	**2,034,370**	440,540

	31 December 2020	31 December 2019
Balances at the end of the year		
Loans and advances to customers	**10,101,453**	7,994,624
Financial investments	**7,421,671**	7,553,445
Deposits from customers	**9,766,264**	10,390,421
Deposits from banks and other financial institutions	**118,391**	1,155,783
Bank acceptances	**8,439,056**	3,396,692
Letters of credit	**1,107,530**	243,656

(c) Key management personnel

The key management personnel are those persons who have the authority and responsibility to plan, direct and control the activities of the Group, directly or indirectly, including members of the board of directors, the supervisory board and executive officers.

(i) Transactions between the Bank and key management personnel

	2020	2019
Transactions during the year		
Interest income	**44**	382
Interest expense	**190**	271

	31 December 2020	31 December 2019
Balances at the end of the year		
Loans and advances to customers	**477**	6,644
Deposits from customers	**10,966**	14,356

(ii) Key management personnel compensation

The aggregate compensation of key management personnel is as follows:

	31 December 2020	31 December 2019
Key management personnel compensation	**18,726**	12,766

(d) Loans and advances to directors, supervisors and officers

	31 December 2020	31 December 2019
Aggregate amount of relevant loans outstanding at the end of the year	**477**	6,644
Maximum aggregate amount of relevant loans outstanding during the year	**477**	6,644

37 SEGMENT REPORTING

The Group manages its business by business lines. Consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group defines reporting segments based on the following operating segments:

Corporate banking

This segment represents the provision of a range of financial products and services to corporations, government agencies and financial institutions. These products and services include corporate loans and advances, trade financing, deposit taking activities, agency services, wealth management services, consulting and advisory services, remittance and settlement services and guarantee services.

Retail banking

This segment represents the provision of a range of financial products and services to retail customers. These products and services include personal loans, deposit taking activities, personal wealth management services and remittance services.

Treasury business

This segment covers the Group's treasury business operations. The financial market business enters into inter-bank money market transactions, repurchase transactions, and investments. It also trades in debt securities. The financial market business segment also covers the management of the Group's overall liquidity position, including the issuance of debts.

Others

These represent assets, liabilities, income and expenses which cannot be directly attributable or cannot be allocated to a segment on a reasonable basis.

Measurement of segment assets and liabilities and of segment income, expenses and results is based on the Group's accounting policies.

Internal charges and transfer prices are determined with reference to market rates and have been reflected in the performance of each segment. Interest income and expense arising from third parties are referred to as "external net interest income/expense". Net interest income and expense arising from internal charges and transfer pricing adjustments are referred to as "internal net interest income/expense".

Segment income, expenses, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Intra-group balances and intra-group transactions are eliminated by segment income, expenses, assets and liabilities as part of the consolidation process. Segment capital expenditure is the total cost incurred during the reporting period on the acquisition of property and equipment, intangible assets and other long-term assets.

	Year ended 31 December 2020				
	Corporate banking	Retail banking	Treasury business	Others	Total
Operating income					
External net interest income/(expense)	**3,911,742**	**(1,703,374)**	**1,232,336**	**–**	**3,440,704**
Internal net interest (expense)/income	**(1,101,772)**	**2,699,205**	**(1,597,433)**	**–**	**–**
Net interest income	**2,809,970**	**995,831**	**(365,097)**	**–**	**3,440,704**
Net fee and commission income	**310,006**	**229,407**	**173,133**	**–**	**712,546**
Net trading gains	**–**	**–**	**(120,071)**	**586**	**(119,485)**
Net gains arising from investment securities	**–**	**–**	**819,812**	**–**	**819,812**
Other operating income	**–**	**–**	**–**	**14,436**	**14,436**
Operating income	**3,119,976**	**1,225,238**	**507,777**	**15,022**	**4,868,013**
Operating expenses	**(837,373)**	**(816,102)**	**(162,370)**	**(8,440)**	**(1,824,285)**
Impairment losses on assets	**(1,053,119)**	**(308,643)**	**(91,170)**	**–**	**(1,452,932)**
Share of profits of an associate	**–**	**–**	**–**	**21,543**	**21,543**
Profit before tax	**1,229,484**	**100,493**	**254,237**	**28,125**	**1,612,339**
Segment assets	**112,972,235**	**21,526,045**	**134,749,687**	**–**	**269,247,967**
Deferred tax assets	**–**	**–**	**–**	**1,695,630**	**1,695,630**
Total assets	**112,972,235**	**21,526,045**	**134,749,687**	**1,695,630**	**270,943,597**
Segment liabilities	**96,788,080**	**82,781,568**	**70,332,578**	**–**	**249,902,226**
Total liabilities	**96,788,080**	**82,781,568**	**70,332,578**	**–**	**249,902,226**
Other segment information					
– Depreciation and amortisation	**128,357**	**125,096**	**24,889**	**–**	**278,342**
– Capital expenditure	**118,273**	**115,269**	**22,934**	**–**	**256,476**

	Year ended 31 December 2019				
	Corporate banking	Retail banking	Treasury business	Others	Total
Operating income					
External net interest income/(expense)	2,924,346	(820,369)	1,155,053	–	3,259,030
Internal net interest (expense)/income	(9,392)	1,703,176	(1,693,784)	–	–
Net interest income	2,914,954	882,807	(538,731)	–	3,259,030
Net fee and commission income	274,915	184,618	151,019	–	610,552
Net trading gains	–	–	342,479	92,889	435,368
Net gains arising from investment securities	–	–	746,244	–	746,244
Other operating income	1,694	–	–	36,053	37,747
Operating income	3,191,563	1,067,425	701,011	128,942	5,088,941
Operating expenses	(868,009)	(820,827)	(144,083)	(3,864)	(1,836,783)
Impairment losses on assets	(1,057,528)	(103,725)	(504,228)	–	(1,665,481)
Share of profits of an associate	–	–	–	20,878	20,878
Profit before tax	1,266,026	142,873	52,700	145,956	1,607,555
Segment assets	96,715,419	17,881,426	131,533,257	–	246,130,102
Deferred tax assets	–	–	–	1,441,111	1,441,111
Total assets	96,715,419	17,881,426	131,533,257	1,441,111	247,571,213
Segment liabilities	88,696,078	69,095,264	69,620,522	–	227,411,864
Total liabilities	88,696,078	69,095,264	69,620,522	–	227,411,864
Other segment information					
– Depreciation and amortisation	121,430	114,829	20,156	–	256,415
– Capital expenditure	441,378	417,387	73,265	–	932,030

38 RISK MANAGEMENT

The Group has exposure to the following risks arising from its financial instruments: credit risk, market risk, liquidity risk and operational risk.

This note presents information about the Group's exposure to each of the above risks and their sources, and the Group's objectives, policies and procedures for measuring and managing these risks.

Risk management system

The Group's risk management policies were established to identify and analyse the risks to which the Group is exposed, to set appropriate risk limits, and to design relevant internal control policies and systems for monitoring risks and adhering to risk limits. Risk management policies and relevant internal control systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Board of Directors is responsible for establishing and maintaining a robust and effective risk management system and determining general risk preference and risk tolerance of the Group. Based on the general strategy of the Group, the Committee of Risk Management under the Board reviews the Group's risk management system and basic principles, risk management strategies and internal control system framework. Senior management led by the president will be responsible for the control of credit risk, market risk, operational risk and approval of related policies and procedures; the Chief Risk Officer will be led by the president of the Bank. In addition, the Group set up the Department of Risk Management, Department of Credit Examination, Department of Asset and Liability Management, Department of Law and Compliance and the Audit Department based on the requirements of general risk management to perform respective functions in risk management, strengthen risk-covering portfolio management capabilities and conduct inspection on compliance with risk management policy of internal control system on a regular or irregular basis.

(a) Credit risk

Credit risk represents the potential loss that may arise from the failure of a debtor or counterparty to meet its contractual obligation or commitment to the Group. It arises primarily from credit and bond investment portfolios and guarantees granted.

Credit business

To identify, assess, monitor and manage credit risks, the Group has designed effective system frameworks, credit policies and processes for credit risk management and implemented systematic control procedures. The responsible departments for credit risk management include the Risk Management Department and the Credit Approval Department. The Risk Management Department is responsible for implementing the Group's overall risk management system, as well as risk monitoring and control, the Risk Management Department is also responsible for formulating risk management policies. The Credit Approval Department is independent from customer relationship and product management departments, to ensure the independence of credit approval. Front office departments including the Department of Corporate Finance and the Personal Credit Asset Department, carry out credit businesses according to the Group's risk management policies and procedures.

The Group continuously improves the internal control mechanism and strengthens the management of the credit business. The Group has established comprehensive assessment and inquiry mechanisms, assigning the credit management accountability to the relevant departments and individuals.

For corporate and institutional businesses, the Group has established industry-specific limits for credit approval. With respect to pre-lending evaluations, the Group assesses customer credit ratings and performs integrated analysis on the risk and return of the loan. In the credit approval phase, all credit applications are approved by designated credit officers. During the post-lending monitoring, the Group continually monitors outstanding loans and other credit related businesses. Any adverse events that may significantly affect a borrower's repayment ability are reported immediately, and actions are taken to mitigate the risks.

