



Guangzhou Rural Commercial Bank Co., Ltd.

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

Stock Code: 1551

2021 INTERIM REPORT



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This report was prepared in both Chinese and English. Except for the Report on Review of Interim Financial Information and Interim Financial Statements and Notes, where there is discrepancy between the Chinese and English versions, the Chinese version shall prevail.

COMPANY PROFILE

I. COMPANY PROFILE

(I) Official Name

1. Official Chinese Name and Abbreviation: 廣州農村商業銀行股份有限公司
(Abbreviated as “廣州農村商業銀行”)
2. Official English Name and Abbreviation: Guangzhou Rural Commercial Bank Co., Ltd.
(Abbreviated as “GRCB”)

(II) Registered Capital: RMB9,808,268,539.00

(III) Legal Representative: Mr. Cai Jian

(IV) Authorized Representatives: Mr. Yi Xuefei and Mr. Ngai Wai Fung

(V) Joint Company Secretaries: Ms. Zheng Ying and Mr. Ngai Wai Fung

(VI) H-Share Listing Stock Exchange: The Stock Exchange of Hong Kong Limited

(VII) H-Share Name and Code: GRCB (1551.HK)

(VIII) Offshore Preference Share Abbreviation and Code: GRCB 19USDPRF (4618.HK)

(IX) Registered Address: No. 9 Yingri Road, Huangpu District, Guangzhou, PRC

(X) Principal Place of Business in Hong Kong: 40th Floor, Dah Sing Financial Centre, No. 248 Queen's Road East, Wanchai, Hong Kong

(XI) Scope of Business: Monetary and financial services

(XII) Contact Address: No. 1 Huaxia Road, Pearl River New Town, Tianhe District, Guangzhou, Guangdong Province, PRC

Postal Code: 510623

Company Website: www.grcbank.com

(XIII) Place of Inspection of the Interim Report: Office of the Board of Directors of the Bank

(XIV) Auditor: PricewaterhouseCoopers

(XV) Legal Advisor as to PRC Law: Beijing Dacheng (Guangzhou) Law Office

(XVI) Legal Advisor as to Hong Kong Law: Herbert Smith Freehills LLP

(XVII) H-Share Registrar: Computershare Hong Kong Investor Services Limited

(XVIII) Non-overseas Listed Shares Depository: China Securities Depository and Clearing Corporation Limited

(XIX) Other Relevant Information of the Company

Date of Registration: 9 December 2009

Registration Authority: Guangzhou Administration for Industry and Commerce

Unified Social Credit Code: 914401017083429628

Financial License Registration No.: B1048H244010001

Customer Service and Complaint Telephone No.: +8695313

Investor Relations Telephone No.: (8620)28019324

Email Address: ir@grcbank.com

II. BRANCHES

As of the Latest Practicable Date, the following table sets forth the basic information of the branches of the Bank:

No.	Name of branch	Business address	Postal code	Contact telephone number	Facsimile number	Remarks
1	Baiyun Sub-branch	1/F to 3/F, No. 466-472 Hunagshi West Road, Baiyun District, Guangzhou	510425	020-86295397	NA	-
2	Conghua Sub-branch	1/F and 2/F, No. 98 Hebin North Road, Chengjiao Subdistrict, Conghua District, Guangzhou	510900	020-87999606	NA	-
3	Panyu Sub-branch	No. 239 Qinghe East Road, Shiqiao Subdistrict, Panyu District, Guangzhou	511400	020-34619802	NA	-
4	Haizhu Sub-branch	2/F, No. 173-1 Changgang Middle Road, Haizhu District, Guangzhou	510250	020-84278835	NA	-
5	Huadu Sub-branch	South Tower, No. 21 Gongyi Road, Xinhua Subdistrict, Huadu District, Guangzhou	510800	020-36911004	020-36911006	-
6	Huanan Sub-branch	East Side of Tangxi, Village Entrance, Yingbin Road South, Tangbuxi Village, Nancun Town, Panyu District, Guangzhou	511442	020-34693625	NA	-
7	Huangpu Sub-branch	No. 138 Fengle North Road, Huangpu District, Guangzhou	510700	020-32204220	NA	-
8	Liwan Sub-branch	No. 89 Huadi Avenue Central, Liwan District, Guangzhou	510380	020-81615680	NA	-
9	Airport Economic Zone Sub-branch	Renhe Village, Renhe Town, Baiyun District, Guangzhou	510470	020-86451956	NA	-
10	Tianhe Sub-branch	1/F to 2/F, No. 335 Longkou West Road, Tianhe District, Guangzhou	510635	020-38478080	NA	-
11	Zengcheng Sub-branch	No. 88-15, 16, 17, 18, 19, 20, 21 and 22 Fuyou Road, Licheng Subdistrict, Zengcheng District, Guangzhou, and Rooms 201, 202, 210 and 211, No. 55 Zuanshi Street, Hehui Square, Licheng Subdistrict, Zengcheng District, Guangzhou	511300	020-32162846	NA	-
12	Yuexiu Sub-branch	1/F, No. 60 Meidong Road, Yuexiu District, Guangzhou	510062	020-28297603	NA	-
13	Free Trade Zone Nansha Branch	No. 56 Xinxing Road, Wanqingsha Town, Nansha District, Guangzhou	511462	020-34929298	NA	Branch
14	Foshan Branch	Room 103 and 104 on 1/F and Room 202 on 2/F of Tower 1, Room 1603 to 1605 on 16/F and Room 1701 to 1708 on 17/F of Block 2, Tower 1, No. 26 Jihua First Road, Chancheng District, Foshan	528000	0757-82581028	0757-82581059	Branch outside Guangzhou
15	Qingyuan Branch	Shop on 1/F to 3/F, Block 1, Oriental Paris, No. 5 Fengxiang Avenue, Qingcheng District, Qingyuan, Guangdong	511500	0763-3910555	NA	Branch outside Guangzhou

COMPANY PROFILE

No.	Name of branch	Business address	Postal code	Contact telephone number	Facsimile number	Remarks
16	Zhaoqing Branch	Shop 01 on 1/F and Shops 01-07 on 2/F, Cultural Innovation Building, No. 5 Yuelong North Road, Ruizhou District, Zhaoqing, Guangdong	526040	0758-2812835	0758-2812835	Branch outside Guangzhou
17	Heyuan Branch	Rooms 1601-1602 and Rooms 101-102 on 1/F, Changhong Building (Changhong Financial Center), H Road West, Yanjiang Road North, Xueqianbaxiaoqu, Xinshi District, Heyuan, Guangdong	517000	0762-8808225	NA	Branch outside Guangzhou
18	Guangdong Free Trade Zone Hengqin Branch	B6 to B10 Penguin Hotel Commercial Street, Chimelong International Ocean Tourist Resort, Fuxiang Bay, Hengqin New District, Zhuhai, Guangdong	519031	0756-2993666	NA	Branch outside Guangzhou

III. MAJOR HONORS RECEIVED IN THE FIRST HALF OF 2021

No.	Honors	Awarding/Granting authority	Obtaining time
1	Ranked 159th in 2020 Global Bank Brand Value Top 500	Brand Finance and The Banker (Brand Finance與英國《銀行家》雜誌)	February 2021
2	Golden Lion 20 Years Charity Partner Award	Information Times (《信息時報》)	May 2021
3	Ranked 30th in 2021 China Banking Industry Top 100	China Banking Association	July 2021

FINANCIAL HIGHLIGHTS

The financial information of the Group set forth in this interim report is prepared on a consolidated basis in accordance with IFRS and expressed in Renminbi, unless otherwise stated.

Item (Expressed in RMB million, unless otherwise stated)	For the six months ended 30 June 2021	For the six months ended 30 June 2020	Change in amount	Rate of change (%)
Operating results				
Net interest income ⁽¹⁾	9,659.72	9,390.31	269.41	2.87
Net fee and commission income ⁽¹⁾	694.19	600.04	94.15	15.69
Operating income	11,796.21	11,793.68	2.53	0.02
Profit before income tax	4,457.16	4,094.65	362.51	8.85
Net profit	3,660.08	3,322.26	337.82	10.17
Net profit attributable to shareholders of the Bank	3,129.78	3,085.66	44.12	1.43
Net assets per share attributable to shareholders of the Bank ⁽²⁾	6.16	6.08	0.08	1.32
Basic earnings per share (Expressed in RMB per share) ⁽³⁾	0.26	0.25	0.01	4.00

Item (Expressed in RMB million, unless otherwise stated)	As at 30 June 2021	As at 31 December 2020	Change in amount	Rate of change (%)
Scale indicators				
Total assets	1,091,302.07	1,027,871.65	63,430.42	6.17
Among which: loans and advances to customers, net	619,653.42	553,168.34	66,485.08	12.02
Total liabilities	1,014,276.54	951,986.34	62,290.20	6.54
Among which: customers deposits	829,957.30	778,424.85	51,532.45	6.62
Equity attributable to shareholders of the Bank	70,248.29	69,487.08	761.21	1.10
Non-controlling interests	6,777.24	6,398.23	379.01	5.92
Total equity	77,025.53	75,885.31	1,140.22	1.50

FINANCIAL HIGHLIGHTS

Item (Expressed in percentage)	For the six months ended 30 June 2021	For the six months ended 30 June 2020	Change in Amount
Profitability indicators			
Return on average total assets ⁽⁴⁾	0.69	0.71	(0.02)
Return on average equity ⁽⁵⁾	10.08	9.24	0.84
Net interest spread ⁽⁶⁾	2.04	2.23	(0.19)
Net interest margin ⁽⁷⁾	2.03	2.26	(0.23)
Net fee and commission income to operating income ⁽⁸⁾	5.88	5.09	0.79
Cost-to-income ratio ⁽⁹⁾	28.59	22.23	6.36

Item (Expressed in percentage)	As at 30 June 2021	As at 31 December 2020	Change in Amount
Assets quality indicators			
Non-performing loan ratio ⁽¹⁰⁾	1.77	1.81	(0.04)
Provision coverage ratio ⁽¹¹⁾	154.05	154.85	(0.80)
Allowance to total loans ⁽¹²⁾	2.73	2.81	(0.08)

Item (Expressed in percentage)	As at 30 June 2021	As at 31 December 2020	Change in Amount
Capital adequacy indicators ⁽¹³⁾			
Core Tier 1 capital adequacy ratio	8.87	9.20	(0.33)
Tie 1 capital adequacy ratio	10.34	10.74	(0.40)
Capital adequacy ratio	11.98	12.56	(0.58)
Ratio of total equity to total assets	7.06	7.38	(0.32)

Item (Expressed in percentage)	As at 30 June 2021	As at 31 December 2020	Change in Amount
Other indicators			
Loan-to-deposit ratio ⁽¹⁴⁾	76.73	73.09	3.64

FINANCIAL HIGHLIGHTS

Notes:

- (1) The Group reclassified the installment income of credit card from fee income to interest income, and restated the interim data of 2020, hence the indicators of net interest spread, net interest margin and the ratio of net fee and commission income against the operating income were restated simultaneously.
- (2) Calculated by dividing equity attributable to shareholders of the Bank for the period (excluding other equity instruments) by paid-in capital.
- (3) Dividends of preference shares declared and distributed in the year were excluded from this indicator.
- (4) The annualized return is calculated by dividing the annualized net profit for the period (including profit attributable to non-controlling interests) by the average balance of total assets as at the beginning and end of the period.
- (5) The annualized return is calculated by dividing the annualized net profit for the period (excluding the dividends of preference shares declared and distributed in the year) by the average balance of total equity (excluding other equity instruments) as at the beginning and end of the period.
- (6) The annualized return is calculated as the difference between the average yield rate on total interest-earning assets and the average cost rate on total interest-bearing liabilities.
- (7) The annualized return is calculated by dividing net interest income by the average daily balance of total interest-earning assets.
- (8) Calculated by dividing net fee and commission income by operating income.
- (9) Calculated by dividing operating expenses (excluding tax and surcharges) by operating income.
- (10) Calculated by dividing the balance of non-performing loans by the total loans and advances to customers.
- (11) Calculated by dividing the balance of allowance for loans (including discounted bills) losses by the balance of non-performing loans.
- (12) Calculated by dividing the balance of allowance for loans (including discounted bills) losses by the total loans and advances to customers.
- (13) Calculated in accordance with the "Administrative Measures for the Capital of Commercial Banks (Provisional)" promulgated by CBRC.

Core Tier 1 capital adequacy ratio = (core Tier 1 capital – reductions from respective capital)/risk-weighted assets *100%

Tier 1 capital adequacy ratio = (Tier 1 capital – reductions from respective capital)/risk-weighted assets *100%

Capital adequacy ratio = (total capital – reductions from respective capital)/risk-weighted assets *100%

Ratio of total equity to total assets = total equity/total assets *100%

- (14) Calculated by dividing total loans and advances to customers by total deposits of customers.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW FOR THE FIRST HALF OF 2021

I. INCOME STATEMENT ANALYSIS

Item (Expressed in RMB million, unless otherwise stated)	For the six months ended 30 June 2021	For the six months ended 30 June 2020	Change in amount	Rate of change (%)
Interest income	20,463.43	18,656.74	1,806.69	9.68
Interest expense	(10,803.71)	(9,266.43)	(1,537.28)	16.59
Net interest income	9,659.72	9,390.31	269.41	2.87
Fee and commission income	836.04	720.93	115.11	15.97
Fee and commission expense	(141.85)	(120.89)	(20.96)	17.34
Net fee and commission income	694.19	600.04	94.15	15.69
Net trading gains	1,180.64	1,035.95	144.69	13.97
Net gains on financial investments	159.31	363.55	(204.24)	(56.18)
Other income, gains or losses	102.35	403.83	(301.48)	(74.66)
Operating income	11,796.21	11,793.68	2.53	0.02
Operating expenses	(3,503.41)	(2,720.87)	(782.54)	28.76
Credit impairment losses	(3,826.94)	(4,976.55)	1,149.61	(23.10)
Impairment losses on foreclosed assets	(8.70)	(1.61)	(7.09)	440.37
Profit before income tax	4,457.16	4,094.65	362.51	8.85
Income tax expense	(797.08)	(772.39)	(24.69)	3.20
Net profit	3,660.08	3,322.26	337.82	10.17

In the first half of 2021, the Group recorded a profit before income tax of RMB4,457 million, representing a year-on-year increase of RMB363 million or 8.85%, and a net profit of RMB3,660 million, representing a year-on-year increase of RMB338 million or 10.17%.

MANAGEMENT DISCUSSION AND ANALYSIS

(I) Net Interest Income

In the first half of 2021, the net interest income of the Group amounted to RMB9,660 million, representing a year-on-year increase of RMB270 million and accounting for 81.89% of our total operating income. It was primarily due to the increase in net interest income brought by the economies of scale.

The following table sets forth interest income, interest expense and net interest income of the Group for the periods indicated:

Item (Expressed in RMB million, unless otherwise stated)	For the six months ended 30 June 2021	For the six months ended 30 June 2020	Change in amount	Rate of change (%)
Interest income	20,463.43	18,656.74	1,806.69	9.68
Interest expense	(10,803.71)	(9,266.43)	(1,537.28)	16.59
Net interest income	9,659.72	9,390.31	269.41	2.87

Item (Expressed in RMB million, unless otherwise stated)	For the six months ended 30 June 2021			For the six months ended 30 June 2020		
	Average balance	Interest income/expense	Annualized average yield/cost rate (%)	Average balance	Interest income/expense	Annualized average yield/cost rate (%)
Loans and advances to customers	601,061.18	15,455.14	5.14	505,488.18	14,034.04	5.55
Financial investments	177,971.91	3,374.04	3.79	167,841.38	3,127.57	3.73
Placements and deposits with banks and other financial institutions	47,834.04	611.16	2.56	50,253.29	672.53	2.68
Financial assets held under resale agreements	41,961.70	480.20	2.29	34,411.85	298.07	1.73
Deposits with central bank	80,692.59	542.89	1.35	74,688.59	524.53	1.40
Total interest-earning assets	949,521.42	20,463.43	4.31	832,683.29	18,656.74	4.48
Due to customers	773,268.63	8,250.12	2.13	659,880.40	6,967.33	2.11
Placements and deposits from banks and other financial institutions and others	61,807.00	889.47	2.88	50,090.71	672.47	2.69
Financial assets sold under repurchase agreements	15,310.06	162.41	2.12	11,476.12	89.84	1.57
Debt securities issued	81,568.04	1,289.22	3.16	90,223.24	1,376.85	3.05
Borrowing from central bank	20,142.10	212.49	2.11	10,644.73	159.94	3.01
Total interest-bearing liabilities	952,095.83	10,803.71	2.27	822,315.20	9,266.43	2.25
Net interest income		9,659.72			9,390.31	
Net interest spread			2.04			2.23
Net interest margin			2.03			2.26

Note:

- (1) Financial investments consist of financial assets at fair value through other comprehensive income and financial assets at amortized cost.

MANAGEMENT DISCUSSION AND ANALYSIS

In the first half of 2021, the overall average yield of interest-earning assets decreased by 17 basis points year on year to 4.31%, the overall average cost rate of interest-bearing liabilities increased by 2 basis points year on year to 2.27%, net interest spread decreased by 19 basis points year on year to 2.04%, and net interest margin decreased by 23 basis points year on year to 2.03%.

The following table sets forth changes in the Group's interest income and interest expense year on year due to changes in volume and interest rate. Changes in volume are measured by movement of the average balance, while changes in interest rate are measured by the movement of the average interest rate:

Item (Expressed in RMB million, unless otherwise stated)	Increase/(decrease) due to changes in the following item		Net increase/decrease
	Volume factor	Rate factor	
Assets			
Loans and advances to customers	2,653.43	(1,232.33)	1,421.10
Financial investments	188.77	57.70	246.47
Placements and deposits with banks and other financial institutions	(32.38)	(28.99)	(61.37)
Financial assets held under resale agreements	65.39	116.74	182.13
Deposits with central bank	42.17	(23.81)	18.36
Changes in interest income	2,917.38	(1,110.69)	1,806.69
Liabilities			
Due to customers	1,197.20	85.59	1,282.79
Placements and deposits from banks and other financial institutions and others	157.30	59.70	217.00
Financial assets sold under repurchase agreements	30.01	42.56	72.57
Debt securities issued	(132.08)	44.45	(87.63)
Borrowing from central bank	142.69	(90.14)	52.55
Changes in interest expense	1,395.12	142.16	1,537.28

MANAGEMENT DISCUSSION AND ANALYSIS

1. Interest income

In the first half of 2021, interest income of the Group amounted to RMB20,463 million, representing an increase of RMB1,807 million or 9.68% year on year.

(1) INTEREST INCOME FROM LOANS AND ADVANCES TO CUSTOMERS

The average balance, interest income and average yield for each component of loans and advances to customers of the Group are set forth as follows:

Item (Expressed in RMB million, unless otherwise stated)	For the six months ended 30 June 2021			For the six months ended 30 June 2020		
	Average balance	Interest income	Annualized average yield (%)	Average balance	Interest income	Annualized average yield (%)
Corporate loans	392,313.74	10,494.36	5.35	324,872.78	9,666.64	5.95
Personal loans	143,983.22	4,058.82	5.64	134,186.86	3,774.65	5.63
Discounted bills	64,764.22	901.96	2.79	46,428.54	592.75	2.55
Total loans and advances to customers	601,061.18	15,455.14	5.14	505,488.18	14,034.04	5.55

In the first half of 2021, interest income from loans and advances to customers amounted to RMB15,455 million, representing a year-on-year increase of RMB1,421 million, and the average yield decreased by 41 basis points to 5.14% as compared to the corresponding period of last year, which was mainly because the Group actively implemented a series of warm enterprise policies which lead to the downward trend of loan interest rate.

(2) INTEREST INCOME FROM AMOUNTS DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

The average balance, interest income and average yield for each component of amounts due from banks and other financial institutions of the Group are set forth as follows:

Item (Expressed in RMB million, unless otherwise stated)	For the six months ended 30 June 2021			For the six months ended 30 June 2020		
	Average balance	Interest income	Annualized average yield (%)	Average balance	Interest income	Annualized average yield (%)
Placements and deposits with banks and other financial institutions	47,834.04	611.16	2.56	50,253.29	672.53	2.68
Financial assets held under resale agreements	41,961.70	480.20	2.29	34,411.85	298.07	1.73
Total amounts due from banks and other financial institutions	89,795.74	1,091.36	2.43	84,665.14	970.60	2.29

In the first half of 2021, the interest income from amounts due from banks and other financial institutions of the Group amounted to RMB1,091 million, representing an increase of RMB121 million year on year, mainly due to the increase in the amount and price of amounts due from banks and other financial institutions, resulting in an increase in the interest income.

MANAGEMENT DISCUSSION AND ANALYSIS

2. Interest expense

In the first half of 2021, the Group's interest expense increased by RMB10,804 million, representing an increase of RMB1,537 million or 16.59% year on year.

(1) INTEREST EXPENSE ON AMOUNTS DUE TO CUSTOMERS

The average balance, interest expense and average cost rate for each component of amounts due to customers of the Group are set forth as follows:

Item (Expressed in RMB million, unless otherwise stated)	For the six months ended 30 June 2021			For the six months ended 30 June 2020		
	Average balance	Interest expense	Annualized average cost rate (%)	Average balance	Interest expense	Annualized average cost rate (%)
Corporate deposits						
Demand	158,042.95	402.06	0.51	114,983.24	279.51	0.49
Time	183,284.53	2,988.16	3.26	185,439.73	3,036.15	3.27
Subtotal	341,327.48	3,390.22	1.99	300,422.97	3,315.66	2.21
Personal deposits						
Demand	124,204.63	194.65	0.31	111,708.62	166.30	0.30
Time	285,910.98	4,436.45	3.10	220,052.37	3,183.51	2.89
Subtotal	410,115.61	4,631.10	2.26	331,760.99	3,349.81	2.02
Other deposits	21,825.54	228.80	2.10	27,696.44	301.86	2.18
Due to customers	773,268.63	8,250.12	2.13	659,880.40	6,967.33	2.11

In the first half of 2021, the Group's interest expense on amounts due to customers amounted to RMB8,250 million, representing an increase of RMB1,283 million or 18.41% year on year. In the first half of 2021, the cost rate of deposits was 2.13%, which increased by 2 basis points year on year, mainly due to the further increase in the cost rate of time deposits, which led to a slight increase in the overall cost rate of deposits.