For personal credit operation business, credit assessment of applicants is used as the basis for loan approval. In the credit assessment, customer relationship managers are required to assess the income level, credit history, and repayment ability of the applicant. The customer relationship managers then forward the applications and their recommendations to the loan approval departments for further approval. The Group monitors borrowers' repayment ability, the status of collateral and any changes to their value during the post-lending phase. Once a loan becomes overdue, the Group starts the recovery process according to the standardized loan recovery procedures.

Stages of risks in financial instruments

The financial assets are categorised by the Group into the following stages to manage credit risk arising from financial assets:

Stage 1:	Financial assets have not experienced a significant increase in credit risk since origination and impairment recognised on the basis of 12-month expected credit losses.
Stage 2:	Financial assets have experienced a significant increase in credit risk since origination and impairment is recognised on the basis of lifetime expected credit losses.
Stage 3:	Financial assets that are in default and considered credit-impaired.

Significant increase in credit risk

When one or more quantitative, qualitative standards or upper limits are triggered, the Group assumes that credit risk on financial assets has increased significantly.

If the borrower is listed in the watch list and one or more of the following criteria are met:

– The credit spread increases significantly;

– Significant changes with an adverse effect that have taken place in the borrower's business, financial and economic status;

– Application of a grace period or debt-restructuring;

– Significant changes with an adverse effect in the borrower's business conditions;

– Decrease in value of the collateral (for the collateral loans and pledged loans only);

– Early indicators of problems of cash flow/liquidity, such as late payment of accounts payable/repayment of loans;

– The borrowing is more than 30 days past due.

The Group uses the watch lists to monitor credit risk from financial assets related to loans and treasury operations, and conducts regular assessments at the counterparty level. The standards used in determining whether credit risk increases significantly are regularly monitored and reviewed by management for appropriateness.

As at 31 December 2020 and 31 December 2019, the Group has not considered that any of its financial assets has lower credit risk and no longer compared the credit risk at the balance sheet date with that at the initial recognition to identify whether there was a significant increase in credit risk.

Definition of "default" and "credit-impaired assets"

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

– significant financial difficulties of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it is becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor;

– the disappearance of an active market for securities because of financial difficulties of the issuer; or

– overdue more than 90 days.

The above criteria apply to all financial assets of the Group and they are consistent with the definition of "default" adopted by the internal management of credit risk.

Measurement of expected credit losses ("ECL")

The Group adopts the ECL model to measure the provision for impairment losses on financial assets based on the stages categorised above.

The ECL is the result of the discounted product of probability of default (PD), exposure at default (EAD) and loss given default (LGD). The Group takes into account the quantitative analysis of historical statistics (such as ratings of counterparties, overdue situations, repayments, etc.) and forward-looking information in order to establish the models for estimating PD, LGD and EAD. The definitions of these terms are as follows:

– PD refers to the likelihood that a borrower will be unable to meet his repayment obligations over the next 12 months or the remaining lifetime of the loan;

– EAD is the amount that the Group should be reimbursed upon default of an obligor over the next 12 months or the remaining lifetime of the loan;

– LGD refers to the expected degree of loss arising from the exposure at default which is predicted by the Group. LGD varies according to different types of counterparties or other credit support.

– The discount rate used in the calculation of the ECLs is the initial effective interest rate or its approximate value.

Forward-looking information included in the expected credit loss model is as follows:

Both the assessment of significant increase in credit risk and the measurement of expected credit losses involve forward-looking information. Based on the analysis on historical data, the Group identified critical economic indicators that affect the credit risk and expected credit losses of all asset portfolios, including gross domestic product (GDP), broad measure of money supply (M2), consumer price index (CPI), and producer price index (PPI), etc. The Group identified the relations between these economic indicators and the probability of default historically by conducting regression analysis and regularly identified the expected probability of default by predicting the future economic indicators. In addition to a base economic scenario, the Group conducts statistical analysis with experts' judgement to determine other possible scenarios and their weights.

The Group measures relevant provision for loss by the weighted 12-month ECL (for stage 1) or the weighted lifetime ECL (for stage 2 and stage 3). The above weighted credit losses are calculated from multiplying the ECLs under the different scenarios by the weight of the corresponding scenarios.

Similar to other economic forecasts, there is highly inherent uncertainty in the assessment of estimated economic indicators and the probability of occurrence, and therefore, the actual results may be materially different from the forecasts. The Group believes that these forecasts reflect the Group's best estimate of possible outcomes.

Other forward-looking factors not incorporated in the above scenarios, such as the impact of regulatory and legal changes, have also been taken into account. However, they were not considered to have significant impacts, and the expected credit losses were not adjusted accordingly. The Group reviews and monitors the appropriateness of the above assumptions on a regularly basis.

The Group assessed the expected credit losses as at 31 December 2020 and comprehensively considered the impact of the current economic condition on the expected credit losses, including: the operating and financial conditions of the borrowers and the extent of impact COVID-19. The Group has made deferred repayment arrangements for the borrowers affected by the COVID-19 pandemic, but would not make judgement that their credit risk would inevitably increase significantly based on such deferred repayment arrangements; combining the analysis of the impact of factors such as COVID-19 on economic development trends, performed forward-looking forecasts to key macroeconomic indicators.

As at 31 December 2020 and 31 December 2019, there have been no significant changes in the estimate techniques and key assumptions of the Group.

(i) *Maximum credit risk exposure*

The maximum exposure to credit risk is represented by the net carrying amount of each type of financial assets as at the end of each of the reporting periods.

(ii) *Financial assets analysed by credit quality are summarised as follows:*

	31 December 2020				
	Loans and advances	**Deposits/ placements with banks and other financial institutions**	**Financial assets held under resale agreements**	**Financial investments***	**Others****
Balance of financial assets that are assessed for expected credit losses over the next 12 months					
– Overdue but not credit-impaired	**14,663**	**–**	**–**	**–**	**–**
– Neither overdue nor credit-impaired	**130,684,320**	**3,330,597**	**18,914,651**	**89,342,893**	**33,155**
Subtotal	**130,698,983**	**3,330,597**	**18,914,651**	**89,342,893**	**33,155**
Balance of financial assets that are not credit-impaired and assessed for lifetime expected credit losses					
– Overdue but not credit-impaired	**259,273**	**–**	**–**	**800,000**	**–**
– Neither overdue nor credit-impaired	**2,637,919**	**–**	**–**	**100,000**	**272,942**
Subtotal	**2,897,192**	**–**	**–**	**900,000**	**272,942**
Balance of credit-impaired financial assets that are assessed for lifetime expected credit losses					
– Overdue and credit-impaired	**2,400,691**	**–**	**–**	**1,613,276**	**–**
– Credit-impaired but not overdue	**107,973**	**–**	**–**	**234,703**	**4,173**
Subtotal	**2,508,664**	**–**	**–**	**1,847,979**	**4,173**
Interest accrued	**585,848**	**14,578**	**655**	**984,530**	**–**
Less: Provision for impairment losses	**(4,854,175)**	**(703)**	**(1)**	**(1,550,952)**	**(28,075)**
Net value	**131,836,512**	**3,344,472**	**18,915,305**	**91,524,450**	**282,195**

	31 December 2019				
	Loans and advances	Deposits/ placements with banks and other financial institutions	Financial assets held under resale agreements	Financial investments*	Others**
Balance of financial assets that are assessed for expected credit losses over the next 12 months					
– Overdue but not credit-impaired	1,339,642	–	–	–	–
– Neither overdue nor credit-impaired	107,623,484	2,596,464	16,624,996	91,160,927	178,047
Subtotal	108,963,126	2,596,464	16,624,996	91,160,927	178,047
Balance of financial assets that are not credit-impaired and assessed for lifetime expected credit losses					
– Overdue but not credit-impaired	1,185,741	–	–	–	–
– Neither overdue nor credit-impaired	3,190,613	–	–	300,000	137,883
Subtotal	4,376,354	–	–	300,000	137,883
Balance of credit-impaired financial assets that are assessed for lifetime expected credit losses					
– Overdue and credit-impaired	2,129,945	–	–	1,784,629	–
– Credit-impaired but not overdue	13,064	–	–	155,000	7,849
Subtotal	2,143,009	–	–	1,939,629	7,849
Interest accrued	490,986	7,744	5,023	972,955	–
Less: Provision for impairment losses	(4,260,918)	(174)	(1)	(1,460,872)	(13,541)
Net value	111,712,557	2,604,034	16,630,018	92,912,639	310,238

* Financial investments include financial investments at fair value through profit or loss, financial investments at fair value through other comprehensive income and financial investments measured at amortised cost.