MANAGEMENT DISCUSSION AND ANALYSIS

(2) INTEREST EXPENSE ON AMOUNTS DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

The average balance, interest expense and average cost rate for each component of the Group's amounts due to banks and other financial institutions are set forth as follows:

Item (Expressed in RMB million, unless otherwise stated)	For the six months ended 30 June 2021			For the six months ended 30 June 2020		
	Average balance	Interest expense	Annualized average cost rate (%)	Average balance	Interest expense	Annualized average cost rate (%)
Placements and deposits from banks and other financial institutions and others	61,807.00	889.47	2.88	50,090.71	672.47	2.69
Financial assets sold under repurchase agreements	15,310.06	162.41	2.12	11,476.12	89.84	1.57
Total amounts due to banks and other financial institutions	77,117.06	1,051.88	2.73	61,566.83	762.31	2.48

In the first half of 2021, the Group's interest expense on amounts due to banks and other financial institutions amounted to RMB1,052 million, representing a year-on-year increase of RMB290 million, which was mainly due to the increase in the amount and price of the amounts due to banks and other financial institutions, resulting in an increase in the interest expense.

3. Net interest spread and net interest margin

In the first half of 2021, net interest spread decreased by 19 basis points to 2.04% year on year, and net interest margin decreased by 23 basis points to 2.03% year on year.

MANAGEMENT DISCUSSION AND ANALYSIS

(II) Non-interest Income

1. Net fee and commission income

Item (Expressed in RMB million, unless otherwise stated)	For the six months ended 30 June 2021	For the six months ended 30 June 2020	Change in amount	Rate of change (%)
Fee and commission income				
Fee income from agency and custodian business	174.68	232.00	(57.32)	(24.71)
Fee income from syndicated loan business	151.29	7.34	143.95	1,961.17
Fee income from bank card business	114.71	120.34	(5.63)	(4.68)
Fee income from settlement and electronic channel business	82.69	76.30	6.39	8.37
Guarantee and commitment fee income	73.80	83.52	(9.72)	(11.64)
Fee income from wealth management products	73.14	43.68	29.46	67.45
Finance lease fee income	39.31	32.62	6.69	20.51
Fee income from advisory and consulting business	31.02	36.13	(5.11)	(14.14)
Fee income from foreign exchange business	12.12	19.99	(7.87)	(39.37)
Others	83.28	69.01	14.27	20.68
Subtotal	836.04	720.93	115.11	15.97
Fee and commission expense				
Fee expense on bank card business	(31.40)	(33.26)	1.86	(5.59)
Fee expense on settlement and electronic channel business	(8.01)	(8.26)	0.25	(3.03)
Others	(102.44)	(79.37)	(23.07)	29.07
Subtotal	(141.85)	(120.89)	(20.96)	17.34
Net fee and commission income	694.19	600.04	94.15	15.69

In the first half of 2021, net fee and commission income of the Group amounted to RMB694 million, representing a year-on-year increase of RMB94 million or 15.69%, which was mainly due to the increase in fee income from the syndicated loan business. Net fee and commission income accounted for 5.88% of the total operating income, which was mainly the fee income from agency and custodian business, the syndicated loan business and bank card business.

MANAGEMENT DISCUSSION AND ANALYSIS

2. Net trading gains

In the first half of 2021, the net trading gains of the Group amounted to RMB1,181 million, which were mainly the financial investment interest income measured at fair value through the profit or loss and gain or loss on fair value changes.

3. Net gains on financial investments

In the first half of 2021, the net gains on financial investments of the Group amounted to RMB159 million, which were mainly the bid-ask spread of financial investments measured at fair value through other comprehensive profit or loss.

4. Other income, gains or losses

In the first half of 2021, "other income, gains or losses" of the Group amounted to RMB102 million, which was mainly PBOC interest rate swap incentive funds and exchange losses.

(III) Operating Expenses

In the first half of 2021, the operating expenses of the Group amounted to RMB3,503 million, representing an increase of RMB783 million or 28.76% as compared to the corresponding period of last year.

The following table sets forth the principal components of operating expenses of the Group for the periods indicated:

Item (Expressed in RMB million, unless otherwise stated)	For the six months ended 30 June 2021	For the six months ended 30 June 2020	Change in amount	Rate of change (%)
Staff costs	2,379.53	1,719.03	660.50	38.42
Tax and surcharges	130.51	98.97	31.54	31.87
Depreciation and amortization	457.27	394.05	63.22	16.04
Others	536.10	508.82	27.28	5.36
Total operating expenses	3,503.41	2,720.87	782.54	28.76

MANAGEMENT DISCUSSION AND ANALYSIS

1. Staff costs

Staff costs represents the largest component of operating expenses of the Group, accounting for 67.92% and 63.18% of our operating expenses for the first half of 2021 and 2020, respectively.

The following table sets forth the principal components of staff costs of the Group for the periods indicated:

Item (Expressed in RMB million, unless otherwise stated)	For the six months ended 30 June 2021	For the six months ended 30 June 2020	Change in amount	Rate of change (%)
Salaries, bonuses and allowances	1,678.67	1,319.07	359.60	27.26
Benefits, social insurance, housing fund and other insurances	611.83	345.97	265.86	76.84
Early and supplemental retirement benefits	31.27	7.73	23.54	304.53
Gross amount of labour union expenditure, education costs and other staff costs	57.76	46.26	11.50	24.86
Total staff costs	2,379.53	1,719.03	660.50	38.42

In the first half of 2021, staff costs of the Group amounted to RMB2,380 million, representing a year-on-year increase of RMB661 million or 38.42%, which was mainly due to the fact that social insurance no longer implemented the pandemic reduction and exemption policy this year, and related expenses increased significantly. At the same time, the increase in the number of employees of the Group led to an increase in salaries, bonuses and allowances.

2. Tax and surcharges

In the first half of 2021, the tax and surcharges incurred amounted to RMB131 million, representing a year-on-year increase of RMB32 million or 31.87%, which was mainly due to the fact that in the same period last year, some taxes enjoyed the pandemic relief policy, but there was no reduction this year, which resulted in an increase in the amount of payment in the first half of the year.

3. Depreciation and amortization

In the first half of 2021, depreciation and amortization of the Group was RMB457 million, representing a year-on-year increase of RMB63 million or 16.04%.

4. Others

In the first half of 2021, other expenses amounted to RMB536 million, representing a year-on-year increase of RMB27 million or 5.36%.

MANAGEMENT DISCUSSION AND ANALYSIS

(IV) Impairment Losses

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

1. Credit impairment losses

Item (Expressed in RMB million, unless otherwise stated)	For the six months ended 30 June 2021	For the six months ended 30 June 2020	Change in amount	Rate of change(%)
Loans and advances to customers	2,541.63	3,662.02	(1,120.39)	(30.59)
Financial investments	803.42	982.79	(179.37)	(18.25)
Others	481.89	331.74	150.15	45.26
Total	3,826.94	4,976.55	(1,149.61)	(23.10)

2. Impairment losses on foreclosed assets

Item (Expressed in RMB million, unless otherwise stated)	For the six months ended 30 June 2021	For the six months ended 30 June 2020	Change in amount	Rate of change (%)
Foreclosed assets	8.70	1.61	7.09	440.37

As of the end of June 2021, the impairment losses on credit was RMB3,827 million, representing a year-on-year decrease of RMB1,150 million or 23.10%, mainly due to the decrease of the write-off of non-performing loans in the current period, and the year-on-year decrease of the corresponding consumption of impairment losses on assets.

(V) Income Tax Expense

In the first half of 2021, income tax expense amounted to RMB797 million, representing a year-on-year increase of RMB25 million, mainly due to the increase in profit before tax. The effective income tax rate was 17.88%.

MANAGEMENT DISCUSSION AND ANALYSIS

II. ANALYSIS OF STATEMENT OF FINANCIAL POSITION

(I) Assets

The following table sets forth the composition of the Group's total assets as at the dates indicated:

Item (Expressed in RMB million, unless otherwise stated)	As at 30 June 2021		As at 31 December 2020	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Total loans and advances to customers	636,824.99	58.35	568,926.17	55.35
Allowances for impairment losses	(17,171.57)	(1.57)	(15,757.83)	(1.53)
Loans and advances to customers, net	619,653.42	56.78	553,168.34	53.82
Financial investments ⁽¹⁾	276,662.81	25.35	262,524.19	25.54
Cash and deposits with the central bank	100,423.38	9.20	103,784.55	10.10
Deposits with banks and other financial institutions	19,321.55	1.77	25,012.86	2.43
Placements with banks and other financial institutions	33,968.32	3.11	21,711.16	2.11
Financial assets held under resale agreements	24,822.80	2.28	46,447.69	4.52
Others ⁽²⁾	16,449.79	1.51	15,222.86	1.48
Total assets	1,091,302.07	100.00	1,027,871.65	100.00

Notes:

- (1) Financial investments included financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and financial assets at amortized cost.
- (2) Other assets consisted of property and equipment, goodwill, deferred income tax assets, right-of-use assets and others.

As at 30 June 2021, the Group's total assets amounted to RMB1,091,302 million, representing an increase of RMB63,430 million, or 6.17%, as compared to the end of last year. Among them, the total loans and advances to customers increased by RMB67,899 million, or 11.93%, as compared to the end of last year. This was primarily due to the fact that we increased support for the real economy and the scale of loans increased steadily.

Financial investments increased by RMB14,139 million, or 5.39%, from the end of last year, primarily due to the optimization of asset structure and the increase in the investment in debt securities.

Gross amount of deposits with banks and other financial institutions and placements with banks and other financial institutions increased by RMB6,566 million or 14.05% as compared to the end of last year, primarily due to the increase in placements with banks and other financial institutions.

MANAGEMENT DISCUSSION AND ANALYSIS

1. Loans and advances to customers

DISTRIBUTION OF LOANS BY BUSINESS SEGMENT

Item (Expressed in RMB million, unless otherwise stated)	As at 30 June 2021		As at 31 December 2020	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Corporate loans	402,726.15	63.24	379,857.50	66.77
Personal loans	148,661.33	23.34	140,331.80	24.67
Discounted bills	85,437.51	13.42	48,736.87	8.56
Total loans and advances to customers	636,824.99	100.00	568,926.17	100.00

As at 30 June 2021, total loans and advances to customers of the Group increased by RMB67,899 million, or 11.93%, to RMB636,825 million as compared to the end of last year. As compared to the end of last year, the Group's total corporate loans increased by RMB22,869 million, or 6.02%, to RMB402,726 million; total personal loans increased by RMB8,330 million, or 5.94%, to RMB148,661 million; and total discounted bills increased by RMB36,701 million, or 75.30%, to RMB85,438 million.

DISTRIBUTION OF LOANS BY PRODUCT TYPE

Item (Expressed in RMB million, unless otherwise stated)	As at 30 June 2021		As at 31 December 2020	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Total corporate loans	402,726.15	63.24	379,857.50	66.77
Working capital loans	163,164.38	25.62	158,707.18	27.90
Fixed asset loans	216,294.86	33.96	199,792.96	35.11
Finance lease receivables	18,121.37	2.85	15,348.38	2.70
Others	5,145.54	0.81	6,008.98	1.06
Total personal loans	148,661.33	23.34	140,331.80	24.67
Personal mortgage loans	69,427.37	10.90	67,439.75	11.85
Personal business loans	60,902.58	9.56	54,466.75	9.58
Personal consumption loans	9,424.32	1.48	9,508.81	1.67
Balance of credit cards	8,907.06	1.40	8,916.49	1.57
Total discounted bills	85,437.51	13.42	48,736.87	8.56
Bank acceptance bills	73,288.02	11.51	44,973.44	7.90
Commercial acceptance bills	12,149.49	1.91	3,763.43	0.66
Total loans and advances to customers	636,824.99	100.00	568,926.17	100.00

MANAGEMENT DISCUSSION AND ANALYSIS

As at 30 June 2021, the Group's balances of working capital loans, fixed asset loans and finance lease receivables were RMB163,164 million, RMB216,295 million and RMB18,121 million, respectively, representing 40.51%, 53.71% and 4.50% of total corporate loans, respectively. Among them, working capital loans and fixed asset loans increased by RMB4,457 million and RMB16,502 million, or 2.81% and 8.26%, as compared to the end of last year, respectively.

As at 30 June 2021, the Group's personal mortgage loans, personal business loans, personal consumption loans and balance of credit cards were RMB69,427 million, RMB60,903 million, RMB9,424 million and RMB8,907 million, respectively, representing 46.70%、40.97%、6.34% and 5.99% of total personal loans, respectively. Among them, the balances of personal mortgage loans and personal business loans increased by RMB1,988 million and RMB6,436 million, or 2.95% and 11.82%, as compared to the end of last year, respectively.

As at 30 June 2021, the Group's discounted bank acceptance bills and discounted commercial acceptance bills were RMB73,288 million and RMB12,149 million, respectively. Among them, discounted bank acceptance bills increased by RMB28,315 million and discounted commercial acceptance bills increased by RMB8,386 million, as compared to the end of last year.

DISTRIBUTION OF LOANS BY TYPE OF COLLATERAL

Item (Expressed in RMB million, unless otherwise stated)	As at 30 June 2021		As at 31 December 2020	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Collateralized loans	318,380.60	49.99	301,805.77	53.05
Pledged loans	36,400.44	5.72	38,979.93	6.85
Guaranteed loans	157,680.27	24.76	142,863.74	25.11
Credit loans	124,363.68	19.53	85,276.73	14.99
Total loans and advances to customers	636,824.99	100.00	568,926.17	100.00

As at 30 June 2021, the Group's collateralized loans, guaranteed loans and credit loans increased by RMB16,575 million, RMB14,817 million and RMB39,087 million, or 5.49%, 10.37% and 45.84% respectively, as compared to the end of last year; pledged loans decreased by RMB2,579 million, or 6.62%, as compared to the end of last year. Overall, the proportion of collateralized loans and pledged loans to total loans remained high at 55.71%, reflecting the prudent risk management policy.

MANAGEMENT DISCUSSION AND ANALYSIS

2. Financial investments

The following table sets forth the composition of financial investments of the Group as at the dates indicated:

Item (Expressed in RMB million, unless otherwise stated)	As at 30 June 2021		As at 31 December 2020	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Financial assets at fair value through profit or loss	89,693.96	32.42	90,247.50	34.38
Financial assets at fair value through other comprehensive income	62,663.74	22.65	75,677.33	28.82
Financial assets at amortized cost	124,305.11	44.93	96,599.36	36.80
Total financial investments	276,662.81	100.00	262,524.19	100.00

As at 30 June 2021, the financial investments of the Group totaled RMB 276,663 million, representing an increase of RMB14,139 million as compared to the end of last year, and the overall scale increased steadily.

(II) Liabilities

The following table sets forth the composition of total liabilities of the Group as at the dates indicated:

Item (Expressed in RMB million, unless otherwise stated)	As at 30 June 2021		As at 31 December 2020	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Amounts due to customers	829,957.30	81.83	778,424.85	81.77
Deposits from banks and other financial institutions	48,025.12	4.74	41,229.92	4.33
Placements from banks and other financial institutions	691.05	0.07	1,818.58	0.19
Financial assets sold under repurchase agreements	9,782.26	0.96	10,070.05	1.06
Debt securities issued	83,277.29	8.21	76,643.88	8.05
Others ⁽¹⁾	42,543.52	4.19	43,799.06	4.60
Total liabilities	1,014,276.54	100.00	951,986.34	100.00

Note:

- (1) Mainly including tax payable, borrowings from other banks, salaries, bonuses, allowances and subsidies payable, lease liabilities, etc.

MANAGEMENT DISCUSSION AND ANALYSIS

As at 30 June 2021, the Group's total liabilities amounted to RMB1,014,277 million, representing an increase of RMB62,290 million or 6.54% as compared to the end of last year. As the most important source of the Group's capital, amounts due to customers increased by RMB51,532 million or 6.62% as compared to the end of last year.

1. Amounts due to customers

The following table sets forth the amounts due to customers of the Group by product type as at the dates indicated:

Item (Expressed in RMB million, unless otherwise stated)	As at 30 June 2021		As at 31 December 2020	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Corporate deposits ⁽¹⁾				
Time	194,752.21	23.47	184,855.37	23.75
Demand	173,237.98	20.87	172,388.27	22.15
Subtotal	367,990.19	44.34	357,243.64	45.90
Personal deposits				
Time	309,105.09	37.24	274,991.61	35.33
Demand	126,782.41	15.28	121,225.97	15.57
Subtotal	435,887.50	52.52	396,217.58	50.90
Pledged deposits	13,235.75	1.59	13,726.69	1.76
Other deposits ⁽²⁾	12,843.86	1.55	11,236.94	1.44
Amounts due to customers	829,957.30	100.00	778,424.85	100.00

Notes:

- (1) Mainly including deposits from corporate customers and government bodies.
- (2) Mainly including structured deposits, treasury time deposits, fiscal deposits, etc. raised from the launch of principal-preservation wealth management products by the Group.

As at 30 June 2021, amounts due to customers amounted to RMB829,957 million, representing an increase of RMB51,532 million or 6.62% as compared to the end of last year. With respect to the customer structure of the Group, personal deposits accounted for 52.52% of the total amount due to customers, and the balance of personal deposits increased by RMB39,670 million or 10.01% as compared to the end of last year; corporate deposits accounted for 44.34% of the total amount due to customers, and the balance of corporate deposits increased by RMB10,747 million or 3.01% as compared to the end of last year. With respect to the maturity structure, demand deposits accounted for 36.15% of the total amount due to customers, representing a decrease of 1.57 percentage points over the end of last year, while time deposits accounted for 60.71%, representing an increase of 1.63 percentage points over the end of last year.

MANAGEMENT DISCUSSION AND ANALYSIS

(III) Composition of Shareholders' Equity

The following table sets forth the composition of shareholders' equity of the Group as at the dates indicated:

Item (Expressed in RMB million, unless otherwise stated)	As at 30 June 2021		As at 31 December 2020	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Share capital	9,808.27	12.73	9,808.27	12.92
Preference shares	9,820.73	12.75	9,820.73	12.94
Capital reserve	10,919.38	14.18	10,952.99	14.43
Surplus reserve	5,055.78	6.56	5,055.78	6.66
General risk reserve	12,944.07	16.81	12,944.07	17.06
Investment revaluation reserve	(5.49)	(0.01)	(238.46)	(0.31)
Remeasurement on defined benefit plans	5.06	0.01	5.07	0.01
Retained earnings	21,700.49	28.17	21,138.63	27.86
Non-controlling interests	6,777.24	8.80	6,398.23	8.43
Total shareholders' equity	77,025.53	100.00	75,885.31	100.00

As at 30 June 2021, the Group recorded a paid-in capital of RMB9,808 million, and capital reserve reached RMB10,919 million, both remained stable as compared to the end of last year. Please refer to the notes to financial statements for further details.

MANAGEMENT DISCUSSION AND ANALYSIS

III. LOAN QUALITY ANALYSIS

(I) *Five-Category Classification of Loans*

The following table sets forth the distribution of the Group's loans by the five-category classification as at the dates indicated, under which non-performing loans include loans classified into sub-standard, doubtful and loss categories:

Item (Expressed in RMB million, unless otherwise stated)	As at 30 June 2021		As at 31 December 2020	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Normal	601,611.59	94.47	533,499.04	93.77
Special mention	23,912.37	3.76	25,117.15	4.42
Substandard	4,541.05	0.71	2,829.24	0.50
Doubtful	6,125.65	0.96	6,211.36	1.09
Loss	634.33	0.10	1,269.38	0.22
Total loans and advances to customers	636,824.99	100.00	568,926.17	100.00
Non-performing loan ratio ⁽¹⁾	-	1.77	-	1.81

Note:

(1) Calculated by dividing the total amount of non-performing loans by total loans.

The Group will continue to make greater efforts to collect non-performing loans and go to all lengths to mitigate non-performing loans. The non-performing loan ratio of the Group as at 30 June 2021 was 1.77%, which decreased by 0.04 percentage point from the end of last year; the special mention loans accounted for 3.76% of the total loans, representing a decrease of 0.66 percentage point from the end of the last year.

MANAGEMENT DISCUSSION AND ANALYSIS

(II) *Distribution of Non-performing Corporate Loans by Industry*

The following table sets forth the distribution of the Group's non-performing corporate loans by industry as at the dates indicated:

Item (Expressed in RMB million, unless otherwise stated)	As at 30 June 2021			As at 31 December 2020		
	Amount	Percentage of total (%)	Non-Performing loan ratio (%)	Amount	Percentage of total (%)	Non-Performing loan ratio (%)
Wholesale and retail	2,485.22	25.76	3.78	1,376.26	15.68	2.22
Real estate	1,126.18	11.68	1.87	1,217.20	13.87	2.06
Leasing and commercial services	2,672.98	27.71	2.81	2,921.50	33.29	3.42
Manufacturing	731.24	7.58	1.78	643.66	7.33	1.66
Construction	1,115.70	11.56	2.88	312.59	3.56	0.80
Water conservation, environment and public utilities management	79.93	0.83	0.80	100.32	1.14	0.98
Accommodation and catering	69.02	0.72	0.36	88.50	1.01	0.47
Transportation, storage and postal services	766.42	7.94	7.44	1,065.51	12.14	10.54
Agriculture, forestry, animal husbandry and fishery	497.30	5.15	4.87	975.09	11.11	9.49
Information transmission, software and information technology services	42.05	0.44	0.72	24.65	0.28	0.42
Education	5.07	0.05	0.04	26.74	0.30	0.27
Livelihood and social work	2.20	0.02	0.10	3.21	0.04	0.15
Household, repair and other services	30.94	0.32	0.20	4.84	0.06	0.04
Production and supply of electricity, heat, gas and water	5.53	0.06	0.18	4.96	0.06	0.19
Others	17.52	0.18	0.14	11.67	0.13	0.09
Total non-performing corporate loans	9,647.30	100.00	2.40	8,776.70	100.00	2.31

Note:

- (1) Calculated by dividing non-performing loans (loans classified into substandard, doubtful or loss categories) of each industry by gross loans granted to such industry.

MANAGEMENT DISCUSSION AND ANALYSIS

As at 30 June 2021, the non-performing loans of wholesale and retail increased as compared with the end of the last year, mainly due to the decrease in stock prices of individual customers in recent years, and the liquidity was mainly used for stock pledges to cover their position, resulting in reduced revenue and insufficient funds while superimposing the impact of the pandemic, whereas the non-performing loans of construction industry increased as compared with the end of the last year, mainly due to that individual customers suffered from shortage of funds as the developers are in arrears with the project payment and the impact of the pandemic results in a decrease in revenue.