** Others comprise interest receivables and other receivables in other assets.

Financial assets (excluding interest accrued) analysed by credit quality

	31 December 2020							
	Balance				Provision for impairment losses			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Financial assets measured at amortised cost								
Cash and deposits with the central bank	20,529,094	–	–	20,529,094	–	–	–	–
Deposits with banks and other financial institutions	2,230,597	–	–	2,230,597	(653)	–	–	(653)
Placements with banks and other financial institutions	1,100,000	–	–	1,100,000	(50)	–	–	(50)
Financial assets held under resale agreements	18,914,651	–	–	18,914,651	(1)	–	–	(1)
Loans and advances to customers	101,100,973	2,897,192	2,506,264	106,504,429	(2,980,705)	(718,958)	(1,154,512)	(4,854,175)
Financial investments	50,932,545	900,000	1,847,979	53,680,524	(418,975)	(232,000)	(899,977)	(1,550,952)
Other assets	33,155	272,942	4,173	310,270	(100)	(25,408)	(2,567)	(28,075)
Total	194,841,015	4,070,134	4,358,416	203,269,565	(3,400,484)	(976,366)	(2,057,056)	(6,433,906)
Financial assets at fair value through other comprehensive income								
Loans and advances to customers	29,598,010	–	2,400	29,600,410	(4,708)	–	(9,600)	(14,308)
Financial investments	8,635,262	–	–	8,635,262	(2,882)	–	–	(2,882)
Total	38,233,272	–	2,400	38,235,672	(7,590)	–	(9,600)	(17,190)
Credit commitments	63,822,548	360,833	5,302	64,188,683	(660,151)	(16,378)	(1,242)	(677,771)

	31 December 2019							
	Balance				Provision for impairment losses			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Financial assets measured at amortised cost								
Cash and deposits with the central bank	19,101,907	–	–	19,101,907	–	–	–	–
Deposits with banks and other financial institutions	1,296,464	–	–	1,296,464	(166)	–	–	(166)
Placements with banks and other financial institutions	1,300,000	–	–	1,300,000	(8)	–	–	(8)
Financial assets held under resale agreements	16,624,996	–	–	16,624,996	(1)	–	–	(1)
Loans and advances to customers	84,068,786	4,376,354	2,140,609	90,585,749	(2,223,034)	(906,674)	(1,131,210)	(4,260,918)
Financial investments	49,602,721	300,000	1,939,629	51,842,350	(489,084)	(1,975)	(969,813)	(1,460,872)
Other assets	178,047	137,883	7,849	323,779	(98)	(6,881)	(6,562)	(13,541)
Total	172,172,921	4,814,237	4,088,087	181,075,245	(2,712,391)	(915,530)	(2,107,585)	(5,735,506)
Financial assets at fair value through other comprehensive income								
Loans and advances to customers	24,894,340	–	2,400	24,896,740	(12,506)	–	(9,600)	(22,106)
Financial investments	11,581,726	–	–	11,581,726	(2,321)	–	–	(2,321)
Total	36,476,066	–	2,400	36,478,466	(14,827)	–	(9,600)	(24,427)
Credit commitments	40,701,255	555,697	6,227	41,263,179	(308,738)	(21,732)	(1,892)	(332,362)

	31 December 2020			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Financial assets measured at amortised cost	**1.75%**	**23.99%**	**47.20%**	**3.17%**
Financial assets at fair value through other comprehensive income	**0.02%**	**N/A**	**80.00%**	**0.04%**
Credit commitments	**1.03%**	**4.54%**	**23.43%**	**1.06%**

	31 December 2019			
	Stage 1	Stage 2	Stage 3	Total
Financial assets measured at amortised cost	1.58%	19.02%	51.55%	3.17%
Financial assets at fair value through other comprehensive income	0.04%	N/A	80.00%	0.07%
Credit commitments	0.76%	3.91%	30.38%	0.81%

As at 31 December 2020, the fair value of collateral held against loans and advances that are not credit-impaired and assessed for lifetime expected credit losses amounted to RMB1,838 million (31 December 2019: RMB434 million). The fair value of collateral held against loans and advances that are credit-impaired and assessed for lifetime expected credit losses amounted to RMB1,800 million (31 December 2019: RMB574 million). The collateral mainly includes land, buildings, machinery and equipment, etc. The fair value of collateral was estimated by the Bank based on the latest external valuations available, adjusted in light of disposal experience and current market conditions.

The Group conducted an assessment of ECLs according to forward-looking information and used a number of models and assumptions in its measurement of expected credit losses. These models and assumptions relate to the future macroeconomic conditions and debtor's creditworthiness (e.g., the likelihood of default by debtors and the corresponding losses). The Group's assessment of ECLs on 31 December 2020 was made by fully considering the impact of changes in the current economic environment on the ECL model, including: the debtor's operation or financial status, and the extent of the impact of the COVID-19 pandemic, the Group has made deferred repayment and interest payment arrangements for some debtors affected by the pandemic, but a deferred principal and interest payment arrangement was not intended as a judgement basis for automatically triggering a significant increase in the debtor's credit risk. Forward-looking forecasted the key macroeconomic indicators conducted with the impact of factors such as the pandemic on economic development trends.

(iii) Rescheduled loans and advances to customers

The Group has no rescheduled loans and advances to customers at 31 December 2020 and 31 December 2019.

(iv) Credit rating

The Group adopts a credit rating approach for managing the credit risk arising from the debt securities portfolio. Debt securities are rated with reference to major rating agencies where the issuers of the securities are located. The carrying amounts of debt securities investments (excluding interest accrued) analysed by the rating agency designations as at the end of the reporting period are as follows:

	31 December 2020	31 December 2019
Neither overdue nor impaired		
Ratings		
- AAA	**40,769,324**	33,212,536
- AA – to AA+	**1,253,048**	483,947
- Below AA-	**280,000**	–
Subtotal	**42,302,372**	33,696,483
Unrated	**108,407**	149,297
Total	**42,410,779**	33,845,780

(b) Market risk

Market risk is the risk of loss, in respect of the Group's activities, arising from adverse movements in market rates including interest rates, foreign exchange rates, commodity prices, stock prices and other prices.

The Group has especially built up a market risk management structure and team. The Department of Risk Management takes the major responsibility for the exposure of market risk and preparation of relevant market risk management policies to submit to the Committee of Risk Management. According to the established standards and current management capabilities, the Group measures market risk with the major adoption of sensitivity analysis. Before the new products or new businesses are launched, their market risks will be identified according to regulations.

The major source of market risk of the Group is the asset and liability businesses involved in market operation and the risks in interest rate and exchange rate relating to products.

Interest rate risk

The Group is primarily exposed to interest rate risk arising from repricing risk in its commercial banking business and the risk of financial markets business position.

Repricing risk

Repricing risk, which is also known as "maturity mismatch risk", is the most common form of interest rate risk. It is caused by the differences in timing between the maturities (related to fixed interest instruments) or repricing (related to floating interest instruments) of bank assets, liabilities and off-balance sheet items. The mismatch of repricing timing causes the Group's income or its inherent economic value to vary with the movement in interest rates.

Trading interest rate risk

Trading interest rate risk mainly arises from investment portfolios of treasury businesses. Interest rate risk is monitored using the effective duration analysis method. The Group employs other supplementary methods to measure its interest rate sensitivity, which is expressed as changes in the fair value of investment portfolios given a 100 basis points (1%) movement in the interest rates.

(i) The following tables indicate the assets and liabilities as at the end of the reporting period by the next expected repricing dates or by maturity dates, depending on which is earlier:

	31 December 2020					
	Total	Non-interest-bearing	Less than three months	Between three months and one year	Between one year and five years	More than five years
Assets						
Cash and deposits with the central bank	20,535,802	415,674	20,120,128	–	–	–
Deposits with banks and other financial institutions	2,244,037	14,093	1,579,934	650,010	–	–
Placements with banks and other financial institutions	1,100,435	435	800,000	300,000	–	–
Derivative financial assets	86	86	–	–	–	–
Financial assets held under resale agreements	18,915,305	655	18,224,398	690,252	–	–
Loans and advances to customers *(i)*	131,836,512	585,848	44,826,617	46,000,404	30,552,831	9,870,812
Financial investments *(ii)*	91,659,903	27,480,459	4,219,439	13,490,485	32,142,825	14,326,695
Others	4,651,517	4,651,517	–	–	–	–
Total assets	270,943,597	33,148,767	89,770,516	61,131,151	62,695,656	24,197,507
Liabilities						
Borrowings from the central bank	1,893,459	799	209,340	1,683,320	–	–
Deposits from banks and other financial institutions	1,905,784	8,647	337,137	1,560,000	–	–
Placements from banks and other financial institutions	800,730	730	300,000	500,000	–	–
Financial assets sold under repurchase agreements	13,430,473	10,809	13,344,022	75,642	–	–
Deposits from customers	176,781,696	3,388,309	77,676,690	31,198,000	64,518,697	–
Debt securities issued	52,176,626	93,370	17,558,304	30,525,943	3,999,009	–
Others	2,913,458	2,913,458	–	–	–	–
Total liabilities	249,902,226	6,416,122	109,425,493	65,542,905	68,517,706	–
Asset–liability gap	21,041,371	26,732,645	(19,654,977)	(4,411,754)	(5,822,050)	24,197,507