(III) Distribution of Non-performing Loans by Product Type

The following table sets forth the distribution of the Group's non-performing loans by product type as at the dates indicated:

Item (Expressed in RMB million, unless otherwise stated)	As at 30 June 2021			As at 31 December 2020		
	Amount	Percentage of total (%)	Non-Performing loans ratio (%)	Amount	Percentage of total (%)	Non-Performing loans ratio (%)
Corporate loans	9,647.30	100.00	2.40	8,776.70	100.00	2.31
Personal loans	1,653.73	100.00	1.11	1,533.28	100.00	1.09
Personal mortgage loans	280.90	16.99	0.40	288.65	18.83	0.43
Personal business loans	887.14	53.64	1.46	728.60	47.52	1.34
Personal consumption loans	201.24	12.17	2.14	221.45	14.44	2.33
Balance of credit cards	284.45	17.20	3.19	294.58	19.21	3.30
Discounted bills	-	-	-	-	-	-
Total non-performing loans	11,301.03	100.00	1.77	10,309.98	100.00	1.81

Note:

- (1) Calculated by dividing non-performing loans (loans classified into substandard, doubtful or loss categories) in each product type by gross loans in that product type.

Under the complicated economic and financial situation and the influence of factors including COVID-19 pandemic, as at 30 June 2021, the balance of non-performing corporate loans amounted to RMB9,647 million, representing an increase of RMB871 million as compared to the end of the last year.

MANAGEMENT DISCUSSION AND ANALYSIS

(IV) *Overdue Loans to Customers*

The following table sets forth the aging timetable of the Group's loans by loan certificate as at the dates indicated:

Item (Expressed in RMB million, unless otherwise stated)	As at 30 June 2021		As at 31 December 2020	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Loans that were not past due	617,464.55	96.96	556,383.67	97.80
Loans that were past due	19,360.44	3.04	12,542.50	2.20
Within 3 months	6,942.53	1.09	4,983.21	0.87
3 months to 1 year	7,721.77	1.21	5,606.14	0.99
1 year to 3 years	4,384.45	0.69	1,603.10	0.28
Over 3 years	311.69	0.05	350.05	0.06
Total loans and advances	636,824.99	100.00	568,926.17	100.00
Loans that were past due for more than 3 months	12,417.91	1.95	7,559.29	1.33

(V) *Rescheduled Loans and Advances*

Item (Expressed in RMB million, unless otherwise stated)	As at 30 June 2021		As at 31 December 2020	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Rescheduled loans and advances	6,245.31	0.98	6,669.32	1.17

As at 30 June 2021, rescheduled loans and advances amounted to RMB6,245 million, representing a decrease of RMB424 million from the end of last year.

MANAGEMENT DISCUSSION AND ANALYSIS

IV. ANALYSIS OF CAPITAL ADEQUACY RATIO

The Group adopted the Administrative Measures for the Capital of Commercial Banks (Provisional) (《商業銀行資本管理辦法(試行)》) to calculate its capital adequacy ratio, under which credit risks are measured by weighted method, market risks are measured by standard method and operational risks are measured by basic indicator approach, and the scope of this calculation covers all branches of the Bank as well as subsidiaries which are financial institutions which comply with the Administrative Measures for the Capital of Commercial Banks (Provisional) (《商業銀行資本管理辦法(試行)》). The following table sets forth the relevant information of the Group's capital adequacy ratio as at the dates indicated.

Item (Expressed in RMB million, unless otherwise stated)	As at 30 June 2021	As at 31 December 2020
Core Tier 1 capital adequacy ratio	8.87%	9.20%
Tier 1 capital adequacy ratio	10.34%	10.74%
Capital adequacy ratio	11.98%	12.56%
Portion of paid-in capital that may be included	9,808.27	9,808.27
Portion of capital reserve that may be included	10,919.38	10,952.99
Surplus reserve	5,055.78	5,055.78
General risk reserve	12,944.07	12,944.07
Retained earnings	21,700.49	21,138.63
Portion of minority interests that may be included	2,505.50	2,258.26
Others	(0.43)	(233.40)
Total core Tier 1 capital	62,933.06	61,924.60
Regulatory deductions for core Tier 1 capital	(2,090.26)	(1,525.89)
Among which: Goodwill and other intangible assets (excluding land use rights)	(919.64)	(919.92)
Core Tier 1 capital, net	60,842.80	60,398.71
Other Tier 1 capital		
Other Tier 1 capital instruments and their premium	9,820.73	9,820.73
Portion of minority interests that may be included	333.05	292.89
Net Tier 1 capital	70,996.58	70,512.33
Tier 2 capital		
Tier 2 capital instruments and related premium that may be included	9,998.93	9,998.87
Excessive loan loss allowances	551.58	1,364.19
Portion of minority interests that may be included	664.68	594.20
Net capital	82,211.77	82,469.59
Total risk-weighted assets	686,307.86	656,572.37

As at 30 June 2021, the capital adequacy ratio of the Group was 11.98%, representing a slight decrease of 0.58 percentage points over the end of last year, mainly due to the increase of risk-weighted assets compared with the end of last year exceeding that of net capital compared with the end of last year. Net capital amounted to RMB82,212 million, representing a decrease of RMB 258 million or 0.31%, mainly due to the decrease in the provision for bonuses, excessive loan loss allowances. Risk-weighted assets amounted to RMB686,308 million, representing an increase of RMB29,735 million or 4.53% over the end of last year, mainly because the on and off-balance sheet business credit risk-weighted assets increased compared with the end of last year, and market risk-weighted assets also increased compared with the end of last year.

MANAGEMENT DISCUSSION AND ANALYSIS

V. ANALYSIS OF LEVERAGE RATIO

As at 30 June 2021, the Group measured and disclosed the leverage ratio in accordance with the Administrative Measures for the Leverage Ratio of Commercial Banks (Revised) (《商業銀行槓桿率管理辦法(修訂)》).

Item (Expressed in RMB million, unless otherwise stated)	As at 30 June 2021
Net Tier 1 capital	70,996.58
The balance of assets on and off balance sheet after adjustments	1,159,234.34
Leverage ratio (%)	6.12

VI. SEGMENT INFORMATION

The Group conducts its business principally in Guangdong Province, the PRC. Its major customers and non-current assets are located in Guangdong Province, the PRC.

Summary of business distribution

Operating income

Item (Expressed in RMB million, unless otherwise stated)	For the six months ended 30 June 2021		For the six months ended 30 June 2020	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Corporate banking business	6,239.51	52.89	6,232.44	52.85
Personal banking business	3,641.66	30.87	3,501.27	29.68
Capital business	1,738.43	14.74	1,872.68	15.88
Other businesses	176.61	1.50	187.29	1.59
Total operating income	11,796.21	100.00	11,793.68	100.00

VII. OFF-BALANCE-SHEET ITEMS

The Group's off-balance-sheet items include loan commitments, acceptance bills, undrawn credit card limits, issuance of letters of guarantee and issuance of letters of credit. Acceptance bills, issuance of letters of guarantee and issuance of letters of credit were deemed as key business segments. As at 30 June 2021, the balances of loan commitments, acceptance bills, undrawn credit card limits, issuance of letters of guarantee and issuance of letters of credit were RMB136,046 million, RMB30,388 million, RMB15,949 million, RMB43,253 million, and RMB2,542 million, respectively.

VIII. CONTINGENT LIABILITIES AND ASSETS PLEDGED AS SECURITY

For details of the Group's contingent liabilities and assets pledged as security as at 30 June 2021, please refer to notes 40 and 42 to the condensed consolidated financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OPERATION

1. Corporate Banking Business

(I) *Corporate Deposit Business*

In the first half of 2021, the Bank continuously focused on the concept of “establishing the Bank by deposits”, took comprehensive measures, such as continuously keeping a foothold in the traditional business advantages of village communities, the consolidation of keeping the customer’s settlement funds in the Bank, and taking multiple measures to strengthen the marketing of corporate deposits and other public deposits. At the same time, the Bank gave full play to the advantages of the position as a city bank, continued to strengthen the expansion of government platform institutional deposit business, promoted the width and depth of cooperation with provinces and other state-owned enterprises at all levels, promoted the deposit of village communities, enterprises and institutions so as to realize the balanced development of all kinds of business and optimize the structure of the deposit businesses. With professional skills, excellent services, diversified products, we are committed to improving the comprehensive financial services and fiscal management value-added services and realizing the steady development of public deposits, continuously improving the quality and efficiency.

(II) *Corporate Loan Business*

The Bank adhered to the “market-oriented and customer-centric” operation and management philosophy, regarded the national strategy as the guidance, actively integrated into the new development pattern. Based on our own characteristics, we upheld the original aspiration, supported the development of the real economy, actively assisted the construction of Guangdong-HongKong-Macao Greater Bay Area, vigorously developed rural finance and moderately supported state-owned enterprises, promoted private enterprise services, improved the quality and efficiency of financial services by strengthening internal management, optimizing business structure and innovating product system. In the first half of 2021, we closely followed the requirements of regulatory policies, actively reduced fees and concessions to reduce the burden on enterprises; Optimized the pricing mechanism of loan interest rate to realize the effective allocation of credit resources; Optimized the asset business structure to enhance the efficiency of serving the real economy; We have launched innovative products such as “金米 • College Loan”, “金米 • Project Financing Loan” and “金米 • Carbon Emission Right Mortgage” to help the high-quality development of education, project customers and emission control enterprises. We will work hard to ensure stability in the six areas, fully implement the tasks of ensuring stability in the six areas, give support to local economic development, and earnestly fulfill our political and social responsibilities.

(III) *Trading Bank Business*

In the first half of 2021, the Bank focused on product research and development and system platform construction and accelerated the innovation of trading bank series products and services such as deposit, cash management, payment and settlement, supply chain and cross-border business, which has driven the steady growth of deposit, middle income, profit, scale of transformation business, customer base and other indicators.

MANAGEMENT DISCUSSION AND ANALYSIS

First, we innovatively built the “Cloud Treasury” cash management service based on the enterprise online banking channel and broadened the cash management service channels. Second, we optimized and upgraded the service function of bank-enterprise cloud connection, realized the digital direct transmission of documents and information such as electronic receipt and electronic statement, and continuously improved customer experience. Third, we built financial service brands such as “digital government” and “digital village”, successfully launched the operation of “digital finance” business, improved the comprehensive financial services to government agencies at all levels. Fourth, we continued to promote the transformation of online and light capitalization of supply chain finance. In the first half of the year, we launched “Easy second discount” self-service discount service and electronic letter of guarantee business and realized whole-process online processing of bank discount and letter of guarantee business. Fifth, we actively implemented the policy of “stabilizing foreign trade”, continuously improved the cross-border financial services, and promoted the growth of cross-border business and customers by increasing financial services support for foreign trade enterprises and implementing various measures. Sixth, we insisted in technological empowerment, and continued to optimize the construction of the system platform. The Bank has made efforts to further improve the system platform network of the Bank’s trading bank business, provide strong support for business development, promote the digital transformation of comprehensive financial services for companies, and ensure the rapid, steady development of the business for companies.

II. Personal Banking Business

(I) *Personal Deposit Business*

In the first half of 2021, the Bank focused on customers and promoted sustained and steady development of deposit business by enriching product system, improving new business channels and launching a series of customer marketing activities. The Bank focused on the daily high-frequency scenes of customers, and created differentiated and exclusive deposit products for key customer groups. At present, the Bank has launched 2 traditional deposits and 8 special products for urban and rural well-off, high-quality elderly, working class and other customers based on the scenes of education, retirement, family life and capital turnover. As of the end of the Reporting Period, the Bank’s personal savings deposit scale ranked second in the same industry in Guangzhou area, and the growth of savings deposits outperformed as compared with the same period.

(II) *Personal Loan Business*

The Bank has continued to implement regulation and control policies on national real estates, supported residents’ real demand of purchasing house, and improved the comprehensive profits of personal consumption loans by promoting synergistic marketing. The Bank has promoted the exploration of digital transformation of customers loan business, expanded the scope of using online tools, and optimized the process of products and business to enhance customer experience.

MANAGEMENT DISCUSSION AND ANALYSIS

(III) Personal Wealth Management Business

The Bank has provided our retail customers with a series of wealth management products to meet their risk and return preferences. Firstly, during the transition period for the implementation of the new wealth management regulations, facing the rigid conversion expectations broken in the market, the Bank focused its wealth management sales on medium- and low-risk products, and moderately allocated medium- and high-risk products for qualified investors. As such, the income contribution of wealth management business remained stable. Secondly, in order to enhance the competitiveness of the wealth management business, the Bank innovatively launched a series of periodic net-value wealth management products named “Jinmi Great Wealth (金米嘉富)” and promoted the gradual transformation of personal wealth management products into net-value products.

(IV) Bank Card Business

In full response to the implementation of Guangdong-Hong Kong-Macao Greater Bay Area development strategy, the Bank actively expanded the base of customers in the field of talents introduced by government, training of high-end talents, promotion of the spirit of craftsmanship, support to the military and offering preferential treatment to entitled groups and social security, and focused on promoting social security card service upgrade, building the retail customer value-added service right system and constantly enhancing the ability to serve people’s livelihood. As of the end of the Reporting Period, the Bank issued an accumulation of 376,200 new personal debit cards, and had 7,826,200 existing personal debit cards. The cumulative deposit balance of personal debit cards amounted to RMB142,442 million, representing a year-on-year increase of RMB20,443 million. The cumulative spending related to the debit cards of the Bank amounted to RMB48,098 million, and the various fee income arising from personal debit cards reached RMB15 million.

With respect to the credit card business, the Bank strengthened product innovation and improved service efficiency. In response to the call of the 14th Five-year Plan of the Central Committee of the Communist Party of China (CPC) to “give priority to the development of agriculture and rural areas and comprehensively promote rural revitalization”, the Bank has developed a rural revitalization theme card to enhance its ability to serve agriculture, rural areas, farmers and small and micro businesses with the advantage of its product portfolio. Closely keeping up with the pace of consumption upgrades, with technological empowerment and through data analysis and targeted marketing, the Bank maintained sound operation based on the customer groups and interest rates of different products for existing customers, improved the professionalism, scientificity and systematicness of data application, with an aim to provide quality financial services for customers. As of the end of the Reporting Period, the total number of credit cards of the Bank in issue reached 1.8275 million, representing an increase of 3.4% from the end of last year, the interest income from credit card business amounted to RMB271 million, the non-interest income reached RMB91 million.

MANAGEMENT DISCUSSION AND ANALYSIS

III. Financial Market Business

In the first half of 2021, the domestic economy maintained a steady recovery trend. While monetary policy was kept firmly stable and market liquidity generally maintained reasonable and sufficient, and generally maintained stable performance in the financial market. The Bank seized the relatively favorable time window, adhered to the general tone of making progress while maintaining stability, continuously promoted the transformation of financial market business, vigorously optimized the business structure, solidly promoted the net value transformation of financial management, comprehensively strengthened the construction of investment and research capacity, and continued to improve the level of investment transactions.

(I) The Bank continuously improved the investment decision-making mechanism, continuously improved its investment and research capabilities and its market research and judgment capabilities to enhance the scientific and forward-looking decision-making. The Bank continued to optimize its investment structure, enrich trading strategies and effectively control investment duration based on the process of economic recovery at home and abroad, fluctuations in commodity prices as well as the strength and rhythm of fiscal and monetary policies, and accurately grasped the swing-trading opportunities with further improvement in withstanding the risk of interest rate fluctuations.

(II) The Bank continued to optimize the wealth management structure and boost the retail wealth management business, proactively promoted net value transformation. As of the end of June 2021, the balance of net financial products of the Bank reached RMB50.09 billion, representing an increase of 57.87% from the beginning of the year. The Bank's net-value product system covers "cash management", "regular open", "customer cycle", "closed", "solid income enhancement" and other types to meet customers diversified financing and investment needs.

The Bank's wealth management investment focused on money market instruments, debt securities and enhanced bond funds. As of the end of June 2021, the investment balance of debt securities and money market instruments amounted to RMB51,427 million, accounting for 66.94% of the total; the investment balance of enhanced bond funds amounted to RMB8,224 million, accounting for 10.71% of the total; and the rest of the investment amounted to RMB17,172 million, accounting for 22.35% of the total.

In the national wealth management capability ranking report for the first quarter of 2021 issued by PY Standard, the Bank ranked 1st in terms of comprehensive wealth management capabilities, operating management capabilities and investor service system among rural financial institutions. In the 2020 China Banking Financial Management Development Forum and the first "China Banking Financial Management Golden Bull Award" selection, the Bank won the "Financial Management Bank Golden Bull Award".

(III) The Bank proactively developed the rediscounted bill business, in the first half of 2021, the trading capacity of bills increased by 162.94% as compared to the same period last year, and the balance of rediscounted bills increased by 75.16% as compared to the beginning of the year.

MANAGEMENT DISCUSSION AND ANALYSIS

- (IV) The Bank continued to promote the steady development of the asset custody business and provided efficient and quality services on settlement, accounting and investment supervision, etc. In the first half of 2021, the Bank has been proactively marketing the custody business of major banks in the Greater Bay Area, and has confirmed the intent to cooperate with 7 banks in the surrounding areas.
- (V) The Bank actively promoted cross-border financial cooperation and innovation in the Guangdong-Hong Kong-Macao Greater Bay Area, and supported the development of Macao's offshore RMB market. In the first half of 2021, the Bank launched the first inter-bank borrowing business with Macao RMB clearing banks in Guangzhou, adding a new channel for cross-border financial connectivity in the Guangdong-Hong Kong-Macao Greater Bay Area.

The Bank proactively participated in public offering REITs projects in the infrastructure sector. In the first half of 2021, as a strategic placing investor, the Bank successfully participated in the first batch of national infrastructure public offering REITs subscription.

IV. Inclusive Financial Business

As of the end of the Reporting Period, the Bank thoroughly implemented the decisions and deployment of inclusive finance and the SME-supporting refinancing policies of government at all levels and regulatory institutions, strengthened financial services and supported the high-quality development of the real economy through timely release of guiding opinions, innovative research and development of special products.

As of the end of the Reporting Period, the balances of the inclusive and SME loans of the Bank amounted to RMB35,515 million, an increase of RMB3,937 million over the beginning of the year, and its growth rate was 12.47%. It served 29,564 SME loan customers, an increase of 5,016 over the beginning of the year. The non-performing ratio of SME loan was 1.06%, and the regulatory requirements were met. In the first half of 2021, the weighted average interest rate of SME loans cumulatively granted was 4.81%, representing a decrease of 0.22 percentage points as compared to the full year of 2020.

(I) *Implement Regulatory Policies*

The Bank thoroughly implemented the requirements of the People's Bank of China's policy of supporting small loans, made full use of the two innovative monetary tools of the People's Bank of China to support credit loans and postpone repayment of principal and interest, and increased the investment of credit loans to ensure that small and micro loans should be "extended as much as possible".

As of the end of the Reporting Period, the Bank has put in total RMB42,525 million of loans in compliance with the requirements of supporting small loan policy, with a weighted average interest rate of 4.57%; the Bank was granted RMB18,060 million in supporting small loans by the People's Bank of China.

MANAGEMENT DISCUSSION AND ANALYSIS

(II) Establish Corporate Branch Network

The Bank continuously improved the construction of the franchise system in inclusive financing, and established 13 inclusive and small and micro business centers in Guangzhou with 34 inclusive small and micro marketing teams, and 8 inclusive small and micro marketing teams in Guangdong Branch. In the next step, the Bank will establish a number of inclusive direct marketing teams and sink the marketing personnel mainly engaged in inclusive small and micro businesses to comprehensive marketing outlets corresponding to towns and streets.

Relying on the development of large mature community customer clusters, the Bank has set up two inclusive financial community banks, expecting to gradually build an umbrella-shaped “marketing fortress group” (i.e. “1 + N model”) with central sub-branches as the center and inclusive financial community banks as the connection point, fully improving the availability and convenience of inclusive financial services. The Bank has learned from Taizhou Bank’s inclusive small loan model and set up a special sub-branch, Zhujiang Sub-branch to develop its business according to this model.

(III) Product Innovation

The Bank has continuously improved the series of products of “Jinmi • SME loans”, launched the product of “Jinmi • Small and micro loans • Start-up Guaranteed loans”, and proactively responded to the government’s call to increase support in promoting entrepreneurship and improving people’s livelihood; Optimized the product of “Jinmi • Poverty Alleviation Microcredit”, grant credit and support to more registered poverty eliminated people and marginal households, and provided loan renewal and additional loan support without repayment of principal and interest to help them develop industries and increase their income if they meet the conditions.

(IV) Financial Technology

The Bank proactively connected with the government affairs public data platform, constantly enriched the third-party data sources, upgraded the model of “Jinmi • Micro E-loan” and other products, and effectively improved the intelligent risk control ability of business processing; Constantly enriched the functions of mobile marketing platform, increased the ability of online collateral evaluation, and assisted customer managers to expand marketing; continued to enrich application product categories on wechat applet and improved customer’s online application business experience.

(V) Foundation Works

The Bank adheres to the principle of localized development and continues to promote the grid-based inclusive micro-finance service project for village communities, communities and professional markets; Through business cooperation with market managers and trade associations in business circles, the financial service coverage rate for small-micro businesses can be realized in batches. Relying on the core enterprises of the supply chain, based on the characteristics of the supply chain and the financing needs of each transaction link, the comprehensive service plan of the business model is tailored to expand the financing needs of small and micro enterprises upstream and downstream of the core enterprises in batches. As of the end of the Reporting Period, the Bank has put in total RMB5,362 million of accumulative operational loans in village communities and RMB3,441 million of accumulative operational loans in communities, and RMB847 million of operational loans in the professional market.

MANAGEMENT DISCUSSION AND ANALYSIS

(VI) Whole Village Credit

Combining the local development characteristics and business development priorities of the villages, the Bank made full use of the local unique geographical and basic advantages, formulated an “one-to-one” batch financing scheme for specific enterprises, merchants, residents and villagers with different conditions in each key village, focused on expanding the credit business of the villages, villagers and related tenants, and actively built a demonstration credit village of rural financial with “whole village credit”, assessed the credit villagers, promoted the construction of rural credit system, exerted the actual effect of Inclusive Financing and optimized the countryside.