	31 December 2019					
	Total	Non-interest-bearing	Less than three months	Between three months and one year	Between one year and five years	More than five years
Assets						
Cash and deposits with the central bank	19,108,325	505,488	18,602,837	–	–	–
Deposits with banks and other financial institutions	1,303,659	7,361	1,065,244	99,834	131,220	–
Placements with banks and other financial institutions	1,300,375	383	1,299,992	–	–	–
Financial assets held under resale agreements	16,630,018	5,023	10,111,157	6,513,838	–	–
Loans and advances to customers *(i)*	111,712,557	490,986	41,821,404	42,577,380	22,944,418	3,878,369
Financial investments *(ii)*	92,912,639	27,424,714	6,911,655	17,400,101	29,678,749	11,497,420
Others	4,603,640	4,603,640	–	–	–	–
Total assets	247,571,213	33,037,595	79,812,289	66,591,153	52,754,387	15,375,789
Liabilities						
Borrowings from the central bank	870,731	731	180,000	690,000	–	–
Deposits from banks and other financial institutions	4,211,308	17,392	1,513,916	2,680,000	–	–
Placements from banks and other financial institutions	1,911,455	1,455	900,000	1,010,000	–	–
Financial assets sold under repurchase agreements	12,201,162	5,771	12,195,391	–	–	–
Deposits from customers	155,322,230	2,344,100	68,952,874	27,992,998	55,985,232	47,026
Debt securities issued	50,345,104	50,372	14,008,106	29,292,059	6,994,567	–
Others	2,549,874	2,549,874	–	–	–	–
Total liabilities	227,411,864	4,969,695	97,750,287	61,665,057	62,979,799	47,026
Asset-liability gap	20,159,349	28,067,900	(17,937,998)	4,926,096	(10,225,412)	15,328,763

Notes:

(i) As at 31 December 2020, for loans and advances to customers, the category "Less than three months" includes overdue amounts (net of provision for impairment losses) of RMB1,331 million (31 December 2019: RMB1,455 million).

(ii) Financial investments include financial investments at fair value through profit or loss, financial investments at fair value through other comprehensive income and financial investments measured at amortised cost.

(ii) Interest rate sensitivity analysis

The Group uses sensitivity analysis to measure the impact of changes in interest rate on the Group's net profit or loss and equity. The following table sets forth the results of the Group's interest rate sensitivity analysis on net profit and equity with an assumption that all other variables held constant.

	31 December 2020	31 December 2019
	(Decrease)/ Increase	(Decrease)/ Increase
Change in net profit		
Up 100 bps parallel shift in yield curves	**(189,250)**	(113,743)
Down 100 bps parallel shift in yield curves	**189,315**	117,867

	31 December 2020	31 December 2019
	(Decrease)/ Increase	(Decrease)/ Increase
Change in equity		
Up 100 bps parallel shift in yield curves	**(202,929)**	(242,004)
Down 100 bps parallel shift in yield curves	**203,104**	254,094

The sensitivity analysis above is based on a static interest rate risk profile of the Group's assets and liabilities. This analysis measures only the impact of changes in interest rates within one year, showing how annualised net profit or loss and equity would have been affected by repricing the Group's assets and liabilities within the one-year period. The sensitivity analysis is based on the following assumptions:

– Interest rate movements at the end of the reporting period apply to non-derivative financial instruments of the Group;

– At the end of the reporting period, an interest rate movement of 100 basis points is based on the assumption of interest rate movements over the next 12 months;

– There is a parallel shift in the yield curve with the changes in interest rates;

– There are no other changes to the assets and liabilities portfolio;

– Other variables (including exchange rates) remain unchanged; and

– The analysis does not take into account the effect of risk management measures taken by the Group.

Due to the adoption of the aforementioned assumptions, the actual changes in the Group's net profit or loss and equity caused by an increase or decrease in interest rates might vary from the estimated results of this sensitivity analysis.

Foreign currency risk

The majority of the business of the Group is related to Renminbi, as well as a small amount of business related to United States dollars and other foreign currencies.

The changes in exchange rates will affect the financial position and cash flows of the Group. Due to the small amount of foreign currency business of the Group, the effect of foreign currency risk on the Group would be immaterial. The major principle of the Group's control on foreign currency risk is to achieve matching of assets and liabilities in each currency and to conduct daily monitoring on currency exposure.

The Group adopts sensitivity analysis to measure the possible effects of changes in exchange rates on net gains and losses and interests of the Group. As the foreign currency assets and liabilities account for an immaterial part of the total assets and total liabilities of the Group, the effect of changes in exchange rates on net gains and losses and interests of the Group would be immaterial.

The Group's currency exposures as at the end of each of the reporting periods are as follows:

	31 December 2020			
	RMB	***USD (RMB equivalent)***	***Other (RMB equivalent)***	***Total (RMB equivalent)***
Assets				
Cash and deposits with the central bank	**20,535,668**	**46**	**88**	**20,535,802**
Deposits with banks and other financial institutions	**2,176,678**	**34,541**	**32,818**	**2,244,037**
Placements with banks and other financial institutions	**1,100,435**	**–**	**–**	**1,100,435**
Derivative financial assets	**86**	**–**	**–**	**86**
Financial assets held under resale agreements	**18,915,305**	**–**	**–**	**18,915,305**
Loans and advances to customers	**131,836,512**	**–**	**–**	**131,836,512**
Financial investments *(i)*	**91,659,903**	**–**	**–**	**91,659,903**
Others	**4,651,517**	**–**	**–**	**4,651,517**
Total assets	**270,876,104**	**34,587**	**32,906**	**270,943,597**
Liabilities				
Borrowings from the central bank	**1,893,459**	**–**	**–**	**1,893,459**
Deposits from banks and other financial institutions	**1,905,784**	**–**	**–**	**1,905,784**
Placements from banks and other financial institutions	**800,730**	**–**	**–**	**800,730**
Financial assets sold under repurchase agreements	**13,430,473**	**–**	**–**	**13,430,473**
Deposits from customers	**176,780,688**	**886**	**122**	**176,781,696**
Debt securities issued	**52,176,626**	**–**	**–**	**52,176,626**
Others	**2,880,382**	**33,076**	**–**	**2,913,458**
Total liabilities	**249,868,142**	**33,962**	**122**	**249,902,226**
Net position	**21,007,962**	**625**	**32,784**	**21,041,371**
Off-balance sheet credit commitments	**64,188,683**	**–**	**–**	**64,188,683**

	31 December 2019			
	RMB	*USD (RMB equivalent)*	*Others (RMB equivalent)*	*Total (RMB equivalent)*
Assets				
Cash and deposits with the central bank	19,108,193	55	77	19,108,325
Deposits with banks and other financial institutions	1,107,497	48,426	147,736	1,303,659
Placements with banks and other financial institutions	1,300,375	–	–	1,300,375
Financial assets held under resale agreements	16,630,018	–	–	16,630,018
Loans and advances to customers	111,712,557	–	–	111,712,557
Financial investments *(i)*	92,912,639	–	–	92,912,639
Others	4,603,640	–	–	4,603,640
Total assets	247,374,919	48,481	147,813	247,571,213
Liabilities				
Borrowings from the central bank	870,731	–	–	870,731
Deposits from banks and other financial institutions	4,211,308	–	–	4,211,308
Placements from banks and other financial institutions	1,911,455	–	–	1,911,455
Financial assets sold under repurchase agreements	12,201,162	–	–	12,201,162
Deposits from customers	155,321,102	1,002	126	155,322,230
Debt securities issued	50,345,104	–	–	50,345,104
Others	2,497,069	34,890	17,915	2,549,874
Total liabilities	227,357,931	35,892	18,041	227,411,864
Net position	20,016,988	12,589	129,772	20,159,349
Off-balance sheet credit commitments	41,263,179	–	–	41,263,179

(i) Financial investments include financial investments at fair value through profit or loss, financial investments at fair value through other comprehensive income and financial investments measured at amortised cost.

(c) Liquidity risk

Liquidity risk is the risk that the Group is unable to obtain funds on a timely basis or obtain funds at a reasonable cost to sustain its asset business or meet its repayment obligations.

The Group plays an active part in managing liquidity risks and improves the related management system in terms of organisation, institution, system, management and mechanism. The organisational structure of the Group's liquidity risk management consists of the Board of Directors, senior management and its Risk Management Committee and Asset and Liability Management Committee, Department of Risk Management, Department of Asset and Liability Management, Department of Corporate Finance, Department of Personal Credit Assets, Department of Trade Finance, Department of Credit Examination, Department of Financial Market, Department of Information Technology and Audit Department, which are responsible for formulating liquidity risk management strategy and establishing internal control mechanism to support the implementation and supervision of liquidity risk management strategy.

The measurement of liquidity risk of the Group adopts liquidity indicator and cash flow gap calculation. By stress testing, the Group sets up mild, moderate and severe scenarios to examine the capacity to withstand liquidity or liquidity crises and improve liquidity contingency measures. In terms of response to liquidity risks, the Group strengthens management and monitoring of liquidity limits; establishes related liquidity emergency leading groups, early-warning indicators for internal and external liquidity risks and indicators that could trigger contingency plans and monitors these indicators; builds up quality liquidity assets reserve and financing capability management; erects liquidity risk reporting mechanism, in which the asset and liability management department reports to the Asset and Liability Management Committee, senior management and the Board of Directors on issues related to the status, stress testing and contingency plans of liquidity risks on a regular basis.

The following tables provide an analysis of assets and liabilities of the Group into relevant maturity groupings based on the remaining periods to repayment at the end of the reporting period:

	31 December 2020							
	Indefinite *(i)*	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years	Total
Assets								
Cash and deposits with the central bank	13,658,026	6,871,068	6,708	–	–	–	–	20,535,802
Deposits with banks and other financial institutions	–	1,279,985	104,591	200,661	658,800	–	–	2,244,037
Placements with banks and other financial institutions	–	–	800,060	–	300,375	–	–	1,100,435
Derivative financial assets	–	–	–	–	–	86	–	86
Financial assets held under resale agreements	–	–	13,615,032	4,610,021	690,252	–	–	18,915,305
Loans and advances to customers	2,614,488	3,288,856	8,870,557	14,573,381	46,473,166	32,312,294	23,703,770	131,836,512
Financial investments	1,509,399	25,375,979	655,327	3,636,466	13,237,435	32,833,947	14,411,350	91,659,903
Others	4,131,976	519,541	–	–	–	–	–	4,651,517
Total assets	21,913,889	37,335,429	24,052,275	23,020,529	61,360,028	65,146,327	38,115,120	270,943,597
Liabilities								
Borrowings from the central bank	–	–	–	210,139	1,683,320	–	–	1,893,459
Deposits from banks and other financial institutions	–	138,019	202,536	1,394	1,563,835	–	–	1,905,784
Placements from banks and other financial institutions	–	–	–	730	300,000	500,000	–	800,730
Financial assets sold under repurchase agreements	–	–	12,277,375	1,077,455	75,643	–	–	13,430,473
Deposits from customers	–	62,600,942	6,506,371	9,879,542	31,722,189	66,072,652	–	176,781,696
Debt securities issued	–	–	249,867	17,339,915	30,580,667	4,006,177	–	52,176,626
Others	–	2,432,235	14,931	14,113	150,193	241,476	60,510	2,913,458
Total liabilities	–	65,171,196	19,251,080	28,523,288	66,075,847	70,820,305	60,510	249,902,226
Net position	21,913,889	(27,835,767)	4,801,195	(5,502,759)	(4,715,819)	(5,673,978)	38,054,610	21,041,371

	31 December 2019							
	Indefinite *(i)*	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years	Total
Assets								
Cash and deposits with the central bank	13,303,425	5,798,482	6,418	–	–	–	–	19,108,325
Deposits with banks and other financial institutions	–	665,078	236,119	–	402,462	–	–	1,303,659
Placements with banks and other financial institutions	–	–	1,300,375	–	–	–	–	1,300,375
Financial assets held under resale agreements	–	–	10,323,258	4,919,792	1,386,968	–	–	16,630,018
Loans and advances to customers	1,167,589	263,728	9,599,136	12,774,727	45,219,973	24,832,119	17,855,285	111,712,557
Financial investments	986,155	26,387,552	3,306,281	3,132,462	17,207,616	30,344,145	11,548,428	92,912,639
Others	3,767,156	836,484	–	–	–	–	–	4,603,640
Total assets	19,224,325	33,951,324	24,771,587	20,826,981	64,217,019	55,176,264	29,403,713	247,571,213
Liabilities								
Borrowings from the central bank	–	–	731	180,000	690,000	–	–	870,731
Deposits from banks and other financial institutions	–	513,916	–	1,151,685	2,545,707	–	–	4,211,308
Placements from banks and other financial institutions	–	–	900,443	1,012	1,010,000	–	–	1,911,455
Financial assets sold under repurchase agreements	–	–	12,136,265	64,897	–	–	–	12,201,162
Deposits from customers	–	57,442,897	3,739,047	8,497,576	28,620,210	56,975,471	47,029	155,322,230
Debt securities issued	–	–	2,635,902	11,372,204	29,292,059	5,007,037	2,037,902	50,345,104
Others	–	2,460,492	–	–	41,957	47,425	–	2,549,874
Total liabilities	–	60,417,305	19,412,388	21,267,374	62,199,933	62,029,933	2,084,931	227,411,864
Net position	19,224,325	(26,465,981)	5,359,199	(440,393)	2,017,086	(6,853,669)	27,318,782	20,159,349

(i) Indefinite amount of cash and deposits with the central bank represents the statutory deposit reserves and fiscal deposits with the central bank. Indefinite amount of loans and advances to customers includes all the impaired loans and advances, as well as those overdue for more than one month. Loans and advances to customers with no impairment but overdue within one month are classified into the category of "repayable on demand". Indefinite amount of investments represents impaired investments or those overdue for more than one month. Equity investments are listed under the category of "indefinite".

The following tables provide an analysis of the contractual undiscounted cash flows of the non-derivative liabilities of the Group at the end of the reporting period:

	31 December 2020							
	Carrying amount	**Contractual undiscounted cash flow**	**Repayable on demand**	**Within one month**	**Between one month and three months**	**Between three months and one year**	**Between one year and five years**	**More than five years**
Non-derivative liabilities								
Borrowings from the central bank	**1,893,459**	**1,923,210**	**–**	**–**	**219,986**	**1,703,224**	**–**	**–**
Deposits from banks and other financial institutions	**1,905,784**	**1,955,658**	**138,019**	**202,863**	**11,403**	**1,603,373**	**–**	**–**
Placements from banks and other financial institutions	**800,730**	**840,352**	**–**	**–**	**5,975**	**313,194**	**521,183**	**–**
Financial assets sold under repurchase agreements	**13,430,473**	**13,432,971**	**–**	**12,279,873**	**1,077,455**	**75,643**	**–**	**–**
Deposits from customers	**176,781,696**	**185,640,179**	**62,606,323**	**7,361,735**	**10,356,990**	**33,638,833**	**71,676,298**	**–**
Debt securities issued	**52,176,626**	**53,068,343**	**–**	**250,018**	**17,401,706**	**31,142,432**	**4,274,187**	**–**
Other liabilities	**2,913,458**	**2,963,147**	**2,432,235**	**16,944**	**16,015**	**157,688**	**271,598**	**68,667**
Total non-derivative liabilities	**249,902,226**	**259,823,860**	**65,176,577**	**20,111,433**	**29,089,530**	**68,634,387**	**76,743,266**	**68,667**

	31 December 2019							
	Carrying amount	Contractual undiscounted cash flow	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years
Non-derivative liabilities								
Borrowings from the central bank	870,731	894,213	–	–	180,000	714,213	–	–
Deposits from banks and other financial institutions	4,211,308	4,311,499	513,916	–	1,178,111	2,619,472	–	–
Placements from banks and other financial institutions	1,911,455	1,944,669	–	901,033	–	1,043,636	–	–
Financial assets sold under repurchase agreements	12,201,162	12,195,884	–	12,130,823	65,061	–	–	–
Deposits from customers	155,322,230	160,194,769	57,284,116	3,575,262	8,133,390	28,409,502	62,734,871	57,628
Debt securities issued	50,345,104	52,046,000	–	2,640,000	11,440,000	30,186,000	5,664,000	2,116,000
Other liabilities	2,549,874	2,611,708	1,997,679	17,052	27,894	100,035	360,764	108,284
Total non–derivative liabilities	227,411,864	234,198,742	59,795,711	19,264,170	21,024,456	63,072,858	68,759,635	2,281,912

This analysis of the non–derivative liabilities by contractual undiscounted cash flows might be different from actual results.

(d) Operational risk

Operational risk refers to the risk of losses associated with internal process deficiencies, human mistakes and information system failures, or impact from other external events.

The Group has specified issues of operational risks, including its manifestation, management mode, reporting procedure, reporting cycle and statistics of loss and improved comprehensive risk management system, with major initiatives as follows:

– Establishment of operational risk management system in a crisscrossing manner. On the one hand, the Group establishes an operational risk management framework that is compatible with its nature, scale, complexity and risk characteristics, including the operational risk management mechanism that involves its board of directors, board of supervisors, senior management, head office and branches. On the other hand, a three-tier risk prevention system for the front office, middle office and back office has been established for every major risk faced by the Group.

– Formation of business philosophy of compliance and robustness. The Group fosters favourable control environment, including constant advances and promotion in operational risk culture by the board of directors and senior management.

– Preference to low operational risk under the framework of "robust" risk preference. By conducting controls on operational risk including identification, measurement, resolution, monitoring and reporting, the Group establishes mechanisms for risk avoidance, loss prediction, prevention, control, reduction, financing to control operational risk within the carrying capacity of the Group and maximise its profits.