(VII) Soul Casting Project

The Bank explored the “soul casting project” to shape the team personality, give full play to the exemplary, guidance and radiation effects of advanced models, cultivate characteristic culture, comprehensively enhance the combat power of the team, enhance business capability, strengthen enterprise cohesion, and build the core competitiveness of inclusive and small and micro businesses, so as to promote further development of inclusive and small and micro businesses, strengthen the leadership of the Party, enhance team cohesion and sense of belonging, and lay a solid foundation.

V. “Sannong” Financial Business

By adhering to its objectives of keeping a foothold in “Sannong” and serving rural revitalization and leveraging on the rich experience in the rural areas and the innovative spirit of reform, the Bank has always stood at the front line of the “Sannong” finance and taken “becoming a leading domestic commercial bank” as a long-term corporate vision.

Under the correct leadership of the Guangzhou party committee and the municipal government, the Bank has had a solid foundation, actively made responses and promoted steady development of relevant work. As of the end of the Reporting Period, the Bank’s agricultural loan balance amounted to RMB40.799 billion, representing an increase of RMB2.439 billion from the beginning of the year and a growth rate of 6.36%, among which the size of inclusive agriculture-related loans amounted to RMB6.706 billion, representing an increase of RMB0.513 billion from the beginning of the year and a growth rate of 8.29%.

1. Introduction and improvement of the business policy for “Sannong”

Firstly, the Bank continued to determine the strategic positioning of supporting agriculture in the Bank’s annual credit policy, did well in supporting rural revitalization, the Sannong work and poverty alleviation finance, and ensured the business orientation of continuous growth in agriculture-related loans throughout the year. At the same time, the Bank formulated a subdivision credit policy for Sannong and strengthened credit guidelines for agriculture-related areas.

Secondly, in the first half of the year, the Bank continued to strengthen the appraisal system and the allocation of financial resources for the Sannong business, and encouraged the maintenance and expansion of the Sannong business through allocation of financial resources and other measures.

MANAGEMENT DISCUSSION AND ANALYSIS

Thirdly, the Bank optimized the professional approval mechanism, established the green approval channels, actively supported areas including the agricultural industry, industrial parks, leading enterprises, green credit and old village reconstruction in the focus of rural revitalization, and promoted the flow of credit resources to the field of rural revitalization.

2. Active use of loans to refinance and expansion of agriculture-related loan business

Firstly, the Bank actively expanded the agriculture-related loan business, promoted the compliance and orderly growth of agriculture-related loans business by measures including promoting the launching of agricultural-related innovative credit products, regularly monitoring the status of agricultural-related loans and conducting business inspections.

Secondly, the Bank specified the work requirements for the re-lending loans in support of farmers, increased the allocation of agriculture-related loans through the policy of the re-lending loans in support of farmers and strived to implement policies to benefit farmers. As of the end of the Reporting Period, the Bank has issued a total of RMB3.664 billion in agricultural-related loans, which meet the requirements of the re-lending loan policy in support of farmers, benefitting 1,161 rural households and agricultural enterprises, with a weighted average interest rate of 5%, and reimbursement of re-lending loan in support of farmers of RMB537 million to the People's Bank of China.

3. Innovating and promoting agricultural credit products

Firstly, the Bank developed and launched "Jinmi rural revitalization forest loan", which provided various production and operation funds for units or individual customers enjoying national, provincial and municipal ecological public welfare forest compensation funds, being the first loan product in Guangzhou guaranteed by the right of compensation for ecological public welfare forests.

Secondly, the Bank promoted the "Jinmi rural revitalization farming loan", which was launched for new agricultural business entities, providing credit products for the development of agricultural production and the supply of agricultural materials for farming. As of the end of the Reporting Period, the balance of the product amounted to RMB5 million.

Thirdly, the Bank promoted the "Jinmi rural revitalization pig breeding loan", which aimed at participating in all links of the pig breeding industry chain, and providing sufficient funds for the production process of the progeny production, and at the same time providing a variety of characteristic mortgage methods, such as live pig mortgages and floating mortgages for movable properties such as breeding circles, so as to set up "insurance guarantees" for pig breeding enterprises. As of the end of the Reporting Period, the balance of the product amounted to RMB45 million.

Fourthly, the Bank promoted the "Jinmi urban renewal village loan", which was used for the political promotion project cost of village-level industrial parks in the administrative region of Guangzhou. As of the end of the Reporting Period, the balance of the product amounted to RMB50 million.

MANAGEMENT DISCUSSION AND ANALYSIS

4. *“Internet + Finance” to assist in rural revitalization*

The Bank continued to promote the application of mobile payment in rural areas “Ten-Hundred-Thousand Demonstration Project” to improve the payment environment in rural areas, vigorously built scenario financing, established mobile payment demonstration project, so as to improve the ability of financial services to stimulate rural revitalization. As of the end of the Reporting Period, a total of 4 mobile payment demonstration projects of the Bank in Guangzhou Region have been databased through the People’s Bank, covering nearly 1,000 customers, of which 845 customers have completed the transformation of “one code for universal” mobile payment. The “one code for universal” trading volume accumulated 175,300 in the first half of this year, with a transaction amount of RMB62.4867 million.

5. *Steady implementation of rural revitalization measures*

With reference to the successful experience of previous relevant projects, the Bank comprehensively promoted rural revitalization in Paitanzhen, Zengcheng District. In combination with the industrial development plan of Paitanzhen, the Bank sorted out its high-quality customer resources, actively contacted with a number of homestays and health care companies to conduct surveys and investigations in Jiasongling village under Paitanzhen and had thorough discussion on the labor force, humanities and natural resources of Jiasongling village. Upon various investigation and demonstration, the cooperation intention was finally reached on the rural project for the “new house guest” shared by MIKE in Paitanzhen. To ensure smooth implementation of the project, the Bank actively implemented financial assistance and planned to provide a total of RMB12 million in credit funds.

VI. Distribution Channels

(I) *Physical Outlets*

As of 30 June 2021, the Bank had 635 operating outlets (including 1 franchise institution), of which 617 were located in the Guangzhou region (including 1 franchise institution) and 18 were non-local outlets in the province. In terms of the number of outlets in the Guangzhou region, the Bank ranked first among the banks in the Guangzhou region. The Bank operated 5 non-local branches in Foshan, Qingyuan, Heyuan, Zhaoqing and Zhuhai, 12 sub-branches and 1 sub-office.

(II) *Self-service Equipment*

As of 30 June 2021, the number of ATMs, self-service inquiry terminals and smart service terminals of the Bank amounted to 2,595, among which 1,650 were ATMs, 625 were self-service inquiry terminals and 320 were smart service terminals.

(III) *Smart Banking*

As of 30 June 2021, the Bank had a total of 242 smart banking outlets, and 320 smart facilities including 18 VTM and 302 STM were installed.

MANAGEMENT DISCUSSION AND ANALYSIS

(IV) Internet Finance

1. Mobile banking

Taking mobile banking as the main business position for retail customers, the Bank strives to create a more convenient, intelligent and comprehensive “Finance + People’s livelihood” service. In the first half of 2021, the Bank continuously consolidated the basic financial capacity of mobile banking and upgraded the payment and settlement functions related to mobile banking’s mobile numbers; continued to enrich value-added services for the convenience of the people, and launch new functions such as provident fund query and reservation handling, booking Southern Airlines tickets, enterprise annuity query and movie ticket purchase in the life section of mobile bank; launched the annual / monthly bill function to show customers their comprehensive data such as revenue, wealth management, deposits and loans in a lively and trendy manner to enhance customer stickiness. As of 30 June 2021, the Bank had approximately 3.9229 million mobile banking customers with 8.5996 million financial transactions, and a transaction amount of RMB241,142 million, among which, the Bank had 18,100 contracted customers for enterprise mobile bank, realizing 237,600 financial transactions with a transaction amount of RMB12.886 billion.

2. Internet banking

The Bank continued to enrich its internet banking product system and optimize customer experience. As of 30 June 2021, the Bank had approximately 1.9395 million personal internet banking customers with 2.0625 million financial transactions, and a transaction amount of RMB106,251 million. The corporate internet banking contracted customers reached 25,300, the number of financial transactions made was 1.5219 million, and the transaction amount was RMB584,842 million.

3. Direct banking

The Bank continued to strengthen the independent collaboration, open empowerment and scenario-based operation capabilities of direct banking, and continued to deepen the integration of the financial services and convenience scenarios of direct banking, creating convenient scenarios such as “smart campus” and “smart business districts” and building open financial industry to achieve inclusive finance services. As of 30 June 2021, the Bank had approximately 1.0855 million direct banking customers with 0.3478 million financial transactions, and a transaction amount of RMB10,314 million.

4. WeChat banking

The Bank’s WeChat banking integrates publicity, customer service and financial tools, and provides the customers with fast and easy financial services such as wealth management and purchase, financial information, latest offer, account enquiry, and appointment for corporate account opening, through which the products of the Bank are promoted in a casual manner. As a result, it has gradually become an important channel for the Bank’s brand publicity and business promotion. As of 30 June 2021, the Bank’s customers of WeChat banking reached 0.9239 million.

MANAGEMENT DISCUSSION AND ANALYSIS

5. Online mall (Jinmi Market (金米集市))

The online mall of the Bank has always adhered to the purpose of serving the “Sannong”, made full use of the advantages of the platform, and strived to integrate agricultural service resources, to realize the de-intermediation of the agricultural industry chain and create a new situation for the transformation and upgrade of modern agricultural enterprises and farmers; the Bank actively developed the role of e-commerce in promoting the implementation of rural revitalization strategy, continued to carry out the theme activities of “helping farmers with love” and “helping farmers with consumption”, smoothed the production and marketing channels, effectively promoted the “out of the village” and “out of the mountains” of agricultural products, and helped agricultural enterprises and farmers to expand their sales channels, alleviate poverty and increase income. At the same time, the Bank focused on the new development trend of mobile internet, strived to improve the operating model of “internet + agriculture + e-commerce”, to further explore business areas such as interactive cooperation between state-owned enterprises and the entry of agricultural products into communities. As of 30 June 2021, the online mall of the Bank had a total of 960,000 customers, with 149,000 orders, a transaction volume of RMB20.19 million and 225,000 products sold in the first half of the year, including 82,000 poverty alleviation orders and a transaction volume of RMB3.8 million.

VII. Principal Subsidiaries

Zhujiang County Bank is the general term for the various rural banks established by the Bank as a main promoter. It is of great significance for performing social responsibility by the Bank, improving the level of financial services for Sannong and small and micro businesses, assisting rural revitalization and inclusive financial development, and further building a multi-level rural financial service network. During the Reporting Period, the Bank strengthened its consolidated management capabilities for rural banks and promoted their steady and high-quality development. As of 30 June 2021, the Bank established 25 Zhujiang County Banks in 9 provinces and cities of China.

As a wholly-owned subsidiary promoted and established by the Bank, Zhujiang Financial Leasing Co., Ltd. was incorporated and commenced operation in December 2014, with a registered capital of RMB1 billion. It is mainly engaged in financial leasing related business.

The Bank strategically controls four rural commercial banks, namely Hunan Zhuzhou Zhujiang Rural Commercial Bank Co., Ltd., Chaozhou Rural Commercial Bank Co., Ltd., Guangdong Nanxiong Rural Commercial Bank Co., Ltd. and Shaoguan Rural Commercial Bank Co., Ltd. They are mainly engaged in monetary financial business. Among them, Hunan Zhuzhou Zhujiang Rural Commercial Bank Co., Ltd. completed its restructuring and commenced in December 2017, with registered capital of RMB600 million. Chaozhou Rural Commercial Bank Co., Ltd. completed its restructuring and commenced in June 2019, with a registered capital of RMB2,630 million. Guangdong Nanxiong Rural Commercial Bank Co., Ltd. completed its restructuring and commenced in July 2019, with a registered capital of RMB430 million. Shaoguan Rural Commercial Bank Co., Ltd. completed its restructuring and commenced in June 2020, with a registered capital of RMB1,374 million.

MANAGEMENT DISCUSSION AND ANALYSIS

VIII. Information Technology

In the first half of 2021, the Bank proactively propelled the establishment of information system and continuously intensified the supporting role of information technology in the development of banking business. In the first half of 2021, all important information systems of the Bank maintained a stable operation, and no unplanned system outages occurred. The networks operated stably.

(I) *Technology Governance*

The Bank focused on enhancing the ability of technology governance and technology management, accelerated the advancement of digital transformation and financial technology development and transformation based on the “14th Five-Year Plan” strategic plan of the Bank; deepened the integration of business and technology through agile science and technology capability, and strengthened outsourcing management of science and technology, to effectively improve the scientific and technology support capabilities for business development and operation management.

(II) *Information Security Guarantee*

The Bank continued to strengthen its construction of information security guarantee system to effectively ensure the safe and stable operation of the network and information system; completed the upgrade and deployment of security protection equipment in important network region to enhance network security protection capabilities; carried out information security assessment, supervision and inspection, implemented special permeability testing of information system and loophole scanning of host security, strengthened information security management and network security risk prevention capabilities; and carried out network security training for all staff to effectively improve the level of security management.

(III) *Business Continuity Management*

In the first half of 2021, firstly, the Bank carried out the intra-city disaster-related switchover drills for important information system, completed intra-city disaster-related switchover drills for 8 systems including core system, integrated front-end system and mobile banking. Secondly, the Bank completed local availability switchover drills for 37 sets of business system in 3 batches. Thirdly, the Bank implemented business continuity drills for 2 important businesses, enhancing the Bank’s emergency response capabilities for the information system of the Bank.

(IV) *Development of Information Technology*

The Bank continued to increase the investment in financial technology resources, and promoted the construction of financial technology throughout the Bank by adhering to its “customer-centered” business philosophy. The Bank continuously deepened the integration and development of technology and business with a view to enhancing product research and development in the real economy, inclusive small and micro-sized businesses, and Sannong business. Through the application of emerging technologies such as big data, cloud computing, artificial intelligence, etc., the Bank promoted financial product innovation and optimized business service models with a total of 13 financial technology projects commencing operation in the first half of 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

IX. Human Resources Management

(I) *Employees*

As of 30 June 2021, the Group had 13,810 employees in total, representing a decrease of 131 employees as compared to the end of 2020. Of which 13,349 employees entered into labor contracts with the Group, representing a decrease of 121 employees as compared to the end of 2020; and 461 employees were dispatched workers, representing a decrease of 10 employees as compared to the end of 2020.

(II) *Training*

The Bank stayed committed to the improvement of the professional level and occupational quality of staff. The Bank went on perfecting its internal corporate university “Zhujiang Business School”. In 2021, the Bank implemented its training work according to the requirements of the strategic development of the whole Bank and its key tasks, innovated the online and offline learning methods, promoted the staff education and training across the Bank in a planned manner, conducted the key talent training projects and implemented precise training, so as to fully empower its staff and organizations. In the first half of 2021, the Bank organized a total of 166 training projects, including 59 online live trainings. Those trainings covered more than 22,000 trainees. The online learning time per individual was 50 hours. At the same time, a workshop was held to build a curriculum system for retail and corporate customer managers to optimize the learning and growth path of customer manager position, continuously consolidate the foundation for training operation, and comprehensively cultivate professional and high-quality talents.

RISK MANAGEMENT

In the first half of 2021, the Group strictly implemented the decisions and deployment of government and regulatory authorities at all levels, issued the special credit policy as a guideline, and actively implemented the reform missions of the “14th Five-Year Plan”, the Group comprehensively promoted the implementation of risk management work to make up for shortcomings, and raised the overall risk management level, so as to effectively enhance the risk prevention and mitigation capabilities.

During the Reporting Period, the Group’s risk management capabilities and levels were improving as a result of the Group’s ability to control its overall risks and the effective internal control and management.

I. Credit Risk Management

Credit risk refers to the risk of economic losses arising from failure of the borrower or the counterparty of the Bank to fulfil relevant obligations as per the contract for various reasons.

The Risk Management Committee of the Group is responsible for formulating policies and strategies relating to the overall credit risk management of the Group, and the Risk Management Department, the Credit Approval Department and the Asset Preservation Department are responsible for the specific implementation, monitoring and evaluation of credit risk management policies and strategies. Various business lines provide active cooperation in risk management and control.

MANAGEMENT DISCUSSION AND ANALYSIS

In the first half of 2021, the Group arranged and implemented a comprehensive risk management reform plan, pushed forward the improvement of the risk management structure and mechanism and process, strengthened the management of business personnel and developed system management tools, so as to enhance its ability to prevent and control the credit risk. Firstly, it optimized the risk management and control policies, introduced credit policies and investment policies, enhanced access management in high-risk areas and strengthened financial support for the real economy, so as to promote economic and social development and financial stability. Secondly, it strengthened the entire process of credit risk management, and strengthened the risk prevention and control of the entire process before, during and after lending. Thirdly, it introduced the system of key personnel in charge of operation to strengthen the principle of reciprocity of human rights, responsibilities and interests of business owners. Fourthly, it optimized the credit authorization management system and strengthened the refined management of hierarchical authorization. Fifthly, it focused on the two main lines of people and businesses, tightened the system defense, strengthened technical protection, promoted the optimization of risk management measures within the Bank, and enhanced its risk identification and control capabilities and the guarantee capability of risk management system to prevent the occurrence of new risks. Sixthly, it boosted the establishment of project group for the risk management system, expanded the introduction of external risk information, and facilitated intelligent and digital risk management. Seventhly, it strengthened team management and optimized performance evaluation. Eighthly, it carried out the supervision and inspection of system implementation and established a long-term risk control mechanism.

In the first half of 2021, the overall credit risks of the Group were under control, and the non-performing rate of the Group was kept within the control objectives.

II. Liquidity Risk Management

Liquidity risk refers to the risk that sufficient funds cannot be obtained at a reasonable cost in time to meet debts falling due, perform other payment obligations and meet other capital needs of normal business.

The objective of liquidity risk management of the Group is to meet the liquidity needs arising from assets, liabilities and off-balance sheet businesses and fulfil payment obligations to external parties in a timely manner under the normal operating environment of the Group or at a highly stressed condition through the establishment of a scientific and comprehensive liquidity risk management mechanism and effective identification, measurement, monitoring and reporting of liquidity risks, so as to maintain the balance between effectiveness and security of funds.

The Board assumes the ultimate responsibility for liquidity risk management. The Asset/Liability Management Committee under the senior management is responsible for formulating policies and strategies relating to overall liquidity risk management of the Group; under the guidance of the Asset/Liability Management Committee, the Asset/Liability Management Department is responsible for daily liquidity risk management; various business lines provide active cooperation in liquidity management.

MANAGEMENT DISCUSSION AND ANALYSIS

In the first half of 2021, the Group continued to implement liquidity risk policies and various measures for liquidity risk management, and enhanced the uniform and centralized management of liquidity risk. The specific management measures included: Firstly, the Group made use of the capital position system for daily position management, centralized scheduling, and conducted timely monitoring and proper supplementation to guarantee the safety of provisions. Secondly, the Group included the requirements for liquidity risk management into its business plan to ensure limiting the existing quality liquidity assets within a safe range. Thirdly, based on the risk preference in liquidity risk approved by the Board of Directors, the Group formulated limits on liquidity risk every quarter, and monitored the execution of the risk limit every month and assessed the execution every quarter to ensure liquidity risk is under control. Fourthly, the Group monitored liquidity indicators monthly and made forward-looking predictions of liquidity indicators and gaps, and timely identified risks, and made reasonable capital arrangement. Fifthly, the Group carried out stress testing for liquidity risk quarterly to timely assess the Group's liquidity risk tolerance and risk mitigating capability, and added stress testing during the important sensitive period to enhance the monitoring and prevention of liquidity risk on a timely basis. Sixthly, the Group regularly carried out liquidity risk emergency drills in order to improve the efficiency of its response under emergency situation.

In the first half of 2021, the overall liquidity risks of the Group were under control, without any significant liquidity risk incidents, all key liquidity risk indicators of each month were able to meet the standards, and results of the stress test also showed that the Group had adequate risk mitigating capability to deal with crises under pressure.

III. Market Risk Management

Market risk refers to the risk of losses in on- and off-balance sheet businesses from adverse changes in market prices (interest rate, exchange rate, stock prices and commodity prices). The market risk faced by the Group exists in the Group's transaction books and bank books, mainly including interest rate risk and exchange rate risk.

In the first half of 2021, the Group remained concerned about changes in currency policies and market prices, and took a number of measures to enhance the capability to manage market risk. Firstly, it formulated the basic investment policy, maintained a low-risk risk preference, promoted business transformation towards fixed income, transactions, position operation and active management, and the allocation of major assets was mainly fixed-income assets. Secondly, it implemented the risk monitoring mechanism, and established the full-calibre risk monitoring mechanism for on- and off-balance sheet credit bonds, implemented the penetrate-through principle, dynamically collected the underlying bond holdings, conducted overall analysis from the dimensions of scale, limit, and profit and loss on a monthly basis, timely indicated risks and supervised rectifications for abnormal deviations in indicators. Thirdly, it strengthened the cultivation of professional talents and strengthened cooperation and communication with external excellent investment research teams, so as to continuously improve the professional level of its employees.

IV. Operational Risk Management

Operational risk refers to the risk of losses caused by imperfections or problems of internal procedures, staff and IT system, and external events. Operational risks of the Group are classified mainly into internal risks and external risks. Internal risks mainly include risks arising from human factors, inappropriate procedures and operational processes, and failure of information system. External risks mainly include risks caused by external emergencies.

MANAGEMENT DISCUSSION AND ANALYSIS

In the first half of 2021, the Group continuously strengthened the standardized management of business procedures to strictly prevent internal and external operational risk events. Firstly, it revised the operational risk management measures through the Bank, further clarified the operational risk management responsibilities and management requirements of all units of the Bank, set 54 key risk indicators, and strengthened the identification and monitoring of operational risks in important business procedures. Secondly, it continued to carry out business continuity risk management, revised the business continuity plan through the Bank, improved the effectiveness of business continuity exercises, and prevented the failure of information system. Thirdly, it carried out security assessment of important information technology outsourcing risks such as card manufacturing, system custody and information technology research and development, and improved the management of outsourcers. Fourthly, it strengthened the behavior investigation of employees and verified the old cases that employees have concealed and failed to report.

V. Reputation Risk Management

Reputation risk refers to the behavior of the Bank, the behavior of practitioners or external events that lead to negative evaluations of the Bank by stakeholders, the public and the media, thereby damaging the brand value of the Bank, detrimental to the normal operations of the Bank, and even affecting market stability and social stability.