– Prevention of operational risks based on the means of inspection and supervision. All departments and branches of the head office actively perform their duties of supervision and management, conduct routine and special inspections on operational risks in major businesses, establish ledger of all problems identified for rectification and check-off. Based on the inspection by departments, the internal audit department fully uses the off-site audit system, business risk early-warning system and remote monitoring system to detect violations and pay constant attention to risk-prone problems to prevent operational risks. In the meantime, inspections and investigations are exercised on key businesses, key institutions and key personnel to prevent operational risks.

– Combination of punishment and incentives to encourage compliance and standard operations. Integral management will be implemented on personnel who violate operational standards for strict ascertainment of responsibility; employees are encouraged to spontaneously disclose and actively report operational risks; internal management, compliance operation, inspection and supervision and swindle prevention and control of the head office and branches shall be quantitatively assessed for penalty points; innovative implementation of compliance and internal control management of institutions shall be assessed for bonus points.

– Substantive achievements in carrying out system training and improving staff operation skills have been effective in preventing operational risks for the Group.

39 FAIR VALUE

(a) Methods and assumptions for measurement of fair value

The Group adopts the following methods and assumptions when evaluating fair values:

(i) Debt securities and equity investments

The fair values of debt securities and equity investments that are traded in an active market are based on their quoted market prices in an active market at the end of the reporting period. If quoted market prices are not available, then fair values are estimated on the basis of pricing models or discounted cash flows.

(ii) Receivables and other non-derivative financial assets

Fair values are estimated as the present value of the future cash flows, discounted at the market interest rates at the end of the reporting period.

(iii) Debt securities issued and other non-derivative financial liabilities

Fair values of debt securities issued are based on their quoted market prices at the end of the reporting period, or the present value of estimated future cash flows. The fair values of other non-derivative financial liabilities are valued at the present value of estimated future cash flows. The discount rates are based on the market interest rates at the end of the reporting period.

(b) Fair value measurement

(i) Financial assets

The Group's financial assets mainly consist of cash and deposits with the central bank, deposits with banks and other financial institutions, financial assets held under resale agreements, loans and advances to customers, and financial investments.

Deposits with the central bank, deposits with banks and other financial institutions and financial assets held under resale agreements are mostly priced at market interest rates and due within one year. Accordingly, the carrying amounts approximate to the fair values.

Loans and advances to customers are mostly priced at floating rates close to the PBoC rates. Accordingly, the carrying amounts approximate to the fair values.

Financial investments at fair value through other comprehensive income and financial assets at fair value through profit or loss are stated at fair value. The carrying amounts of financial investments at amortised cost are the reasonable approximations of their fair values because, for example, they are short-term in nature or repriced at current market rates frequently.

(ii) Financial liabilities

The Group's financial liabilities mainly include deposits from banks and other financial institutions, placements from banks and other financial institutions, financial assets sold under repurchase agreements, deposits from customers and debt securities issued.

The book value and fair value of debt securities issued are presented in Note 29. The carrying amounts of other financial liabilities approximate to their fair values.

(c) Fair value hierarchy

The following table presents the fair value of financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13 Fair Value Measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1: Fair value measured using only Level 1 inputs, i.e., unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date;
- Level 2: Fair value measured using Level 2 inputs, i.e., observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available; and
- Level 3: Fair value measured using significant unobservable inputs.

If there is a reliable market quote for financial instruments, the fair value of financial instruments is based on quoted market prices. If a reliable quoted market price is not available, the fair value of the financial instruments is estimated using valuation techniques. Valuation techniques applied include reference to the fair value of another instrument that is substantially the same, and the discounted cash flow analysis. The inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and exchange rate. Where the discounted cash flow analysis is used, estimated cash flows are based on management's best estimates and the discount rate used is by reference to another instrument that is substantially the same.

	31 December 2020			
	Level 1	**Level 2**	**Level 3**	**Total**
Recurring fair value measurements				
Assets				
Financial investments at fair value through profit or loss				
– debt securities	**–**	**1,631,868**	**108,407**	**1,740,275**
– fund investments	**–**	**25,375,979**	**–**	**25,375,979**
– investment management products	**–**	**368,609**	**2,240,068**	**2,608,677**
– other investments	**–**	**–**	**50,155**	**50,155**
Financial investments at fair value through other comprehensive income				
– debt securities and interbank deposits	**–**	**8,072,387**	**–**	**8,072,387**
– investment management products	**–**	**690,614**	**–**	**690,614**
– equity investments	**–**	**–**	**135,453**	**135,453**
Loans and advances to customers measured at fair value through other comprehensive income:				
– corporate loans and advances	**–**	**–**	**–**	**–**
– discounted bills	**–**	**29,600,410**	**–**	**29,600,410**
Total	**–**	**65,739,867**	**2,534,083**	**68,273,950**

	31 December 2019			
	Level 1	Level 2	Level 3	Total
Recurring fair value measurements				
Assets				
Financial investments at fair value through profit or loss				
– debt securities	–	1,049,720	149,297	1,199,017
– fund investments	–	26,387,551	–	26,387,551
– investment management products	–	54,371	2,276,444	2,330,815
– other investments	–	–	59,097	59,097
Financial investments at fair value through other comprehensive income				
– debt securities and interbank deposits	–	10,785,411	–	10,785,411
– equity investments	–	–	151,190	151,190
– investment management products	–	772,517	–	772,517
Loans and advances to customers measured at fair value through other comprehensive income:				
– corporate loans and advances	–	187,447	–	187,447
– discounted bills	–	24,709,293	–	24,709,293
Total	–	63,946,310	2,636,028	66,582,338

The movements during the year ended 31 December 2020 in the balance of Level 3 fair value measurements are as follows:

	1 January 2020	Transfer into Level 3	Transfer out of Level 3	Total gains or losses		Purchases, issues, sales and settlements				31 December 2020	Unrealised gains or losses for the period included in profit or loss for assets held at the end of the year
				Recorded in profit or loss	Recorded in other comprehensive income	Purchases	Issues	Sales	Settlements		
Financial assets at fair value through profit or loss											
– debt securities	149,297	–	–	(40,890)	–	–	–	–	–	108,407	(40,890)
– investment management products	2,276,444	–	–	(35,376)	–	–	–	–	(1,000)	2,240,068	(35,376)
– other investments	59,097	–	–	(853)	–	–	–	–	(8,089)	50,155	(853)
Subtotal	2,484,838	–	–	(77,119)	–	–	–	–	(9,089)	2,398,630	(77,119)
Financial investments at fair value through other comprehensive income											
– equity investments	151,190	–	–	–	(15,737)	–	–	–	–	135,453	–
Total	2,636,028	–	–	(77,119)	(15,737)	–	–	–	(9,089)	2,534,083	(77,119)

The movements during the year ended 31 December 2019 in the balance of Level 3 fair value measurements are as follows:

	1 January 2020	Transfer into Level 3	Transfer out of Level 3	Total gains or losses		Purchases, issues, sales and settlements				31 December 2020	Unrealised gains or losses for the period included in profit or loss for assets held at the end of the year
				Recorded in profit or loss	Recorded in other comprehensive income	Purchases	Issues	Sales	Settlements		
Assets											
Financial assets at fair value through profit or loss											
– debt securities	134,330	–	–	14,967	–	–	–	–	–	149,297	14,967
– investment management products	3,627,708	–	–	(6,556)	–	–	–	–	(1,344,708)	2,276,444	(3,819)
– other investments	58,285	–	–	812	–	–	–	–	–	59,097	812
Subtotal	3,820,323	–	–	9,223	–	–	–	–	(1,344,708)	2,484,838	11,960
Financial investments at fair value through other comprehensive income											
– equity investments	151,190	–	–	–	–	–	–	–	–	151,190	–
Total	3,971,513	–	–	9,223	–	–	–	–	(1,344,708)	2,636,028	11,960

During the year ended 31 December 2020 and the year ended 31 December 2019, there were no significant transfers among instruments in Level 1, Level 2 and Level 3.

The valuation techniques used and the qualitative and quantitative information of key parameters for recurring fair value measurements are categorised within Level 3.

Quantitative information of Level 3 fair value measurement is set out below:

	Fair value as at 31 December 2020	**Valuation techniques**	**Unobservable input**
Financial investments at fair value through profit or loss			
– debt securities	**108,407**	Discounted cash flow	Risk-adjusted discount rate, cash flow
– other investments	**50,155**	Discounted cash flow	Risk-adjusted discount rate, cash flow
– Investment management products	**2,240,068**	Discounted cash flow	Risk-adjusted discount rate, cash flow
Financial investments at fair value through other comprehensive income			
– equity investments	**135,453**	Discounted cash flow	Risk-adjusted discount rate, cash flow

	Fair value as at 31 December 2019	Valuation techniques	Unobservable input
Financial investments at fair value through profit or loss			
– debt securities	149,297	Discounted cash flow	Risk-adjusted discount rate, cash flow
– other investments	59,097	Discounted cash flow	Risk-adjusted discount rate, cash flow
– Investment management products	2,276,444	Discounted cash flow	Risk-adjusted discount rate, cash flow
Financial investments at fair value through other comprehensive income			
– equity investments	151,190	Discounted cash flow	Risk-adjusted discount rate, cash flow

During the years ended 31 December 2020 and 2019, there was no significant change in the valuation techniques.