In the first half of 2021, the Bank established a sound reputation risk management mechanism, actively prevented reputation risks, responded to negative public opinion events, and effectively maintained a good market image of the Bank, so as to achieve the overall goal of reputation risk management. No major reputation risks occurred during the Reporting Period.

VI. Implementation of the Basel Capital Accord

The Group promoted the implementation of the New Basel Capital Accord in accordance with regulatory requirements. In the first half of 2021, the Group continued to optimize the construction of a risk-weighted asset measurement system. Through new and optimized data interfaces (new regulatory reporting system and IFRS9 impairment valuation system), the Group further improved the quality of basic data, improved the level of automated data collection and refined calculations; formulated an annual risk preference statement and indicator system, built optimization and upgrade project for non-retail internal rating, and cooperated with the completion of the annual FSAP stress test of the People's Bank of China.

VII. Anti-money Laundering Conditions

In the first half of 2021, the Group strictly implemented the regulatory requirements, conscientiously fulfilled the basic obligations of anti-money laundering, increased investment in human resources, strengthened internal control management, straightened out the working mechanism, and further improved the clear responsibilities, division of labor and coordination, and promoted an effective anti-money laundering organization and management system, so as to improve the prevention level of money laundering risk of the Bank.

MANAGEMENT DISCUSSION AND ANALYSIS

In the first half of 2021, the Group improved its internal control system in accordance with the latest regulatory requirements, refined management regulations on customer due diligence and money laundering risk assessment; continued to optimize and upgrade the anti-money laundering information system and related system, and improved the technical support for money laundering risk management; conscientiously organized anti-money laundering propaganda and training, raised public anti-money laundering awareness, and continuously improved the professional quality of anti-money laundering personnel.

VIII. Information Technology Risk Conditions

Information Technology Risk Conditions refer to information technology in the application process of the Bank generating operation, law and reputation risks due to natural factors, human factors, technical loopholes and management flaws.

In the first half of 2021, the Bank successively enhanced information technology supervision, assessment and risk treatment work mechanism. First, the Group reviewed and revised the risk quantitative monitoring indicators of information technology, regularly analyzing and reporting risk conditions. Second, the Group carried out outsourcing risk assessment of information technology, strengthening risk management of important outsource suppliers such as card manufacturing, research and development outsourcing and system custody. Third, the Group completed intra-city disaster-related switchover drills for customer service system, timely implementing business continuity risk management work requirements with guaranteed quality and quantity.

INTERNAL AUDIT

The Bank has established an independent and vertical audit management system. The independent audit department was established under the Board of Directors. Under the leadership of the Party Committee and the Board of Directors of the Bank, under the guidance and supervision of the Board of Supervisors, the audit department is responsible for the overall management the whole bank's audit work. The audit department regularly reports its work to the Party Committee and the Board of Directors of the Bank, and submits major audit matters to the Bank's Party committee for pre-study and consideration before submitting to the Board of Directors for consideration.

The audit department fully performed the audit supervisory function of the third risk defense, and established a beneficial cooperation mechanism with various business management departments, risk management department, discipline inspection and supervision department, etc. Through audit, evaluation and supervision and rectification, the audit department continually improve the Bank's business operation, risk management, internal control and compliance and corporate governance effects, to facilitate the Bank enhancing operation management and curbing irregularities.

MANAGEMENT DISCUSSION AND ANALYSIS

During the Reporting Period, the audit department fully carried the work requirements of the superior management organizations, and implemented the work arrangements of the Party committee, the Board of Directors and the Board of Supervisors of the Bank. On the basis of enforcing Party Building and playing the leading function of Party Building, the audit department proactively promoted management innovation, managed audit projects by classification, adapted an integrated and embedded project organization way, and established Quality Supervision Section to enhance the control and supervision for project process; In order to continually build a professional audit team and further consolidate audit basic management work, the audit department integrated fragmented audit system, optimized audit system function, and normally developed audit specialization construction. The audit department was risk-oriented and took steps from major areas, major matters, major businesses and major procedures to develop various audit projects such as comprehensive business audit, special audit, economical responsibility audit through enlarging gradually the coverage of audit supervision from point to area, facilitate various business systems, procedures and systematical function consummate, and discover some major hidden risks in time to play a constructive role in “curing and preventing”

OUTLOOK

In the first half of 2021, China’s macro-economy recovered rapidly from the impact of the pandemic. Its macro-economic growth rate in the first quarter was 18.3%, which was the highest level since the National Bureau of Statistics has published such quarterly economic growth rate in 1992, mainly characterized by pit-filling growth after the pandemic. From the perspective of the three major needs, investment, consumption and exports segments have all seen substantial growth, and the service industry has gradually recovered from the pandemic. In the second quarter, the economy continued to recover, while the year-on-year growth rate of various economic indicators fell sharply. The consumption recovery was slow, infrastructure construction was weak, and the sharp rise in commodity prices continued to backlog the profits of downstream enterprises.

Looking forward to the second half of the year, China’s economy will continue to recover, while the growth momentum will slow down, and at the same time the growth structure will be switched, and the pressure on commodity prices will be alleviated. Among them, the acceleration of vaccination in Europe and the US will promote the recovery of production, and the “export substitution” effect enjoyed by China during the pandemic may be weakened, and the contribution of exports to the economy tends to decline. In terms of investment, the continued high pressure on real estate regulation and the decline in commercial housing sales are expected to see a marginal decline in real estate investment growth in the second half of the year, and the contribution of infrastructure and manufacturing investment to economic growth will rise marginally. In terms of consumption, residents’ income grows slowly and shows K-shaped characteristics, so the consumption was difficult to recovery rapidly. On the production side, the growth rate of value-added industrial output and the profit growth rate of enterprises above designated size will gradually fall back to the normal level before the pandemic. It is expected that the economic growth rate in the fourth quarter will fall back to the potential growth rate, and the annual economic growth rate will be approximately 8%.

With the steady recovery of the economy, the Bank maintained stable operations in the first half of 2021, the scale of assets and liabilities was growing steadily with stable asset quality and resilient profitability. In the second half of the year, based on the changes in domestic and international macro-economic conditions, the Bank will focus on the four core business direction of rural finance, industrial finance, wealth finance and consumer finance to optimize the credit resources allocation and enhance the business and product innovation capabilities, and continue to cultivate the market in the Greater Bay Area and enhance the core competitiveness of the Bank.

CHANGES IN SHARE CAPITAL AND SHAREHOLDERS

I. CHANGES IN SHARES

Unit: Share, %

	31 December 2020		Change during the Reporting Period Amount of change	30 June 2021	
	Quantity	Proportion		Quantity	Proportion
Total share capital	9,808,268,539	100	-	9,808,268,539	100
Non-overseas listed shares	7,987,933,539	81.44	-	7,987,933,539	81.44
Non-overseas listed shares held by non-state-owned legal person shareholders	3,715,358,176	37.88	-	3,715,358,176	37.88
Non-overseas listed shares held by state-owned legal person shareholders	1,796,589,712	18.32	-	1,796,589,712	18.32
Non-overseas listed shares held by natural persons	2,475,985,651	25.24	-	2,475,985,651	25.24
Overseas listed foreign shares	1,820,335,000	18.56	-	1,820,335,000	18.56

Notes:

- As of the end of the Reporting Period, the total number of shareholders of the Bank's Non-overseas Listed Shares was 29,147, and all were deposited in China Securities Depository and Clearing Corporation Limited. The total number of shareholders of H Shares was 90 (of which HKSCC Nominees Limited, as a nominee, acted on behalf of several shareholders).
- The shares held by state-owned legal persons represent the Non-overseas Listed Shares of the Bank held by 14 state-owned legal person shareholders, including Guangzhou Finance Holdings Group Co., Ltd., Guangzhou Pearl River Enterprises Group Co., Ltd., etc.
- As of the end of the Reporting Period, 37,258,888 Non-overseas Listed Shares of the Bank were involved in judicial freezing, representing 0.38% of the total share capital of the Bank.

II. SHAREHOLDINGS OF SHAREHOLDERS

(I) Total Number of Shareholders

As of 30 June 2021, the Bank had a total share capital of 9,808 million shares, comprising 7,988 million Non-overseas Listed Shares and 1,820 million overseas listed shares. There were 715 legal person shareholders in possession of 5,512 million Non-overseas Listed Shares, accounting for 56.20% of the total share capital. Among which, 14 were state-owned shareholders in possession of 1,797 million shares, accounting for 18.32% of the total share capital, while 28,432 were natural person shareholders in possession of 2,476 million Non-overseas Listed Shares, accounting for 25.24% of the total share capital.

CHANGES IN SHARE CAPITAL AND SHAREHOLDERS

(II) Top Ten Shareholders as of the End of the Reporting Period

As of 30 June 2021, the top ten shareholders of Guangzhou Rural Commercial Bank together held 41.56% of the Bank's total share capital, with no single holder of Non-overseas Listed Shares having control of more than 5% of the total share capital, marking a dispersed shareholding structure. Among the top ten shareholders, the largest shareholder of Non-overseas Listed Shares was Guangzhou Finance Holdings Group Co., Ltd., which held 3.73% of the total share capital. The second largest shareholder was Guangzhou Pearl River Enterprises Group Co., Ltd. with 3.45% of the total share capital, and the third largest was Guangzhou Vanlead Group Co., Ltd. with 3.26% of the total share capital. All of these top three shareholders of Non-overseas Listed Shares are enterprises solely-owned by the State.

As at 30 June 2021, the top ten shareholders are as follows:

No.	Name	Class of shareholder	Nature of shareholder	Number of shares (Share)	Shareholding proportion (%)
1	HKSCC Nominees Limited ⁽¹⁾	H Shares	Other	1,819,982,900	18.56
2	Guangzhou Finance Holdings Group Co., Ltd. (廣州金融控股集團有限公司)	Non-overseas Listed Shares	State-owned legal person	366,099,589	3.73
3	Guangzhou Pearl River Enterprises Group Co., Ltd. (廣州珠江實業集團有限公司)	Non-overseas Listed Shares	State-owned legal person	338,185,193	3.45
4	Guangzhou Vanlead Group Co., Ltd. (廣州萬力集團有限公司)	Non-overseas Listed Shares	State-owned legal person	319,880,672	3.26
5	Guangzhou Radio Group Co., Ltd. (廣州無線電集團有限公司)	Non-overseas Listed Shares	State-owned legal person	310,728,411	3.17
6	Shanghai Dazhan Investment Management Co., Ltd. (上海大展投資管理有限公司)	Non-overseas Listed Shares	Non-state-owned legal person	250,000,000	2.55
7	Guangzhou Business Investment Holding Group Co., Ltd. (廣州商貿投資控股集團有限公司)	Non-overseas Listed Shares	State-owned legal person	191,749,019	1.95
8	Nanjing Gaoke Co., Ltd. (南京高科股份有限公司)	Non-overseas Listed Shares	Non-state-owned legal person	180,000,000	1.84
9	Guangdong Zhujiang Roads & Bridges Investment Co., Ltd. (廣東珠江公路橋樑投資有限公司)	Non-overseas Listed Shares	Non-state-owned legal person	160,020,000	1.63
10	Shenzhen Weilu Investment Holding Co., Ltd. (深圳市偉祿投資控股有限公司)	Non-overseas Listed Shares	Non-state-owned legal person	140,010,000	1.43
Total				4,076,655,784	41.56

CHANGES IN SHARE CAPITAL AND SHAREHOLDERS

Notes:

1. HKSCC Nominees Limited, as a nominee, held 1,819,982,900 H Shares in aggregate in the Bank on behalf of several clients, representing approximately 18.56% of the issued share capital of the Bank. As a member of CCASS, HKSCC Nominees Limited conducts registration and custodian business for clients.
2. The above proportions are calculated on the basis of the total share capital of the Bank of 9,808,268,539 shares.

(III) Internal Staff Members' Shareholdings

As of 30 June 2021, the Bank had a total of 5,689 internal staff member shareholders, holding 371 million shares, which accounted for 3.78% of the total share capital of the Bank.

(IV) Interests and Short Positions of Substantial Shareholders and Other Persons in Shares and Underlying Shares under the Hong Kong Laws and Regulations

As of the end of the Reporting Period, the Bank did not have any controlling Shareholders or de facto controllers.

(V) Explanation of the absence of controlling shareholders and actual controllers of the Company

Based on the knowledge of the directors and chief executives of the Bank, as at 30 June 2021, the following persons (other than the directors, chief executives and supervisors of the Bank) had, or were deemed to have interests or short positions in the shares and underlying shares of the Bank which would fall to be disclosed to the Bank and the Hong Kong Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Bank pursuant to Section 336 of the SFO with details as follows:

Name of shareholder	Nature of interest	Class of shares	Long/short position	Number of shares held directly or indirectly (Share)	Approximate percentage of interest in the Bank	Approximate percentage of the relevant class of shares of the Bank
Guangzhou Municipal People's Government ⁽¹⁾	Interest of a controlled corporation	Non-overseas Listed Shares	Long	1,786,589,712	18.22%	22.37%
Aeon Life Insurance Company Limited	Beneficial owner	H Shares	Long	295,229,000	3.01%	16.22%
Guangzhou HongHui Investment Co., Ltd. ⁽²⁾	Beneficial owner	H Shares	Long	200,991,000	2.05%	11.04%
Zeng Weipeng ⁽²⁾	Interest of a controlled corporation	H Shares	Long	114,558,840	1.17%	6.29%

CHANGES IN SHARE CAPITAL AND SHAREHOLDERS

Name of shareholder	Nature of interest	Class of shares	Long/short position	Number of shares held directly or indirectly (Share)	Approximate percentage of interest in the Bank	Approximate percentage of the relevant class of shares of the Bank
Liu Feng ⁽³⁾	Interest of a controlled corporation	H Shares	Long	294,530,203	3.00%	16.18%
Good Prospect Corporation Limited ⁽³⁾	Beneficial owner	H Shares	Long	294,530,203	3.00%	16.18%
Deng Geng ⁽⁴⁾	Interest of a controlled corporation	H Shares	Long	294,554,000	3.00%	16.18%
East Lake Technology Limited ⁽⁴⁾	Beneficial owner	H Shares	Long	294,554,000	3.00%	16.18%
Su Jiaohua ⁽⁵⁾	Interest of the spouse	H Shares	Long	221,424,797	2.26%	12.16%
Lin Xiaohui ⁽⁵⁾	Interest of a controlled corporation	H Shares	Long	221,424,797	2.26%	12.16%
Manureen Investment Limited ⁽⁵⁾	Beneficial owner	H Shares	Long	221,424,797	2.26%	12.16%
Lead Straight Limited ⁽⁶⁾	Beneficial owner	H Shares	Long	195,229,000	1.99%	10.72%
Grandbuy International Trade (HK) Limited ⁽⁶⁾	Interest of a controlled corporation	H Shares	Long	195,229,000	1.99%	10.72%
Guangzhou Business Investment Holding Group Co., Ltd. ⁽⁶⁾	Interest of a controlled corporation	H Shares	Long	195,229,000	1.99%	10.72%
Guang Rong Finance Company Limited ⁽⁷⁾	Beneficial owner	H Shares	Long	104,530,000	1.06%	5.74%
GuangZhou Finance Holdings (HK) Co., Ltd. ⁽⁷⁾	Interest of a controlled corporation	H Shares	Long	104,530,000	1.06%	5.74%
GuangZhou Finance Holdings Group Co., Ltd. ⁽⁷⁾	Interest of a controlled corporation	H Shares	Long	104,530,000	1.06%	5.74%

CHANGES IN SHARE CAPITAL AND SHAREHOLDERS

Notes:

- (1) These 1,786,589,712 shares include 366,099,589 shares directly held by Guangzhou Finance Holdings Group Co., Ltd. (廣州金融控股集團有限公司), 338,185,193 shares directly held by Guangzhou Pearl River Enterprises Group Co., Ltd. (廣州珠江實業集團有限公司), 319,880,672 shares directly held by Guangzhou Vanlead Group Co., Ltd. (廣州萬力集團有限公司), 310,728,411 shares directly held by Guangzhou Radio Group Co., Ltd. (廣州無線電集團有限公司), 191,749,019 shares directly held by Guangzhou Business Investment Holding Group Co., Ltd. (廣州商貿投資控股集團有限公司), 137,283,914 shares directly held by Guangzhou Light Industry & Trade Group Co., Ltd. (廣州輕工工貿集團有限公司), 45,312,844 shares directly held by Guangzhou Gongkong Capital Management Co., Ltd. (廣州工控資本管理有限公司), 33,405,752 shares directly held by Guangzhou Lingnan International Enterprise Group Co., Ltd. (廣州嶺南國際企業集團有限公司), 18,304,522 shares directly held by Guangzhou Guangyong State-owned Assets Management Co., Ltd. (廣州市廣永國有資產經營有限公司), 9,152,261 shares directly held by Guangzhou Textiles Industry & Trade Holdings Ltd. (廣州紡織工貿企業集團有限公司), 7,052,469 shares directly held by Guangzhou Port Group Co., Ltd. (廣州港集團有限公司), 9,152,261 shares directly held by Guangzhou Development Zone Industrial Development Group Co., Ltd. (廣州開發區工業發展集團有限公司) and 282,805 shares directly held by Guangzhou Yunpu Industrial Zone Baiyun Enterprises Development Company (廣州市雲埔工業區白雲實業發展總公司).

Pursuant to the SFO, Guangzhou Municipal People's Government is deemed to be interested in the shares held by Guangzhou Finance Holdings Group Co., Ltd. (廣州金融控股集團有限公司), Guangzhou Pearl River Enterprises Group Co., Ltd. (廣州珠江實業集團有限公司), Guangzhou Vanlead Group Co., Ltd. (廣州萬力集團有限公司), Guangzhou Radio Group Co., Ltd. (廣州無線電集團有限公司), Guangzhou Business Investment Holding Group Co., Ltd. (廣州商貿投資控股集團有限公司), Guangzhou Light Industry & Trade Group Co., Ltd. (廣州輕工工貿集團有限公司), Guangzhou Gongkong Capital Management Co., Ltd. (廣州工控資本管理有限公司), Guangzhou Lingnan International Enterprise Group Co., Ltd. (廣州嶺南國際企業集團有限公司), Guangzhou Guangyong State-owned Assets Management Co., Ltd. (廣州市廣永國有資產經營有限公司), Guangzhou Textiles Industry & Trade Holdings Ltd. (廣州紡織工貿企業集團有限公司) and Guangzhou Port Group Co., Ltd. (廣州港集團有限公司), which are directly or indirectly wholly-owned by Guangzhou Municipal People's Government, and in the shares held by Guangzhou Development Zone Industrial Development Group Co., Ltd. (廣州開發區工業發展集團有限公司) and Guangzhou Yunpu Industrial Zone Baiyun Enterprises Development Company (廣州市雲埔工業區白雲實業發展總公司), which are controlled by Guangzhou Municipal People's Government.

- (2) Guangzhou HongHe Investment Co., Ltd. is owned as to 90% by Zeng Weipeng, and Guangzhou HongHui Investment Co., Ltd. is owned as to 63.33% by Guangzhou HongHe Investment Co., Ltd. Therefore, Zeng Weipeng is deemed to be interested in the 200,991,000 shares by virtue of the SFO.
- (3) Liu Feng wholly owns Good Prospect Corporation Limited. Therefore, Liu Feng is deemed to be interested in the 294,530,203 shares by virtue of the SFO.
- (4) Deng Geng wholly owns East Lake Technology Limited. Therefore, Deng Geng is deemed to be interested in the 294,554,000 shares by virtue of the SFO.

CHANGES IN SHARE CAPITAL AND SHAREHOLDERS

- (5) Manureen Investment Limited is owned as to 70% by Lin Xiaohui. Therefore, Lin Xiaohui is deemed to be interested in the 221,424,797 shares by virtue of the SFO. Su Jiaohua is the spouse of Lin Xiaohui. Therefore, Su Jiaohua is deemed to be interested in the 221,424,797 shares by virtue of the SFO.
- (6) Guangzhou Business Investment Holding Group Co., Ltd. is wholly owned by Guangzhou Municipal People's Government, and Grandbuy International Trade (HK) Limited is wholly owned by Guangzhou Business Investment Holding Group Co., Ltd. Lead Straight Limited is wholly owned by Grandbuy International Trade (HK) Limited. Hence, Guangzhou Municipal People's Government, Guangzhou Business Investment Holding Group Co., Ltd. and Grandbuy International Trade (HK) Limited are deemed to be interested in the 195,229,000 shares by virtue of the SFO.
- (7) Guangzhou Finance Holdings Group Co., Ltd. is wholly owned by Guangzhou Municipal People's Government, and Guangzhou Finance Holdings (HK) Co., Ltd. is owned as to 62.49% by Guangzhou Finance Holdings Group Co., Ltd. Guang Rong Finance Company Limited is wholly owned by Guangzhou Finance Holdings (HK) Co., Ltd. Hence, Guangzhou Municipal People's Government, Guangzhou Finance Holdings Group Co., Ltd. and Guangzhou Finance Holdings (HK) Co., Ltd. are deemed to be interested in the 104,530,000 shares by virtue of the SFO.

Save as disclosed above, the Bank is not aware of any other person (other than the directors, chief executives and supervisors of the Bank) having any interests or short positions in the shares or underlying shares of the Bank as at 30 June 2021 as recorded in the register required to be kept by the Bank pursuant to Section 336 of the SFO.

(V) Major Shareholders under "Interim Measures for Equity Management of Commercial Banks" (《商業銀行股權管理暫行辦法》)

Pursuant to the requirements concerning major shareholders under "Interim Measures for Equity Management of Commercial Banks", the shareholders listed in the table below were the major shareholders of the Bank as at the end of the Reporting Period:

No.	Name of shareholder	Number of shares held (share)	Reason for being major shareholder	Whether over 50% of the shares held were pledged	Controlling shareholders	De facto controllers	Parties acting in concert	Ultimate beneficial owners	Related parties
1	Guangzhou Finance Holdings Group Co., Ltd. (廣州金融控股集團有限公司)	366,099,589	Delegated director Mr. Yuan Xiaoyi	No	Guangzhou Municipal People's Government	Guangzhou Municipal People's Government	-	Guangzhou Finance Holdings Group Co., Ltd.	15 related natural persons and 61 related legal persons

CHANGES IN SHARE CAPITAL AND SHAREHOLDERS

No.	Name of shareholder	Number of shares held (share)	Reason for being major shareholder	Whether over 50% of the shares held were pledged	Controlling shareholders	De facto controllers	Parties acting in concert	Ultimate beneficial owners	Related parties
2	Guangzhou Pearl River Enterprises Group Co., Ltd. (廣州珠江實業集團有限公司)	338,185,193	Delegated supervisor Mr. Zhang Gang	No	Guangzhou Water Investment Group Co., Ltd. (廣州市水務投資集團有限公司)	Guangzhou Municipal People's Government	-	Guangzhou Pearl River Enterprises Group Co., Ltd.	12 related natural persons and 306 related legal persons
3	Guangzhou Business Investment Holding Group Co., Ltd. (廣州商貿投資控股集團有限公司)	191,749,019	Delegated director Ms. Feng Kaiyun	No	Guangzhou Municipal People's Government	Guangzhou Municipal People's Government	-	Guangzhou Business Investment Holding Group Co., Ltd.	12 related natural persons and 157 related legal persons
4	Guangdong Zhujiang Roads & Bridges Investment Co., Ltd. (廣東珠江公路橋樑投資有限公司)	160,020,000	Delegated director Mr. Zhang Junzhou	Yes	Guangdong Pearl River Investment Management Group Co., Ltd. (廣東珠江投資管理集團有限公司)	Zhu Yihang (朱一航)	-	Guangdong Zhujiang Roads & Bridges Investment Co., Ltd. (廣東珠江公路橋樑投資有限公司)	14 related natural persons and 806 related legal persons
5	Guangdong Yingxin Information Investment Co., Ltd. (廣東盈信信息投資有限公司)	10,000,000	Delegated director Mr. Zhang Junzhou	No	Guangdong Zhicheng Weiye Investment Limited (廣東至誠偉業投資有限公司)	Zhu Yihang (朱一航)	-	Guangdong Yingxin Information Investment Co., Ltd.	14 related natural persons and 806 related legal persons
6	Fengchi Investment Co., Ltd. (豐馳投資有限公司)	125,010,000	Delegated director Mr. Zhang Junzhou	No	Linzhi Depeng Investment Co., Ltd. (林芝德騰投資有限公司)	Zhu Weihang (朱偉航)	-	Fengchi Investment Co., Ltd.	14 related natural persons and 806 related legal persons
7	Longdong Economic Development Company, Tianhe District, Guangzhou City (廣州市天河區龍洞經濟發展公司)	121,010,000	Delegated supervisor Mr. Liang Bingtian	No	Longdong Stock Cooperative Economic Association, Longdong Street, Tianhe District, Guangzhou (廣州市天河區龍洞街龍洞股份合作經濟聯社)	Longdong Stock Cooperative Economic Association, Longdong Street, Tianhe District, Guangzhou	-	Longdong Economic Development Company, Tianhe District, Guangzhou City	5 related natural persons and 2 related legal persons

CHANGES IN SHARE CAPITAL AND SHAREHOLDERS

No.	Name of shareholder	Number of shares held (share)	Reason for being major shareholder	Whether over 50% of the shares held were pledged	Controlling shareholders	De facto controllers	Parties acting in concert	Ultimate beneficial owners	Related parties
8	Foshan Dongjian Group Co., Ltd. (佛山市東建集團有限公司)	104,000,000	Delegated supervisor Mr. Feng Jintang	No	Zhong Liuhan(鐘流漢)	Zhong Liuhan(鐘流漢)	-	Foshan Dongjian Group Co., Ltd.	8 related natural persons and 22 related legal persons
9	Guangzhou Huaxin Group Co., Ltd. (廣州華新集團有限公司)	100,010,000	Delegated director Mr. Feng Yaoliang	No	Feng Yaoliang (馮耀良)	Feng Yaoliang (馮耀良)	-	Guangzhou Huaxin Group Co., Ltd	5 related natural persons and 100 related legal persons
10	Aeon Life Insurance Company Ltd. (百年人壽保險股份有限公司)	65,000,000	Delegated director Mr. Zhuang Yuemin	No	-	-	-	Aeon Life Insurance Company Ltd.	29 related natural persons and 32 related legal persons
11	Guangzhou Dongsheng Investment Co., Ltd. (廣州市東升投資有限公司)	62,500,000	Delegated director Mr. Lai Zhiguang	No	Guangdong Dongsheng Industrial Group Co., Ltd. (廣東東升實業集團有限公司)	Lai Zhiguang(賴志光)	-	Guangzhou Dongsheng Investment Co., Ltd.	3 related natural persons and 18 related legal persons
12	Guangzhou Gongkong Capital Management Co., Ltd. (廣州工控資本管理有限公司)	45,312,844	Delegated director Mr. Zuo Liang	No	Guangzhou Industrial Investment Holdings Group Co., Ltd. (廣州工業投資控股集團有限公司)	Guangzhou Municipal People's Government	-	Guangzhou Gongkong Capital Management Co., Ltd.	7 related natural persons and 175 related legal persons

Note: For the definition of major shareholders, controlling shareholders, de facto controllers, related parties, parties acting in concert and ultimate beneficial owners, please see the relevant requirements of the Interim Measures for Equity Management of Commercial Banks. The major shareholders of the Bank have submitted their lists of related parties, and the Bank will regularly maintain and update the list of related parties to continuously lift the level of management of related party transactions. The Bank has disclosed the related party transactions in this report. Due to limitations on space, it does not provide the list of related parties of major shareholders.

CHANGES IN SHARE CAPITAL AND SHAREHOLDERS

(VI) Issuance of Offshore Preference Shares through a Private Offering

1. Issuance and listing of offshore preference shares

To supplement the capital of the Bank in a diversified way, further enhance the capital strength of the Bank and enhance its ability to resist risks, upon the approvals by Guangdong Bureau of the China Banking and Insurance Regulatory Commission (Guangdong Bureau of CBIRC) (Yue Yin Bao Jian (Chou) Fu [2018] No. 27) and the China Securities Regulatory Commission (CSRC) (Zheng Jian Xu Ke [2019] No. 355), the Bank issued non-cumulative perpetual Offshore Preference Shares in the amount of USD1,430 million on 20 June 2019. The Offshore Preference Shares (abbreviated as GRCB 19USD PEF with code of 04618) were listed on the Hong Kong Stock Exchange on 21 June 2019 with a nominal value of RMB100 per share at an offering price of USD20 per share. The total number of shares issued was 71,500,000, all of which were issued and fully paid in US dollars.

Based on the Renminbi central parity rate published by the China Foreign Exchange Trade System on 20 June 2019, the gross proceeds from the offering of the Offshore Preference Shares were approximately RMB9.839 billion. The proceeds raised from the issuance of the Offshore Preference Shares, after deduction of the issuance expenses, as of the end of the Reporting Period, have been fully used to replenish the additional tier 1 capital of the Bank, increase the tier 1 capital adequacy ratio of the Bank and optimize the capital structure, which is consistent with the specific use disclosed beforehand.

For the issuance terms and relevant details of the Offshore Preference Shares, please refer to the announcements of the Bank published on the website of the Hong Kong Stock Exchange (www.hkex.com.hk) and the official website of the Bank (www.grcbank.com).

2. Number of offshore preference shareholders and shareholdings

As of the end of the Reporting Period, the Bank had one offshore preference shareholder.

Shareholdings of the offshore preference shareholders (or their nominees) of the Bank are as follows (the following data are based on the register of offshore preference shareholders as at 30 June 2021):

Name of shareholder	Nature of shareholder	Class of shares	Increase or decrease during the Reporting Period (share)	Shareholding ratio (%)	Total number of shares held (share)	Number of shares subject to selling restrictions (share)	Number of shares pledged or frozen (share)
The Bank of New York Depository (Nominees) Limited	Foreign legal person	Offshore preference shares	-	100	71,500,000	-	Unknown

CHANGES IN SHARE CAPITAL AND SHAREHOLDERS

Notes:

- (1) Shareholdings of offshore preference shareholders are based on the information listed in the register of offshore preference shareholders of the Bank.
- (2) As the Offshore Preference Shares were offered through a private offering, the register of offshore preference shareholders presented the information on nominees of the allotted investors.

3. Profit distribution of the Offshore Preference Shares

Dividends will be paid in cash by the Bank to offshore preference shareholders. Each dividend will be payable annually in arrears on the dividend payment date. During the Reporting Period, dividends for the Offshore Preference Shares of USD93,744,444.44 was distributed by the Bank on 20 June 2021, of which USD84,370,000 was paid to the holders of Offshore Preference Shares at a nominal dividend rate of 5.9%, and income tax of USD9,374,444.44 was withheld.

4. Other information on the Offshore Preference Shares

During the Reporting Period, no Offshore Preference Shares have been repurchased, converted into ordinary shares or had their voting rights restored, and there was no experience of any trigger event in which the Offshore Preference Shares need to be coercively converted into H Shares.

In accordance with Accounting Standards for Enterprise No. 22 – Recognition and Measurement of Financial Instruments (2017 revised), Accounting Standards for Enterprise No. 37 – Presentation of Financial Instruments (2017 revised) and Rules on the Differences between Financial Liabilities and Equity Instruments and Relevant Accounting Treatment promulgated by the Ministry of Finance of the PRC, as well as International Financial Reporting Standards No. 9 – Financial Instruments and International Accounting Standards No. 32 – Financial Instruments: Presentation formulated by the International Accounting Standards Board, the issued and existing Offshore Preference Shares are eligible to be classified as equity instruments, and will be accounted for as equity instruments.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

I. DIRECTORS OF THE BANK

As of the Latest Practicable Date, the Board of Directors of the Bank comprised a total of fifteen directors, including three executive directors, namely Mr. Cai Jian (Secretary of the Party Committee, Chairman), Mr. Yi Xuefei (Deputy Secretary of the Party Committee, Vice Chairman and President), and Mr. Zhang Jian (Deputy Secretary of the Party Committee); seven non-executive directors, namely Mr. Yuan Xiaoyi, Ms. Feng Kaiyun, Mr. Zuo Liang, Mr. Zhang Junzhou, Mr. Zhuang Yuemin, Mr. Feng Yaoliang and Mr. Lai Zhiguang; and five independent non-executive directors, namely Mr. Liao Wenyi, Mr. Du Jinmin, Mr. Tan Jinsong, Mr. Zhang Hua and Mr. Ma Hok Ming.

On 23 February 2021, the Bank held the 2021 first EGM, Mr. Cai Jian, Mr. Yi Xuefei, Mr. Zhang Jian, Mr. Yuan Xiaoyi, Ms. Feng Kaiyun, Mr. Zuo Liang, Mr. Zhang Junzhou, Mr. Zhuang Yuemin, Mr. Feng Yaoliang, Mr. Lai Zhiguang, Mr. Liao Wenyi, Mr. Du Jinmin, Mr. Tan Jinsong, Mr. Zhang Hua and Mr. Ma Hok Ming were appointed as directors of the third session of the Board of Directors of the Bank. Mr. Yi Xuefei and Mr. Zhang Jian have been re-elected, with effect from 23 February 2021. The remaining 13 new directors have obtained the qualifications as the directors. The term of office of Mr. Cai Jian, Mr. Yuan Xiaoyi, Ms. Feng Kaiyun, Mr. Zuo Liang, Mr. Zhang Junzhou, Mr. Zhuang Yuemin, Mr. Feng Yaoliang, Mr. Lai Zhiguang, Mr. Du Jinmin, Mr. Tan Jinsong and Mr. Zhang Hua took effect from 18 March 2021, and the term of office of Mr. Liao Wenyi and Mr. Ma Hok Ming took effect from 29 July 2021. In addition, Mr. Su Zhigang, Mr. Liu Guojie, Mr. Zhu Kelin, Mr. Liu Shaobo, Mr. Liu Heng, Mr. Zheng Jianbiao, Mr. Song Guanghui and other former members of the second session of the Board of Directors have retired on 18 March 2021.

II. SUPERVISORS OF THE BANK

As of 30 June 2021, the Board of Supervisors of the Bank comprised a total of nine supervisors, including three employee representative supervisors, namely Ms. Wang Xigui, Ms. He Heng, and Mr. Lai Jiaxiong; three external supervisors, namely Mr. Zhan Liyuan, Mr. Han Zhenping and Mr. Shi Shuiping; and three shareholder representative supervisors, namely Mr. Zhang Gang, Mr. Liang Bingtian and Mr. Feng Jintang.

The Bank completed the election at expiry of office terms of the third session of the Board of Supervisors in February 2021. After the first EGM meeting in 2021, Mr. Zhan Liyuan, Mr. Han Zhenping and Mr. Shi Shuiping were elected as external supervisors of the third session of the Board of Supervisors; Mr. Zhang Gang, Mr. Liang Bingtian and Mr. Feng Jintang were elected as shareholder supervisors of the third session of the Board of Supervisors. After elected by employee representative meeting, Ms. Wang Xigui, Ms. He Heng, and Mr. Lai Jiaxiong were elected as employee supervisors of the third session of the Board of Supervisors. Meanwhile, Mr. Mao Yunshi, Mr. Chen Dan, Mr. Shao Baohua and Mr. Huang Yong ceased to serve as supervisors of the Bank after the first EGM in 2021 due to the expiration of their terms of office.

III. SENIOR MANAGEMENT OF THE BANK

As of 30 June 2021, the senior management of the Bank comprised a total of seven members: including Mr. Yi Xuefei (Deputy Secretary of the Party Committee, Vice Chairman and President); Mr. Zhao Wei (Chief of the Discipline Inspection Team of the Commission for Discipline Inspection and the National Supervision Commission of Guangzhou stationed in Guangzhou Rural Commercial Bank); two Vice Presidents, namely Mr. Chen Jianming and Mr. Lin Ripeng; one assistant to the President, namely Mr. Tan Bo; two business directors, namely Ms. Chen Linjun and Ms. Yang Xuan.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The appointment of Mr. Tan Bo as secretary of the Board of Directors of the Bank has been considered and approved by the Board of Directors of the Bank, and his qualification was approved on 23 July 2021. The appointment of Mr. Li Yaguang as the Vice President of the Bank has been considered and approved by the Board of Directors of the Bank on 13 August 2021, while the qualification is still to be approved by the regulatory authorities.

IV. Biographical details of directors, supervisors and senior management of the Bank

Cai Jian (蔡建), male, born in April 1973, graduated from Sun Yat-sen University with a master's degree majoring in an MBA, and is a senior economist. Mr. Cai currently serves as the Secretary of the Party Committee and executive Director at Guangzhou Rural Commercial Bank Co., Ltd.* Mr. Cai has served as a member and deputy section chief of Guangzhou Huangpu Sub-branch of Construction Bank of China (中國建設銀行廣州黃埔支行), deputy section chief and section chief of Guangzhou Economic Development Zone Sub-branch of Construction Bank of China (中國建設銀行廣州經濟開發區支行), assistant to the president of Guangzhou Development Zone Sub-branch of Construction Bank of China (中國建設銀行廣州開發區支行), vice president and member of the Party Committee of Guangzhou Haizhu Sub-branch of China Construction Bank (中國建設銀行廣州市海珠支行), department deputy general manager of Guangdong Branch of Construction Bank of China (中國建設銀行廣東省分行), senior deputy manager of the Strategic Assistance Project Office of Construction Bank of China (中國建設銀行戰略協助項目辦公室), deputy director of Financial Work Office of Guangzhou Municipal Government (廣州市政府金融服務辦公室), deputy director and member of the Party Leadership Group of the Financial Work Office of Guangzhou Municipal Government, the head of the discipline inspection team dispatched by the Guangzhou Municipal Commission for Discipline Inspection in the Financial Work Office of the Municipal Government, deputy director, head of the discipline inspection team and member of the Party Leadership Group of the Financial Work Office of the Municipal Government, member of the Party Leadership Group of the Municipal Financial Work Bureau, the head of the discipline inspection team dispatched by Guangzhou Municipal Commission for Discipline Inspection in the Municipal Financial Work Bureau, Secretary of the Disciplinary Committee of the Bank of Guangzhou (廣州銀行), member of the Standing Committee of Huadu District Committee of Guangzhou, deputy secretary of the Party Leadership Group of Huadu District People's Government, deputy secretary of the Party Committee, vice chairman and president of Bank of Guangzhou.

Yi Xuefei (易雪飛), male, born in November 1967. He graduated from Jiangxi University of Finance and Economics and obtained a master's degree in economics. He also obtained a master's degree in executive business administration from Sun Yat-sen University and is qualified as an economist. He now serves as Deputy Secretary of the Party Committee, Vice Chairman and President of Guangzhou Rural Commercial Bank. He once served as staff of Jiangxi Sanbo Electric Machinery Group, staff member of accounting division of Second Sub-branch of Guangzhou Branch of Construction Bank, staff member, principal staff member, deputy section chief, section chief, assistant to director, deputy director and deputy chief of Guangzhou Branch of Construction Bank, vice president of Foshan Branch of Construction Bank and concurrently president of Nanhai Sub-branch, deputy secretary of the Party Committee and vice president of Dongguan Branch of Construction Bank, deputy general manager (in charge of overall works) and general manager of financial planning department of Guangdong Branch of Construction Bank, director of assets and liabilities management department and director of restructuring office of Guangdong Branch of Construction Bank, secretary of the Party Committee and president of Shantou Branch of Construction Bank, member of the Party Committee and deputy director of Guangzhou Rural Credit Cooperative Union, member of the Party Committee and Vice President of Guangzhou Rural Commercial Bank.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Zhang Jian (張健), male, born in June 1962. He graduated from Jilin University, and obtained a master's degree in executive business administration from Sun Yat-sen University and the qualification of economist. He now serves as Deputy Secretary, Executive Director of the Party Committee of Guangzhou Rural Commercial Bank. He once served as a staff member and deputy section chief of Agricultural Bank of China, Taobei Sub-branch of Baicheng, Jilin Province; a staff member, deputy section chief and section chief of Comprehensive Planning division of Statistics Department of the Jilin Branch of Bank of China; deputy director of Capital Planning Division of the Jilin Branch of Bank of China; deputy general manager and general manager of office of Guangzhou Bank; assistant to the president, secretary to the board of directors, deputy secretary of the discipline inspection commission and vice president of Guangzhou Bank, and president of Zhujiang Sub-branch of Guangzhou Commercial Bank; and deputy secretary of the Party Committee and director of Guangzhou State-owned Capital Operation Holdings Co., Ltd. (廣州國資發展控股有限公司).

Mr. Yuan Xiaoyi (袁笑一), male, born in December 1980, Han nationality, member of the Communist Party of China, from Zhuji, Zhejiang Province, graduated from South China University of Technology with a master's degree in Engineering. He currently serves as a member of the Party Committee and the deputy general manager of Guangzhou Financial Holding Group Co., Ltd. (廣州金融控股有限公司), the Secretary of the Party Committee and chairman of Wanlian Securities Co., Ltd. (萬聯證券股份有限公司). He served as deputy director of the Capital Market Section of Guangzhou Municipal Financial Work Bureau, director of the Insurance Section, director of the Financing Guarantee Institution Regulatory Section, director of the Local Financial Development Section, and the assistant to the general manager, secretary of the board of directors, the general counsel of Guangzhou Railway Investment and Construction Group Co., Ltd. (廣州鐵路投資建設集團有限公司).

Ms. Feng Kaiyun (馮凱雲), female, born in February 1963, Han nationality, from Zhongshan, Guangdong Province, member of the Communist Party of China, graduated from Jinan University, majoring in accounting, as a postgraduate with an MBA degree, an economist. She currently serves as a member of the Party Committee and the deputy general manager of Guangzhou Business Investment Holding Group Co., Ltd. (廣州商貿投資控股集團有限公司) and a director of Guangzhou Grandbuy Co., Ltd. (廣州市廣百股份有限公司). She served as a staff member of the economics section of the Foshan Municipal Government Office, the head of the credit division of Guangdong Branch of Bank of China (中國銀行廣州市分行), deputy manager of investment department of Guangxin Industry Development Co., Ltd. (廣新實業發展公司), department manager, assistant to the general manager and deputy general manager of Guangzhou Development Investment and Consultation Company (廣州發展投資諮詢公司), deputy manager of finance department of Guangzhou Development Group Co., Ltd. (廣州發展集團有限公司), deputy manager and manager of treasury department, general manager of finance department, chief financial officer, deputy chief executive and chief financial officer of Guangzhou Development Enterprises Holdings Group Co., Ltd. (廣州發展實業控股集團股份有限公司) vice president of Guangzhou Development Group Incorporated (廣州發展集團股份有限公司), deputy general manager of Guangzhou Development Group Co., Ltd. (廣州發展集團有限公司), director and deputy chief executive of Guangzhou Development Group Incorporated, chairman of Guangzhou Development Group Finance Co., Ltd. (廣州發展集團財務有限公司), a member of the Party Committee and deputy general manager of Guangzhou General Merchandise Group Co., Ltd. (廣州百貨企業集團有限公司).

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Zuo Liang (左梁), male, born in October 1979, Han nationality, from Hengyang, Hunan Province, member of the Communist Party of China, graduated from Sun Yat-sen University with a master's degree in Business Administration and obtained the qualification of economist. He currently serves as the secretary of the Party Committee and chairman of Guangzhou Gongkong Capital Management Co., Ltd. (廣州工控資本管理有限公司), chairman of Guangzhou Huiyin Huiji Investment Fund Management Co., Ltd. (廣州滙垠滙吉投資基金管理有限公司), chairman of Guangzhou Wanbao Changrui Investment Co., Ltd. (廣州萬寶長睿投資有限公司), director of Guangzhou Tieke Intelligent Control Co., Ltd. (廣州鐵科智控有限公司), and director of Beijing Dinghan Technology Group Co., Ltd. (北京鼎漢技術集團股份有限公司). He served as a staff of Shenzhen branch of Ming An Insurance Company (Hong Kong) Limited (香港民安保險公司深圳分公司), a staff member of the Guangzhou Finance Bureau, a staff member, senior staff member and deputy director of Guangzhou SASAC, the chief strategy officer of Guangzhou Industrial Investment Fund Management Co., Ltd. (廣州產業投資基金管理有限公司).