As at 31 December 2020 and 2019, unobservable inputs such as risk-adjusted discount rate and cash flow were used in the valuation of financial assets at fair value classified as Level 3, which were mainly equity investments and investment management products. The fair value of these financial assets fluctuates according to the changes in the unobservable inputs.

The sensitivity of the fair value on changes in unobservable inputs for Level 3 financial instruments is measured at fair value on an ongoing basis.

The fair value of financial instruments is, in certain circumstances, measured using valuation models which incorporate assumptions that are not supported by prices from observable current market transactions in the same instrument and are not based on observable market data. The following table shows the sensitivity of fair value due to parallel movement of plus or minus 1 percent of change in fair value to reasonably possible alternative assumptions.

	At 31 December 2020			
	Effect on net profit		**Effect on other comprehensive income**	
	Favourable	**(Unfavourable)**	**Favourable**	**(Unfavourable)**
Financial investments at fair value through profit or loss				
– debt securities	2,873	(2,787)	–	–
– other investments	375	(368)	–	–
– investment management products	34,060	(32,440)	–	–
Financial investments at fair value through other comprehensive income				
– equity investments	–	–	945	(790)

	At 31 December 2019			
	Effect on net profit		Effect on other comprehensive income	
	Favourable	(Unfavourable)	Favourable	(Unfavourable)
Financial investments at fair value through profit or loss				
– debt securities	3,274	(3,175)	–	–
– other investments	376	(368)	–	–
– investment management products	45,026	(42,409)	–	–
Financial investments at fair value through other comprehensive income				
– equity investments	–	–	578	(483)

40 FIDUCIARY ACTIVITIES

(a) Entrusted lending business

The Group provides entrusted lending business services to customers. All entrusted loans are funded by entrusted funds from these customers. The Group does not take any credit risk in relation to these transactions. The Group acts as an agent to hold and manage these assets and liabilities at the direction of the entrustor and receives fee income for the services provided. The entrusted assets are not the assets of the Group and are not recognised in the statement of financial position. Surplus funding is accounted for as other liabilities.

	31 December 2020	31 December 2019
Entrusted loans	**8,239,963**	11,100,352
Entrusted funds	**8,240,332**	11,105,820

(b) Intermediary matchmaking service

As at 31 December 2020 and 2019, the balance of intermediary matchmaking service business is as follows:

	31 December 2020	31 December 2019
Intermediary matchmaking service business	**7,222,838**	6,108,043

41 COMMITMENTS AND CONTINGENT LIABILITIES

(a) Credit commitments

The Group's credit commitments are in the form of approved loans with signed contracts, credit card commitments, bank acceptances, letters of credit and financial guarantees.

The contractual amounts of loan commitments represent the amounts should the contracts be fully drawn upon. The Group provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. Acceptances comprise of undertakings by the Group to pay bills of exchange drawn on customers. The Group expects most acceptances to be settled simultaneously with the reimbursement from the customers.

	31 December 2020	31 December 2019
Loan commitments		
– Original contractual maturity within one year	**2,163,216**	733,891
– Original contractual maturity more than one year (inclusive)	**7,604,160**	2,947,449
Credit card commitments	**6,677,521**	6,542,674
Subtotal	**16,444,897**	10,224,014
Acceptances	**42,685,919**	27,215,046
Letters of credit	**4,348,112**	3,344,576
Letters of guarantees	**709,755**	479,543
Total	**64,188,683**	41,263,179

The Group may be exposed to credit risk in all the above credit businesses. The Group's management periodically assesses credit risk and makes provision for any probable losses. As the facilities may expire without being drawn upon, the total of the contractual amounts shown above is not representative of the expected future cash outflows.

(b) Credit risk-weighted amount for credit commitments

	31 December 2020	31 December 2019
Credit risk-weighted amounts	**30,556,100**	21,095,590

The credit risk-weighted amount for credit commitments represents the amount calculated with reference to the guidelines issued by the former CBRC.

(c) Capital commitments

As at the end of the reporting period, the Group's authorised capital commitments are as follows:

	31 December 2020	31 December 2019
Contracted but not paid for	**129,275**	100,315
Authorised but not contracted for	**–**	–
Total	**129,275**	100,315

(d) Outstanding litigations and disputes

As at 31 December 2020, the Group was the defendant in certain outstanding litigations and disputes with an estimated gross amount of RMB10 million (31 December 2019: RMB1,015 million). The Group has assessed the impact of the above outstanding litigation and disputes that may lead to an outflow of economic benefits. In the opinion of the Group's lawyers and external lawyers, it is unlikely for the Group to receive unfavourable ruling in these cases. Therefore, the Group did not make provision for the litigation. The directors of the Bank are of the view that these litigations will not have any material adverse effects on the Group's businesses, financial condition, results of operations or prospects.

(e) Bonds underwriting commitments and redemption obligations

The Group has no outstanding bond underwriting commitments at the end of the reporting period.

As an underwriting agent of PRC government bonds, the Group has the responsibility to buy back its bonds if the holders decide to early redeem the bonds. The redemption price for the bonds at any time before their maturity date is based on the coupon value plus any interest unpaid and accrued up to the redemption date. Accrued interest payable to the bond holders is calculated in accordance with relevant rules of the Ministry of Finance ("MOF") and the PBoC. The redemption price may be different from the fair value of similar instruments traded in the markets at the redemption date.

The redemption obligations below represent the nominal value of government bonds underwritten and sold by the Group, but not yet matured at 31 December 2020 or 31 December 2019:

	31 December 2020	31 December 2019
Redemption obligations	**2,969,900**	3,363,845

(f) Pledged assets

(i) Assets pledged as collateral

	31 December 2020	31 December 2019
For repurchase agreements:		
– Financial investments measured at amortised cost	**13,102,283**	8,750,712
– Discounted bills	**1,391,874**	63,822
Total	**14,494,157**	8,814,534

Financial assets pledged by the Group as collateral for liabilities are mainly debt securities for repurchase agreements.

(ii) Pledged assets received

The Group conducts resale agreements under standard terms of placements and holds collateral for these transactions. The Group's balance of the financial assets held under resale agreements is disclosed in Note 17. The fair value of such collateral accepted by the Group was RMB19,127 million as at 31 December 2020 (31 December 2019: RMB16,625 million). These transactions were conducted under standard terms in the normal course of business.

42 INVOLVEMENT WITH UNCONSOLIDATED STRUCTURED ENTITIES

(a) Structured entities sponsored by third party institutions in which the Group holds interests:

The Group holds interests in certain structured entities sponsored by third party institutions through investments in the units issued by these structured entities. Such structured entities include the wealth management products issued by financial institutions and investment management products under trust schemes. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of third party investors. These vehicles are financed through the issue of units to investors.

The following table sets out an analysis of the carrying amounts of interests held by the Group in unconsolidated structured entities, as well as an analysis of the line items in the statement of financial position in which relevant assets are recognised as at 31 December 2020 and 31 December 2019:

	31 December 2020		31 December 2019	
	Carrying amount	**Maximum exposure**	Carrying amount	Maximum exposure
Financial investments at fair value through profit or loss	**28,034,811**	**28,034,811**	28,718,366	28,718,366
Financial investments at fair value through other comprehensive income	**690,614**	**690,614**	772,517	772,517
Financial investments at amortised cost	**18,238,227**	**18,238,227**	24,204,400	24,204,400
Total	**46,963,652**	**46,963,652**	53,695,283	53,695,283

As at 31 December 2020 and 31 December 2019, the carrying amounts of the unconsolidated structured entities are equal to the maximum exposures.

(b) Structured entities sponsored by the Group in which the Group does not consolidate but holds interests:

The types of unconsolidated structured entities sponsored by the Group include non-principal guaranteed wealth management products. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors. These structured entities are financed through the issue of units to investors. Interests held by the Group include investments in units issued by these structured entities and fees charged by providing management services. As at 31 December 2020 and 31 December 2019, the carrying amounts of the investments in the units issued by these structured entities and management fee receivables being recognised are not material in the statement of financial position.

For the year ended 31 December 2020, the amount of fee and commission income received from the above-mentioned structured entities by the Group was RMB149 million (year ended 31 December 2019: RMB142 million).

As at 31 December 2020, the amount of assets held by the unconsolidated non-principal guaranteed wealth management products, which are sponsored by the Group, was RMB38,335 million (31 December 2019: RMB31,274 million).

In July 2020, the regulatory authorities made a decision on extending the transition period for the Guiding Opinions on Regulating Asset Management Business of Financial Institutions to the end of 2021 and encouraged orderly disposal of legacy assets in a variety of ways such as undertaking by new wealth management products, market-based transfer, and transferring assets back to the balance sheet. According to the regulatory requirements, the Group has promoted the disposal of the legacy wealth management business in a pragmatic way in order to achieve a smooth transition of the wealth management business.