Mr. Zhang Junzhou (張軍洲), male, born in August 1962, Han nationality, member of the Communist Party of China, from Pingdingshan, Henan province. Mr. Zhang obtained a doctoral degree of Economics and is a senior economist. Mr. Zhang currently serves as the executive director and vice president of Guangdong Zhujiang Investment Co., Ltd. (廣東珠江投資股份有限公司), and also the chairman of the board of Zhujiang Life Insurance Co., Ltd. (珠江人壽保險股份有限公司). He served as assistant to the general manager, director and acting general manager of Hainan International Leasing Co., Ltd. (海南國際租賃有限公司), assistant to the general manager of the Trust and Investment Company of Agricultural Bank of China (中國農業銀行信託投資公司), deputy general manager of China Great Wall Trust and Investment Company (中國長城信託投資公司), deputy general manager of Laws and Regulations Department, general manager of Legal Affairs Department, general manager of Fund Custody Department and general manager of Custody Business Department of Agricultural Bank of China, deputy secretary (in charge of the work), secretary of the Party Committee, president of the Guangxi Branch of Agricultural Bank of China (中國農業銀行廣西區分行), secretary of the Party Committee and president of the Sichuan Branch of Agricultural Bank of China (中國農業銀行四川省分行), general manager of the Corporation and Investment Banking Business Department and Corporation Business Department of Agricultural Bank of China, president of Guangdong Zhujiang Financial Investment Co., Ltd. (廣東珠江金融投資有限公司).

Mr. Zhuang Yuemin (莊粵珉), male, born in November 1971, Han nationality, graduated from Wuhan University with a master's degree in economics, an intermediate economist. He currently serves as chairman of AEON Insurance Asset Management Co., Ltd. (百年保險資產管理有限責任公司), and vice president of AEON Life Insurance Co., Ltd. (百年人壽保險股份有限公司) and non-executive director of Fosun International Limited (復星國際有限公司). He served as head of business unit of Shenzhen branch of China Securities Co., Ltd. (華夏證券股份有限公司), general manager of business unit of Weishen Securities Co., Ltd. (蔚深證券有限責任公司), deputy general manager of brokerage business management headquarter of China Southern Securities Co., Ltd. (南方證券有限公司), general manager of south china business headquarter of Xiangcai Securities Co., Ltd. (湘財證券有限責任公司), general manager of asset management headquarter of Huaxi Securities Co., Ltd. (華西證券有限責任公司), vice president of Goldstate Securities Co., Ltd. (金元證券股份有限公司), deputy general manager of Minsheng Tonghui Asset Management Co., Ltd. (民生通惠資產管理有限公司).

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Feng Yaoliang (馮耀良), male, born in May 1961, Han nationality, from Shunde, Guangdong Province. Mr. Feng currently serves as chairman of Guangzhou Huaxin Enterprise Group Co., Ltd. (廣州華新企業集團有限公司), and chairman of Guangdong Cold Chain Association, chairman of Guangdong Federation of Social Organizations, vice chairman of Guangzhou Federation of Industry and Commerce, chairman of Guangzhou Logistics & Supply Chain Association, chairman of Guangzhou City Haizhu District Federation of Industry and Commerce, vice chairman of the Haizhu District of Guangzhou Committee of the Chinese People's Political Consultative Conference, vice chairman of Guangzhou Private Enterprise Association, Director of Jiangmen Rural Commercial Bank Co., Ltd., supervisor of Guangdong-Hong Kong-Macao Greater Bay Area Industry Finance Investment Company Limited (粵港澳大灣區產融投資有限公司).

Mr. Lai Zhiguang (賴志光), male, born in July 1985, Han nationality, from Guangzhou, Guangdong province. Mr. Lai is currently the president of Guangdong Dongsheng Industrial Group Co., Ltd. (廣東東升實業集團有限公司), president of Guangzhou Dongsheng Investment Co., Ltd. (廣州市東升投資有限公司), supervisor of Jizhou Zhujiang County Bank Co., Ltd. (吉州珠江村鎮銀行股份有限公司), member of the All-China Youth Federation, member of the standing committee of Guangdong Youth Federation, executive member of Guangdong Federation of Industry & Commerce, deputy to the People's Congress of Yuexiu District of Guangzhou, vice president of China Sandstone Association, President of Guangdong Provincial Sandstone Association, and chief supervisor of Guangdong Ecological Restoration Association President, vice standing president of Guangdong Federation of Young Entrepreneurs, vice president of Guangdong Young Entrepreneurs' Association. Mr. Lai served as the sales manager of Taisheng Mining Co., Ltd. (泰盛礦業有限公司) in Xinhui District, Jiangmen City, a supervisor of Heshan Zhujiang County Bank Co., Ltd. (鶴山珠江村鎮銀行股份有限公司);

Mr. Liao Wenyi (廖文義), male, born in November 1962, Han nationality, member of the Communist Party of China, graduated from Southwestern University of Finance and Economics with a master's degree in economics and received postgraduate education. Mr. Liao is an associate professor. He currently serves as the independent director of Guilin Bank (桂林銀行), external director of Guangdong Hengjian Investment Holding Co., Ltd. (廣東恒健投資控股有限公司), independent director of Guanhao Biotechnology Co., Ltd. (冠昊生物科技股份有限公司), and independent director of Daye Trust Co., Ltd. He served as an assistant lecturer in the department of finance of Hunan College of Finance and Economics (currently known as Hunan University), as lecturer of the department of finance, section chief, deputy director, director of scientific research department, associate professor, a member of the Party Committee and vice president of Guangzhou College of Finance (currently known as Guangdong University of Finance), office director of the People's Bank of China Guangdong Branch (中國人民銀行廣東省分行辦公室主任), member of the CPC Committee and deputy director of the business management department of People's Bank of China Guangzhou branch (中國人民銀行廣州分行), deputy secretary of the Party Committee and vice president of Dong Guan central branch of People's Bank of China (中國人民銀行東莞市中心支行), secretary of the Party Committee, president and director of SAFE branch of People's Bank of China Yangjiang central branch (中國人民銀行陽江市中心支行), the head of Preparatory Work Team for Yangjiang Regulatory Branch of CBIRC, director of city bank supervision department of Guangdong banking regulatory branch of CBIRC, the CPC committee member and deputy director of Guangxi banking regulatory branch of CBIRC, an employee, director and vice president of Guangdong Nanyue Bank (廣東南粵銀行), executive director of the Research Institute of Shenzhen Qianhai Dashu Financial Services Co., Ltd. (深圳前海大數金融服務有限公司研究院), independent director of Guangdong Heshan Rural Commercial Bank Co., Ltd. (廣東鶴山農村商業銀行股份有限公司) and Guizhou Tianhong Mining Co., Ltd. (貴州天弘礦業股份有限公司), consultant of Credit Life (Guangzhou) Intelligent Technology Co., Ltd. (信用生活(廣州)智能科技有限公司).

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Mr. Du Jinmin (杜金岷), male, born in July 1963 in Yibin, Sichuan, Han nationality, member of the Communist Party of China, graduated from Nanjing Agricultural University with a doctoral degree. He is currently a professor (Grade II) of Jinan University and a doctoral supervisor, executive director of management committee of Jinan University Shenzhen Campus, director of research base of Guangzhou Nansha Pilot Free Trade Zone (Guangzhou key research base of Humanities and Social Sciences), and independent director of Gifore Agricultural Science & Technology Service Co., Ltd. and Shenzhen Langchi Xinchuang Science & Technology Co., Ltd. member of Guangdong Philosophy and Social Sciences expert base, vice president of Guangdong South China Economic Development Research Association, managing director of Guangdong Economic Society and an executive of Guangdong Finance Society, a member of the external expert database of Guangdong Provincial Development and Reform Commission, an anonymous reviewer of National Natural Science Foundation of China, National Social Science Fund Project and provincial fund projects, and an anonymous reviewer of several journals and academic journals. He served as teaching officer of monetary banking, School of Economics and Management, Nanjing Agricultural University, deputy director of the department of finance, and a supervisor of master's degree, the teaching officer of monetary banking, department of finance of economics school, deputy director and secretary of the general Party branch of the department of finance, deputy secretary and secretary of the Party Committee and vice president of the school of economics of Jinan University, an independent director of Guangzhou International Group Co., Ltd. (廣州國際集團有限公司), Golden Eagle Fund Management Co., Ltd. (金鷹基金管理有限公司), Guangzhou Construction Co., Ltd. (廣州建築股份有限公司), Jinfa Labi Maternity & Baby Articles Co., Ltd. (金髮拉比婦嬰童用品股份有限公司), Shenzhen Jianyi Decoration Group Co., Ltd. (深圳建藝裝飾集團股份有限公司), Jevoni Clothing Co., Ltd. (傑凡尼服裝股份有限公司), director of the Social Science Research Department of Jinan University, director of the development planning department of Jinan University.

Mr. Tan Jinsong (譚勁松), male, born in January 1965 in Longhui, Hunan Province, is a member of the Communist Party of China, PhD, graduated from the Accounting Department of Renmin University of China. He is currently a professor of School of Management of Sun Yat-sen University, and is currently an independent director of Shanghai RAAS Blood Products Co., Ltd. (SZ) (上海萊士血液製品股份有限公司), COSCO Shipping Specialized Carriers Co., Ltd. (SH) (中遠海運特種運輸股份有限公司), Midea Real Estate Holding Limited (HK) (美的置業控股有限公司). He served as an independent director of Guangzhou Hengyun Enterprises Holdings Ltd. (廣州恒運企業集團股份有限公司), Poly Real Estate Group Co., Ltd. (保利房地產(集團)股份有限公司), China Southern Airlines Co., Ltd. (SH) (中國南方航空股份有限公司) and Welling Holding Limited (威靈控股有限公司).

Mr. Zhang Hua (張華), male, born in March 1965, Han nationality, graduated from Jiangxi University of Finance and Economics with a master's degree in economics. Mr. Zhang is an economist. He is currently the general manager of Shanghai Erluo Investment Management Service Center (General Partnership), and concurrently serves as an independent director of Zhuhai Taichuanyun Community Technology Co., Ltd. (珠海太川雲社區技術股份), Guangdong Expressway Development Co., Ltd. (廣東高速公路發展股份有限公司), and Guangzhou KingTeller Technology Co., Ltd. (廣州禦銀科技股份有限公司). He served as the deputy director of Guangdong branch of China Development Bank (國家開發銀行廣東省分行), an analyst of Guangdong Golden Finger Investment Consulting Co., Ltd. (廣東金手指投資顧問有限公司), director and deputy manager of investment banking department of Guangzhou Baoxin Holding Group Co., Ltd. (廣州市寶鑫控股集團有限公司), assistant to president of Junhua Group Co., Ltd. (君華集團有限公司), deputy general manager of Guangzhou Yingzhi Caihua Investment Co., Ltd. (廣州市英智財華投資有限公司), deputy general

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manager of Guangzhou Driver Investment Co., Ltd. (廣州德瑞投資有限責任公司), deputy general manager of Shenzhen Dongying Ruitong Investment Management Partnership (Limited Partnership), an independent director of Guangzhou KingTeller Technology Co., Ltd. (廣州御銀科技股份有限公司) and Guangdong Electronic Power Development Co., Ltd. (廣東電力發展股份有限公司).

Mr. Ma Hok Ming (馬學銘), male, Han nationality, born in June 1975, has a bachelor's degree in accounting from the Hong Kong Polytechnic University, a member of the Hong Kong Institute of Certified Public Accountants. He is currently the managing director and head of Investment Banking Division of ABCI Capital Limited (農銀國際融資有限公司). He served as an assistant senior auditor of Deloitte Touche Tohmatsu (德勤•關黃陳方會計師事務所), assistant manager of corporate finance department of South China Capital Limited (南華融資有限公司), assistant manager of investment banking department of Core Pacific – Yamaichi Capital Limited (京華山一融資有限公司), senior manager of corporate financing department of KE Capital (Hong Kong) Limited (金英企業融資(香港)有限公司), chief financial officer of Sungreen International Holdings Limited (綠陽國際控股有限公司), assistant director of corporate financing department of the KE Capital (Hong Kong) Limited (金英企業融資(香港)有限公司), audit manager of Deloitte & Touche LLP, senior vice president of investment banking department of ICEA Capital Limited (工銀東亞融資有限公司), an executive director of investment bank of ICBC International Capital Limited (工銀國際融資有限公司投資銀行), managing director and joint director of investment banking business of ABCI Capital Limited (農銀國際融資有限公司) assistant president of Zhuguang Holdings Group Company Limited (珠光控股集團有限公司).

Wang Xigui (王喜桂), female, born in August 1966. She graduated from Finance from Zhongnan University of Economics and Law (previously Zhongnan University of Economics) and obtained a bachelor's degree in economics and the qualification of accountant. She now serves as chairman of the Board of Supervisors and employee supervisor of the Board of Supervisors of Guangzhou Rural Commercial Bank. She once served as teacher of Hubei School of Finance of Zhongnan University of Finance and Economics, clerk of the finance division of the freight insurance department, vice section chief, section chief and assistant to chief director of the accounting division of the Guangzhou Branch of PICC, deputy general manager of the finance department, deputy general manager (responsible for the operations) and general manager of the information technology department/channel management department (now known as the information technology department/sales management department) of Guangzhou Branch of PICC Property and Casualty Company Limited, researcher of the accounting department and the general office of the Bureau of Finance of Guangzhou, and chairman of the board of supervisors of Guangzhou City Construction Investment Group and Guangzhou Water Investment Group assigned by Guangzhou SASAC.

He Heng (賀珩), female, born in April 1970. She graduated from Hunan University (previously known as Hunan Finance and Economics School) and obtained a master's degree in economics and the qualification of economist. She now serves as employee supervisor, general manager of office of Board of Supervisors, and she is temporarily responsible for the work of Commission for Discipline Inspection (Inspection Office). She once served as deputy director of teaching and research section, Secretary of Youth League general branch of Xiangtan University, staff member and deputy principal staff member of operation supervision division of PBOC Guangzhou Branch, deputy principal staff member and principal staff member of foreign bank and other financial institutions supervision department of PBOC Guangzhou Branch, principal staff member, assistant consultant and deputy chief of policy and regulation section, deputy chief and deputy chief (responsible for the overall works) of business innovation supervision and cooperation section of CBRC

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Guangdong Office, deputy general manager of risk management department and credit management department (secondment position) of Guangdong Branch of Industrial and Commercial Bank of China, assistant to president of Zhujiang Financial Leasing Co., Ltd., deputy general manager (in charge) and general manager of performance management department and chief senior manager of investment and institution management department of Guangzhou Rural Commercial Bank, general manager of rural financial restructuring office of Guangzhou Rural Commercial Bank and chairman of board of supervisors of Zhujiang Financial Leasing Co., Ltd..

Lai Jiaxiong (賴嘉雄), male, born in October 1975, and has a bachelor's degree. He graduated from Guangdong College of Commerce and obtained a master's degree in laws. He now serves as employee supervisor and general manager of the Compliance and Legal Department (Anti-money Laundering Center) of Guangzhou Rural Commercial Bank. He concurrently serves as an expert of the expert pool of Chinese Banking Association, executive director of the Civil and Commercial Law Research Society of Guangdong Law Society, president of the Company Law Research Society of Guangzhou Law Society and a member of the Master Research and Defense Committee of South China Agricultural University. He once served as clerk of the planning and credit department, section-level member of the loan approval committee and deputy general manager of the loan approval department of Guangzhou Rural Credit Cooperative Union, deputy director of Huangpu Credit Cooperative Union (黃埔信用社), deputy general manager of credit approval department of head office of Guangzhou Rural Commercial Bank, chairman of Huixian Zhujiang Rural Bank, chief senior manager of the rural banking division (institutional development department), chief senior manager of the risk management department, general manager of the credit management center and deputy general manager of the compliance and risk management department and deputy general manager of the compliance and legal affairs center of Guangzhou Rural Commercial Bank, employee supervisor and general manager of the Compliance and Legal Affairs Department (Anti-money Laundering Center, Consumer Rights Protection Center) of Guangzhou Rural Commercial Bank.

Mr. Zhang Gang (張綱), male, born in December 1970. He was graduated from South China University of Technology and obtained a master's degree in engineering. He is an accountant and certified public accountant. He now serves as a shareholder supervisor of Guangzhou Rural Commercial Bank, the chief accountant of Guangzhou Zhujiang Industrial Group Co., Ltd. (廣州珠江實業集團有限公司), the director of Qingyuan Guangzhou Houhuayuan Co., Ltd. (清遠市廣州後花園有限公司) and the chairman of Zhongxing Investment (Swiss) Limited (瑞士中星投資有限公司). He once served as auditor of the Hubei Audit Office, auditor of Guangzhou Iron and Steel Group Co., Ltd. (廣州鋼鐵集團有限公司), deputy manager of the finance department of Guangzhou Zhujiang Industrial Development Co., Ltd. (珠江實業開發股份有限公司), deputy financial director of Guangdong Putai Communication Equipment Co., Ltd. (廣東普泰通信設備有限公司), the chief financial officer of Guangzhou Gaoke Communication Equipment Co., Ltd. (廣州市高科通信設備有限公司), Guangzhou Pingtong Logistics Service Co., Ltd (廣州市平通物流服務有限公司), deputy general manager of the audit department of Guangzhou Zhujiang Industrial Group Co., Ltd., the general manager of the supervision and examination department of Guangzhou Zhujiang Industrial Group Co., Ltd., the general manager of the finance department of Guangzhou Zhujiang Industrial Group Co., Ltd., deputy chief accountant of Guangzhou Zhujiang Industrial Group Co., Ltd., a director of Guangzhou Pearl River Industrial Development Co.Ltd.(廣州珠江實業開發股份有限公司)and the chairman of Guangzhou Zhushi Investment Fund Management Co., Ltd. (廣州珠實投資基金管理有限公司).

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Mr. Liang Bingtian (梁炳添), male, born in August 1973. He was graduated from China Central Radio and TV University with a bachelor degree in management. He now serves as a shareholder supervisor of Guangzhou Rural Commercial Bank, the deputy secretary of the Party branch and a director of Guangzhou Longdong Longhui Industrial Co., Ltd. (廣州市龍洞龍匯實業有限公司). He served in Unit 53311 and 53320. He worked at Longdong Economic Development Company, Tianhe District, Guangzhou City (廣州市天河區龍洞經濟發展公司); he once served as a member of the Party branch of Guangzhou Longdong Longhui Industrial Co., Ltd.; the deputy secretary of the Party branch and a director of Guangzhou Longdong Longhui Industrial Co., Ltd.

Mr. Feng Jintang (馮錦棠), male, born in November 1961. He holds an MBA degree in MBA from the City University of Macau. He now serves as a shareholder supervisor of Guangzhou Rural Commercial Bank, the director and general manager of Foshan Dongjian Group Co., Ltd. (佛山市東建集團有限公司). He is also a shareholder supervisor of Foshan Rural Commercial Bank (佛山農村商業銀行股份有限公司). He worked in Foshan Medical Device Factory (佛山市醫療器械廠), he once served as the plant director of Foshan Aesthetic Comprehensive Furniture Factory (佛山市審美綜合傢俱廠), the plant director of Foshan Dongjian Aesthetic Furniture Factory (佛山市東建審美傢俱廠), deputy section chief and section chief of Foshan Dongjian Co., Ltd. (佛山市東建集團公司), assistant to the general manager of Foshan Dongjian Group Company, deputy general manager of Foshan Dongjian Co., Ltd., director and deputy general manager of Foshan Dongjian Group Co., Ltd., director and executive deputy general manager of Foshan Dongjian Group Co., Ltd.

Mr. Zhan Liyuan (詹禮願), male, born in July 1967. He was graduated from Wuhan University with a doctoral degree in International Law, and is a first-class lawyer. He is currently the external supervisor of Guangzhou Rural Commercial Bank. He is currently the director and the Party branch secretary of Guangdong Bohou Law Firm (廣東博厚律師事務所), he is also the managing director of China Society of Private International Law, arbitrator of China International Economic and Trade Arbitration Commission, arbitrator of Shenzhen Court of International Arbitration, arbitrator of Guangzhou Arbitration Commission, managing director of Guangdong Lawyers Association, managing director of Guangzhou Real Estate Trade Association, managing director of Guangdong Province Law Society, vice president of International Law Research Association of Guangdong Law Society, vice president of Guangzhou Yuexiu Law Society, legal adviser of People's Government of Guangdong province, part-time legal adviser of Guangzhou Municipal People's Government, managing chairman of Guangzhou Neutral Legal Service and head of Guangzhou Consumer Rights Protection Lawyers Group. He once served as Deputy Minister of Foreign Affairs of Guangzhou Law Firm (廣州市律師事務所), and deputy director and director of Guangdong Jinqiao Baixin Law Firm (廣東金橋百信律師事務所). He used to be a special lawyer of "Legal Advisory Group for Overseas Chinese Enterprises" of the Overseas Chinese Affairs Office of the State Council, an expert in legislative consultation and judicial supervision of the Standing Committee of Guangdong Provincial People's Congress, the head of the lawyer service group of overseas Chinese enterprises in Guangdong Province, and the vice president of the 9th Guangzhou Lawyers Association.

Mr. Han Zhenping (韓振平), male, born in January 1973. He was graduated from Sun Yat-sen University with a master's degree in management. He is certified public accountant and asset appraiser. He is currently the external supervisor of Guangzhou Rural Commercial Bank, a senior partner and director of Guangdong Branch of Mazars CPA Limited (Limited Liability Partnership (中審眾環會計師事務所特殊普通合夥)), an external director of Guangdong GW Holding Group Co., Ltd. (廣東省廣物控股集團有限公司), an external director of Guangzhou Public Transport Group Co., Ltd. (廣州市公共交通集團有限公司), an

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independent director of Guangzhou Pearl River Beer Co., Ltd. (廣州珠江啤酒股份有限公司), an independent director of China Southern Power Grid Co., Ltd. (南方電網綜合能源股份有限公司), and the vice president of Guangdong Bankruptcy Administrators Association. He once served as the financial manager of Heilongjiang Jiamusi Fumin Agricultural Production Material Co., Ltd. (黑龍江省佳木斯富民農業生產資料有限公司), the project manager of Beijing Tianhua Certified Public Accountants (北京天華會計師事務所), senior manager, deputy chief accountant and director of Guangdong Branch of Mazars CPA Limited (Limited Liability Partnership) (中審會計師事務所), a partner and director of Guangdong Branch of China Audit Asia Pacific Certified Public Accountants LLP (Limited Liability Partnership) (中審亞太會計師事務所特殊普通合夥)), senior Partner and Director of Guangdong Branch of Mazars CPA Limited (Limited Liability Partnership) (中審眾環會計師事務所特殊普通合夥)), he also served as an independent director of Guangdong HuaSheng Electrical Appliances Co., Ltd. (廣東華聲電器股份有限公司), an independent director of Guangdong Jingyi Metal Co., Ltd. (廣東精藝金屬股份有限公司), an independent director of Guangdong Real-Design Intelligence Technology Co., Ltd. (廣東瑞德智能科技股份有限公司).