(c) Unconsolidated structured entities sponsored by the Group during the period in which the Group does not have interests as at 31 December 2020:

For year ended 31 December 2020, the aggregate amount of the non-principal guaranteed wealth management products sponsored and issued by the Group after 1 January but matured before 31 December was RMB14,690 million (year ended 31 December 2019: RMB15,788 million).

43 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	**31 December 2020**	31 December 2019
Assets			
Cash and deposits with the central bank		**20,496,210**	19,043,695
Deposits with banks and other financial institutions		**1,841,945**	1,184,082
Placements with banks and other financial institutions		**1,100,435**	1,300,375
Derivative financial assets		**86**	–
Financial assets held under resale agreements		**18,915,305**	16,630,018
Loans and advances to customers		**131,578,344**	111,398,169
Financial investments:			
Financial investments at fair value through profit or loss		**29,775,086**	29,976,480
Financial investments at fair value through other comprehensive income		**8,898,454**	11,709,118
Financial investments at amortised cost		**52,986,363**	51,227,041
Interest in an associate		**294,119**	272,576
Investment in a subsidiary	*21*	**25,500**	25,500
Property and equipment		**1,478,441**	1,463,392
Deferred tax assets		**1,684,646**	1,427,534
Other assets		**1,173,927**	1,417,845
Total assets		**270,248,861**	247,075,825

	Note	**As at 31 December 2020**	As at 31 December 2019
Liabilities and equity			
Liabilities			
Borrowing from the central bank		**1,893,459**	870,731
Deposits from banks and other financial institutions		**1,961,243**	4,419,591
Placements from banks and other financial institutions		**800,730**	1,911,455
Financial assets sold under repurchase agreements		**13,430,473**	12,201,162
Deposits from customers		**176,076,245**	154,652,911
Income tax payable		**272,139**	193,808
Debt securities issued		**52,176,626**	50,345,104
Other liabilities		**2,627,898**	2,345,564
Total liabilities		**249,238,813**	226,940,326
Equity			
Share capital		**5,838,650**	5,838,650
Capital reserve		**6,627,602**	6,627,602
Surplus reserve		**3,623,310**	3,467,020
General reserve		**2,801,940**	2,781,004
Fair value reserve		**(64,335)**	(23,204)
Impairment reserve		**12,892**	18,320
Deficit on remeasurement of net defined benefit liability		**(765)**	(1,223)
Retained earnings		**2,170,754**	1,427,330
Total equity		**21,010,048**	20,135,499
Total liabilities and equity		**270,248,861**	247,075,825

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

Wang Liyan	**Sun Shihu**	**Hou Xiuping**	
Director	*Director*	*Chief Financial Officer*	(Company chop)

44 SUBSEQUENT EVENTS

(a) Change in a major shareholder's equity

On 28 December 2020, the CBIRC Shanxi Office approved Shanxi Finance Bureau to become the shareholder of the Bank. Shanxi Financial Investment Holding Group Co., Ltd., the current shareholder of the Bank, gave all its domestic shares (accounting for about 12.25% of the total issued shares of the Bank) to the Shanxi Finance Bureau for nil consideration. After the registration of such share transfer completed, the Shanxi Finance Bureau will become the new shareholder and hold 715,109,200 domestic shares of the Bank. As at the reporting date, the registration procedures are still in process.

(b) Tier-two capital bonds issuance

Approved by the CBIRC Shanxi Office and PBoC in January 2021, the Bank publicly issued the tier-two capital bonds named JINSHANG BANK CO., LTD Tier II Capital bond 2021 1 in an amount of RMB20,000 million, which started trading through public offering since 25 January 2021.

Except for the above matters, the Group has no major matters that need to be disclosed after the reporting date.

45 UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

The information set out below does not form part of the consolidated financial statements, and is included herein for the purpose of providing information only.

In accordance with the Listing Rules and Banking (Disclosure) Rules, the Group discloses the unaudited supplementary financial information as follows:

1 Liquidity coverage ratio, leverage ratio and net stable funding ratio

(a) Liquidity coverage ratio

	31 December 2020	**Average for the year ended 31 December 2020**
Liquidity coverage ratio (RMB and foreign currencies)	**327.19%**	**229.90%**

	31 December 2019	Average for the year ended 31 December 2019
Liquidity coverage ratio (RMB and foreign currencies)	252.85%	240.44%

Pursuant to the Administrative Measures on the Liquidity Risk Management of Commercial Banks (Trial), the liquidity coverage ratio of commercial banks shall reach 100% by the end of 2018.

(b) Leverage ratio

	31 December 2020	31 December 2019
Leverage ratio	**6.53%**	7.16%

Pursuant to the Administrative Measures on the Leverage Ratio of Commercial Banks issued by the former CBRC effective since 1 April 2015, a minimum leverage ratio of 4% is required.

(c) Net stable funding ratio

	31 December 2020	30 September 2020	31 December 2019
Net stable funding ratio	**141.19%**	136.89%	137.19%

Pursuant to the Administrative Measures on the Liquidity Risk Management of Commercial Banks, a minimum net stable funding ratio of 100% is required.

The above liquidity coverage ratio, leverage ratio and net stable funding ratio are calculated in accordance with the formula promulgated by the former CBRC and based on the financial information prepared in accordance with PRC GAAP.

2 Currency Concentrations

	31 December 2020			
	US Dollars (RMB equivalent)	***HK Dollars (RMB equivalent)***	***Others (RMB equivalent)***	***Total***
Spot assets	**34,587**	**32,698**	**209**	**67,494**
Spot liabilities	**(33,962)**	**(30,572)**	**(223)**	**(64,757)**
Net position	**625**	**2,126**	**(14)**	**2,737**

	31 December 2019			
	US Dollars (RMB equivalent)	*HK Dollars (RMB equivalent)*	*Others (RMB equivalent)*	*Total*
Spot assets	48,481	147,605	208	196,294
Spot liabilities	(35,892)	(17,822)	(219)	(53,933)
Net position	12,589	129,783	(11)	142,361

As at 31 December 2020, the Group's structural position amounted to RMB33 million. As at 31 December 2019, the Group had no structural position.

3 International claims

The Group is principally engaged in business operations within mainland China, and regards all claims on third parties in Hong Kong, Macau, Taiwan and other countries and areas as international claims.

International claims include loans and advances to customers, deposits with the central bank, amounts due from banks and other financial institutions.

A country or geographical area is reported where it constitutes 10% or more of the aggregate amount of international claims, after taking into account any risk transfers. Risk transfers are only made if the claims are guaranteed by a party in a country which is different from that of the counterparty or if the claims are on an overseas branch of a bank whose head office is located in another country.

	31 December 2020		
	Banks and other financial institutions	**Non-bank private sector**	**Total**
Asia Pacific	**32,650**	**–**	**32,650**
Europe	**149**	**–**	**149**
Total	**32,799**	**–**	**32,799**

	31 December 2019		
	Banks and other financial institutions	Non-bank private sector	Total
Asia Pacific	147,524	–	147,524
Europe	148	–	148
Total	147,672	–	147,672

4 Gross amounts of overdue loans and advances

	31 December 2020	31 December 2019
Gross loans and advances which have been overdue with respect to either principal or interest for periods of		
– between 3 and 6 months (inclusive)	**829,674**	812,558
– between 6 months and 1 year (inclusive)	**716,203**	239,211
– between 1 year and 3 years (inclusive)	**461,409**	596,809
– over 3 years	**174,258**	458,785
Total	**2,181,544**	2,107,363
Percentage of total gross loans and advances		
– between 3 and 6 months (inclusive)	**0.61%**	0.70%
– between 6 months and 1 year (inclusive)	**0.53%**	0.21%
– between 1 year and 3 years (inclusive)	**0.34%**	0.52%
– over 3 years	**0.13%**	0.40%
Total	**1.61%**	1.83%

8. PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement was published on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) and the website of the Bank (www.jshbank.com). The 2020 annual report prepared in accordance with IFRSs will be published on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) and the website of the Bank (www.jshbank.com), and will be dispatched to holders of H Shares of the Bank in due course.

This annual results announcement is prepared in both English and Chinese languages. If there is any inconsistency between Chinese and English versions, the Chinese version shall prevail.

By order of the Board
Jinshang Bank Co., Ltd.*
LI Weiqiang
Joint company secretary

Taiyuan, March 26, 2021

As at the date of this announcement, the Board of Directors comprises Mr. WANG Junbiao as executive Director; Mr. LI Shishan, Mr. XIANG Lijun, Mr. LIU Chenhang, Mr. LI Yang and Mr. WANG Jianjun as non-executive Directors; and Mr. JIN Haiteng, Mr. SUN Shihu, Mr. WANG Liyan, Mr. DUAN Qingshan, Mr. SAI Zhiyi and Mr. YE Xiang as independent non-executive Directors.

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