Mr. Shi Shuiping (石水平), male, born in May 1975. He graduated from Sun Yat-sen University with a doctoral degree in accounting, and is an international Certified Anti-Fraud Professional. He is currently the external supervisor of Guangzhou Rural Commercial Bank. He is currently an associate professor and master supervisor in the Department of Accounting, School of Management, Jinan University, a senior member of Accounting Society of China, a senior member of China Auditing Society, a director of Guangdong Auditing Society, and an expert member of Guangdong Enterprise Institute for Internal Controls. He is also an independent director of Shenzhen Xintian Technology Co., Ltd. (深圳市欣天科技股份有限公司), Yingfeng Environmental Technology Group Co., Ltd. (盈峰環境科技集團股份有限公司), Guangdong Dinggu Jichuang Households Co., Ltd. (廣東頂固集創家居股份有限公司), independent director of Chongqing VDL Electronics Co., Ltd. (重慶市紫建電子有限公司), independent director of Guangdong Sihui Rural Commercial Bank Co., Ltd. (廣東四會農村商業銀行股份有限公司). He once served as a lecturer in the accounting department, Management School of Jinan University and has been an associate professor in the accounting department, Management School of Jinan University, and concurrently served as independent director of Guangdong Yuanshang Logistics Co., Ltd. (廣東原尚物流股份有限公司).

Zhao Wei (趙偉), male, born in September 1964. He graduated from Jinan University and obtained a master's degree in management and the qualification of intermediate accountant. He now serves as the Chief of the Discipline Inspection Team of the Commission for Discipline Inspection and the National Supervision Commission of Guangzhou stationed in Guangzhou Rural Commercial Bank. He once served as a key officer and director of the quality office (at department level) of the finance department of Guizhou Rubber Parts Factory (貴州橡膠配件廠); key accountant and chief of finance department of Shunde Zhujiang Packaging Company in Guangdong Province (廣東省順德珠江包裝公司); cadre, principal staff member and deputy director (responsible of the operations) of the audit office of foreign capital administration in the Guangzhou Resident Office of the Audit Commission; deputy director (responsible of the operations) of the first division of the financial audit department in the Guangzhou Resident Office of the Audit Commission; director of Fixed Assets Investment Audit Office, director of Social Security Audit Office and director of Foreign Funds Utilization Audit Office; dispatched chairman of the board of supervisors of Guangzhou state-owned enterprises, namely Guangzhou Pharmaceutical Holdings Limited (廣州醫藥集團有限公司) and Guangzhou Public Transportation Group (廣州市公共交通集團有限公司); dispatched chairman of the board of supervisors of Guangzhou Flagship Development Group Co., Ltd. (a Guangzhou state-owned enterprise), and chairman of the board of supervisors and secretary of Commission for Discipline Inspection of Flagship Development Group.

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Chen Jianming (陳健明), male, born in November 1961. He graduated from the Open University of China (formerly China Central Radio and TV University) and obtained a master's degree in executive business administration from Sun Yat-sen University and the qualification of economist. He now serves as Vice President of Guangzhou Rural Commercial Bank, he also served as general law adviser. He once served as deputy sector chief and sector chief of PBOC Panyu Sub-branch; chief (secondment position) of Panyu Urban Credit Union; vice president of PBOC Panyu Sub-branch and vice president of SAFE Panyu Sub-branch; deputy director of Guangzhou Panyu Rural Credit Cooperative; director of Guangzhou Panyu Rural Credit Cooperative; assistant to director of Guangzhou Rural Credit Cooperative Union and secretary of the Party Committee and director of Panyu Credit Cooperative; assistant to director of Guangzhou Rural Credit Cooperative Union and secretary of the Party Committee of Panyu Credit Cooperative; member of the Party Committee and deputy director of Guangzhou Rural Credit Cooperative Union.

Lin Ripeng (林日鵬), male, born in January 1970. He graduated from Guangdong Academy of Social Sciences, and obtained a master's degree in advanced business administration from the Management School of Sun Yat-sen University and the qualification of political engineer and human resources professional. He now serves as Vice President of Guangzhou Rural Commercial Bank. He once served as staff member of Shijing Credit Cooperative of Guangzhou Rural Credit Cooperative Union, assistant to section chief and deputy section chief of personnel and political engineering section of Guangzhou Baiyun Sub-branch of Agricultural Bank of China, deputy manager and manager of personnel department of Baiyun Credit Cooperative of Guangzhou Rural Credit Cooperative Union, deputy general manager and general manager of personnel and education department (human resources department) of Guangzhou Rural Credit Cooperative Union cum deputy secretary of commission for discipline inspection and director of supervision office of Guangzhou Rural Credit Cooperative Union, general manager of human resources department, office general manager and general manager of property management center of Guangzhou Rural Commercial Bank, president of Henan Xinyang Zhujiang Rural Bank, and chairman of board of supervisors of Bank of Guangzhou.

Li Yaguang (李亞光), male, born in November 1967, graduated from Sun Yat-sen University, and obtained a master's degree in science. He is a computer engineer and senior economist. He is proposed to be Vice President of Guangzhou Rural Commercial Bank. He once served as a technician of Nanjing Jinshan Electrical Corporation (南京金山電氣公司), deputy section chief, section chief, responsible person and deputy director of science and technology department of Guangzhou Urban Credit Cooperative Union (廣州城市信用合作社), section chief, deputy general manager of science and system management department, general manager of the card department, general manager of personal banking department, section chief of Development Zone Sub-branch and general manager of science and technology research and development department of Guangzhou Commercial Bank (廣州市商業銀行), Party Committee member, assistant to section chief and vice president of Guangzhou Bank.

Tan Bo (譚波), male, born in May 1974. He graduated from Zhongnan University of Economics and Law, and obtained a doctoral degree in economics and the qualification of senior economist. He now serves as the assistant to the President and the secretary of the Board of Directors of Guangzhou Rural Commercial Bank. He once served as a staff member of financial institutions supervision department of PBOC Yangjiang City Branch; member of the Party Leadership Group and vice president of PBOC Yangdong County Branch; deputy director of preparatory division office, chief of supervisory section 1, deputy director of office, deputy director of the party committee office (in charge of overall works), director of office, director of the

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Party Committee Office and head (director) of personnel department (organization division) of Yangjiang sub-division of CBRC (陽江銀監分局); member of the Party committee and deputy head of Meizhou sub-division of CBRC (梅州銀監分局); member of the Party committee and secretary of Commission for Discipline Inspection of Zhaoqing sub-division of CBRC (肇慶銀監分局); member of the Party Committee and deputy head of Yangjiang sub-division of CBRC (陽江銀監分局); secretary of the Party committee and head of Yunfu sub-division of CBRC (雲浮銀監分局); leading post cadre of divisions, secretary of the Party Committee and head of Yunfu sub-division of CBRC (雲浮銀監分局) and secretary of the Party Committee and head of Jiangmen sub-division of CBRC (江門銀監分局).

Chen Linjun (陳林君), female, born in November 1972. She graduated from the Open University of China (formerly China Central Radio and TV University) and obtained the qualification of assistant economist. She now serves as business director of Guangzhou Rural Commercial Bank, and she also serves as the general manager of finance and technology department of Guangzhou Rural Commercial Bank. She once served as system administrator of computer management department and deputy section chief (responsible for the operations) of accounting department of Huangpu Sub-branch of Guangzhou Branch of China Construction Bank Corporation; assistant to general manager of business operations center of Guangdong Branch of China Construction Bank Corporation; assistant to general manager of personal banking department and general manager of e-banking center of Guangdong Branch of China Construction Bank Corporation; deputy general manager (responsible for the operations) of accounting management department of Guangzhou Rural Credit Cooperative Union; general manager of Operational Management Department of Guangzhou Rural Commercial Bank, general manager of E-banking Department and general manager of Operation management Department, person-in-charge of E-commerce and Process Bank Project Team, president of Retail Financial Business Group and general manager of Retail Financial Business Management Department of Guangzhou Rural Commercial Bank.

Yang Xuan (楊璇), female, born in December 1976. She graduated from Shanghai University of Finance and Economics and obtained a master's degree in business administration, a master's degree in law in Jinan University and the qualification of economist. She now serves as business director of Guangzhou Rural Commercial Bank and president of Financial Business Department. She once served as credit staff of credit planning department, deputy manager of legal office, deputy manager of asset security department and manager of marketing department of operation center of Guangzhou Tianhe Rural Credit Cooperative Union; deputy general manager of corporate business department and general manager of compliance and risk department of Guangzhou Rural Credit Cooperative Union; general manager of Corporate Financial Department, general manager of International Business Department of Guangzhou Rural Commercial Bank and general manager of Corporate Financial Department of the Bank, deputy general manager of Guangzhou Region Business Management Department, vice president and executive president of Corporate Financial Management Department and general manager of Guangzhou Region Business Management Department, president of Free Trade Zone Nansha Branch of Guangzhou Rural Commercial Bank, chairman of board of supervisors of Zhujiang Financial Leasing Co., Ltd. and president of Sun Financial Business Department.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

V. SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Bank has adopted a code of conduct regarding securities transactions by the directors, supervisors and relevant employees no less exacting than the required standards as set out in the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 to the Listing Rules. Having made specific enquiries with all directors and supervisors, all directors and supervisors of the Bank confirmed that they have complied with the aforesaid code throughout the six months from 1 January 2021 to 30 June 2021.

VI. INTERESTS AND SHORT POSITIONS OF DIRECTORS, CHIEF EXECUTIVES AND SUPERVISORS IN THE BANK

As of the Latest Practicable Date, based on the information available to the Bank and as far as the directors are aware, the interests and short positions of the directors, chief executives and supervisors of the Bank in the shares, underlying shares or debentures of the Bank or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Bank and the Hong Kong Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including the interests or short positions which he/she was deemed or taken to have under such provisions of the SFO), or as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Bank and the Hong Kong Stock Exchange pursuant to the Model Code were as follows:

Directors', chief executives' and supervisors' interests in the Bank							
Name	Capacity	Nature of Interest	Class of shares	Long/ Short position	Number of shares held directly or indirectly (Share)	Approximate percentage of interests in the Bank	Approximate percentage of the relevant class of shares of the Bank
Yi Xuefei	Director	Beneficial owner	Non-overseas listed shares	Long	500,000	0.005%	0.006%
Feng Yaoliang	Director	Interest of a controlled corporation ⁽¹⁾	Non-overseas listed shares	Long	100,010,000	1.019%	1.252%
Lai Zhiguang	Director	Interest of a controlled corporation ⁽²⁾	Non-overseas listed shares	Long	62,500,000	0.637%	0.782%
Liao Wenyi	Director	Beneficial owner	Non-overseas listed shares	Long	1,103,000	0.011%	0.013%
Lai Jiaxiong	Supervisor	Beneficial owner	Non-overseas listed shares	Long	452,224	0.005%	0.006%

Notes:

- (1) These shares were held by Guangzhou Huaxin Group Co., Ltd., which was owned as to 99.31% by Feng Yaoliang. Therefore, by virtue of the SFO, Feng Yaoliang, a director of the Bank, is deemed or taken to be interested in all the shares held by Guangzhou Huaxin Group Co., Ltd..

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

- (2) These shares were held by Guangzhou Dongsheng Investment Co., Ltd., which was owned as to 100% by Guangdong Dongsheng Industrial Group Co., Ltd., and Lai Zhiguang owned 80% of the shares of Guangdong Dongsheng Industrial Group Co., Ltd.. Therefore, by virtue of the SFO, Lai Zhiguang, a director of the Bank, is deemed or taken to be interested in all the shares held by Guangzhou Dongsheng Investment Co., Ltd..

Directors', chief executives' and supervisors' interests in the Bank's associated corporations					
Name	Capacity	Name of associated corporation	Nature of Interest	Number of shares held (Share)	Approximate percentage in the issued Shares in the associated corporation
Lai Zhiguang	Director	Dalian Bonded Area Zhujiang County Bank Co., Ltd.	Interest in a controlled corporation	10,000,000	10.0%

Save as disclosed above, none of the directors, chief executives and supervisors of the Bank had any interests or short positions in any shares, underlying shares and debentures of the Bank or its associated corporations (within the meaning of Part XV of the SFO) which were recorded in the register required to be kept by the Bank pursuant to Section 352 of the SFO, or otherwise have to be notified to the Bank and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules.

CORPORATE GOVERNANCE

I. Overview of Corporate Governance

During the Reporting Period, the Bank continued to refine its corporate governance mechanism and improve its corporate governance in strict compliance with laws and regulations such as the Company Law of the People's Republic of China, the Commercial Banking Law of the People's Republic of China as well as the Listing Rules and in line with actual conditions of the Bank.

During the Reporting Period, except for deviation from code provision A.5.1, the Bank has observed and complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. Meanwhile, the Bank has complied with most of the recommended best practices set out in the aforementioned code.

II. Duties of the general meeting

Pursuant to the Articles of Association, the general meeting shall be an organ of power of the Bank and shall exercise the following powers in accordance with the law: to decide on business policies and investment plans of the Bank; to elect and replace non-employee directors and supervisors and decide the remuneration of relevant directors and supervisors; to examine and approve reports prepared by the Board of Directors; to examine and approve reports prepared by the Board of Supervisors; to examine and approve annual budgets, final accounts, balance sheet, profit and loss and other financial reports; to examine and approve profit distribution plans and plans for making up for losses of the Bank; to adopt resolutions concerning the increase and reduction of the registered capital of the Bank; to adopt resolutions on the issuance of bonds and other securities of the Bank and the listing thereof; to adopt resolutions on the merger, division, dissolution, liquidation and change of the form of the Bank; to amend the Articles of Association; to resolve the appointment, removal and non-reappointment of accounting firm of the Bank; to examine and approve issues of fixed asset investment, external guarantees, external investments, acquisition and disposal of assets, asset mortgage, entrusting other bodies to manage capital or other assets of the Bank as required by the laws, regulations, regulatory provisions, the Article of Association of the Bank and other internal regulations to be approved by a general meeting; to examine and approve any proposals submitted by any shareholder who individually or jointly hold more than 3% of the total voting rights shares of the Bank(including holders of preference shares with their voting rights restored); to decide on the issuance of preference shares or authorize the Board of Directors to decide any matters in relation to the preference shares issued by the Bank; to examine and approve any other matters required by the laws, administrative regulations, regulatory provisions and the Articles of Association to be approved by a general meeting.

III. Convening of the General Meeting

During the Reporting Period, the Bank convened a total of two general meetings.

(I) 2021 First EGM

On 23 February 2021, the Bank convened the 2021 first EGM, considering and approving two resolutions. The notice, convening and voting process of the meeting are in line with the relevant provisions of the Company Law of the PRC, the Articles of Association of the Bank and the Hong Kong Listing Rules. For relevant information of the resolutions, please refer to the announcement on the poll results of the 2021 first EGM dated 23 February, 2021 on the Hong Kong Stock Exchange and the website of the Bank.

(II) The 2020 Annual General Meeting of the Bank, the First Domestic Shareholders Class Meeting of 2021 and the First H Shareholders Class Meeting of 2021.

On 8 June 2021, the Bank convened the 2020 AGM, the First Domestic Shareholders Class Meeting of 2021 and the First H Shareholders Class Meeting of 2021, considering and approving 17 resolutions, listening to 4 notifications. The notice, convening and voting process of the meetings are in line with the relevant provisions of the Company Law of the PRC, the Articles of Association of the Bank and the Hong Kong Listing Rules. For relevant information of the resolutions, please refer to the announcement of the poll results of the 2020 AGM of the Bank, the First Domestic Shareholders Class Meeting of 2021 and the First H Shareholders Class Meeting of 2021 dated 8 June 2021 on the Hong Kong Stock Exchange and the website of the Bank.

IV. Duties of the Board of Directors

The Board of Directors is responsible for formulating the corporate governance system and monitoring the Group's business and financial strategy decisions and performance and reporting to the shareholders at the general meeting. The Board of Directors has conferred the rights and duties of the Group's governance to the management. In addition, the Board of Directors has assigned the respective responsibilities to the Strategy and Investment Committee (Sannong Committee), Related Party Transactions and Risk Management Committee, Nomination and Remuneration Committee, Audit Committee, and Consumer Protection Committee.

The Board of Directors is also responsible for performing corporate governance functions. As of 30 June 2021, the Board of Directors has fulfilled its corporate governance functions as set out in Code D.3.1 of the Corporate Governance Code.

Pursuant to the Articles of Association, the Board of Directors assumes the ultimate responsibility for the Bank's operations and management and exercises the following duties and powers according to law: to convene shareholders' general meetings and report its work to the shareholders' general meetings; to implement the resolutions of the shareholders' general meetings; to formulate the operation development strategy of the Bank and its specific development strategies in green credit, financial innovation and protection of consumers' interests, and supervise the implementation of the said strategies, and decide on the business plans and investment plans of the Bank; to prepare the annual financial budgets and final accounts of the Bank; to prepare the venture capital distribution plan, profit distribution plan and the plan for making up the losses of the Bank; to formulate the capital planning and take ultimate responsibility for capital management, and formulate plans for increase or reduction of the registered capital, issue of corporate bonds or other securities and listing; to prepare plans for the Bank's material acquisitions, acquisitions of the Bank's shares, or merger, division, dissolution and alteration of corporate form of the Bank; to approve, other than daily operation of the Bank, the external investments, purchase or disposal of assets, pledge of assets, external guarantees, entrustments of others to manage the Bank's funds or other assets of the Bank, except for material matters regulated in the Articles of Association of the Bank, which

CORPORATE GOVERNANCE

shall be decided by the shareholders' general meeting; to approve material related party transactions of the Bank, unless otherwise regulated in the Articles of Association of the Bank; to decide on the establishment of internal management structure of the Bank; As proposed by the Nomination and Remuneration Committee, to decide on the appointment or removal of the President, the chief officer and the secretary to the Board of Directors and their remuneration based on the proposals of the Chairman; to decide on the appointment or removal of the vice president, the assistant to the president, the business director and other senior management and their remuneration based on the proposals of the President; to formulate the basic management system of the Bank; to take the ultimate responsibility for specific risk management of the Bank such as the comprehensive risk management and compliant operation, liquidity risk management, reputation risk management and management of consolidated financial statements, and certain material responsibilities such as protection of consumers' interests; to develop risk management culture, formulate the comprehensive risk management policy of the Bank, formulate relevant risk management systems for risk tolerance, risk preference, internal control, reputation risk, financial innovation risk management and fraud risk management as the main contents of the risk management of the Bank; to prepare any amendment proposals to the Articles of Association of the Bank; to be responsible for information disclosure of the Bank and take the ultimate responsibilities for the truthfulness, accuracy, completeness and timeliness of accounting and financial reports of the Bank; to determine the job responsibilities for any management, including the President, the Vice President, the chief officer, the assistant to president, the secretary to the Board of Directors and the business directors; to monitor and ensure the performance of senior management and ensure their effective performance; to listen the work report from the President and inspect the work of the President; the Board of Directors shall establish a supervisory system for the management to formulate the code of conduct and terms of reference for the management and business officers and that the normative documents shall specifically require employees at all levels to report any potential conflict of interests in a timely manner, provide particular rules, establish corresponding measures; and evaluate and refine the corporate governance of the Bank on a regular basis; to protect the legitimate interests of depositors and other interested parties; to establish the mechanism for identification, verification and management of the conflict of interest between the Bank and shareholders, in particular Substantial Shareholders; and to exercise any other duties and power conferred by laws, regulations, regulatory requirements and the Articles of Association of the Bank.

V. Convening of the Board Meeting

During the Reporting Period, the Bank convened 7 Board meetings, considering and approving 58 resolutions and listening to 14 notifications; the Bank convened 4 Strategy and Investment Committee (Sannong Committee) meetings, considering and approving 23 resolutions; the Bank convened 2 Audit Committee meetings, considering and approving 8 resolutions and listening to 7 notifications; the Bank convened 8 Related Party Transactions and Risk Management Committee meetings, considering and approving 20 resolutions and listening to 1 notification. The Bank convened the Consumer Rights Protection Committee once, considering and approving 2 resolutions.

VI. Performance of Independent Directors

During the Reporting Period, the independent non-executive directors actively participated in the Board meetings and meetings of the respective special committees, provided advice and suggestions, played their due role effectively, and continued to effectively communicate with the Bank through various ways such as participating in field trips, special investigations and attending training.

The independent non-executive Directors issued written independent opinions on major issues such as the profit distribution plan, senior management appointments, engagement of auditors, and major related party transactions. In addition, the independent non-executive Directors of the Bank also took full advantages of their professional advantages in the special committees of the Board of Directors and provided professional and independent opinions on the corporate governance and operation management of the Bank which has provided a powerful guarantee for the scientific decision-making process of the Board of Directors.

VII. Duties of Board of Supervisors

According to the Articles of Association of the Bank, the Board of Supervisors assumes supervisory responsibility and exercises the following duties and powers according to law: To supervise the Board of Directors in establishing sound business philosophy, value standard and formulating development strategies according to the actual situation of the Bank; To make periodical assessments on the scientificity, reasonableness and effectiveness of the development strategies formulated by the Board of Directors and form the assessment reports; To conduct supervision and assessment over the performance of duties by the Board of Directors and senior management in respect of the key responsibilities including strategic management, operation decisions, financial management, remuneration management, capital management, internal control, comprehensive risk management, liquidity risk management, compliance management, fraud prevention, Sannong financial services, related party transactions and antimoney laundering and to report the same to the general meetings in accordance with the requirements, to consider relevant audit reports in accordance with the requirements, and to provide guidance with respect to the work of internal audit department of the Bank; To inspect and supervise the business decision, risk management and internal control of the Bank and supervise rectifications; To examine and supervise the Bank's financial affairs and the management of consolidated financial statements; To examine the regular reports of the Bank prepared by the Board of Directors and submit its opinion of examination in writing; To review the financial reports, operation reports, profit distribution plans and other financial information to be submitted by the Board of Directors to the general meetings; if any queries arise, to engage, in the name of the Bank, certified accountants and practicing auditors for assistance in the review; To supervise on the scientificity and reasonableness of the remuneration management system and policy of the Bank and the remuneration plan of the senior management officers, and to propose the remuneration (allowance) arrangement of Supervisors; To conduct investigation if any abnormality is found in the operations of the Bank; and when necessary, to engage professional organizations such as accounting firms and law firms for assistance in its work at the expense of the Bank; To supervise the selection and appointment of directors; To make comprehensive assessment and conduct inquires to the directors, Supervisors and senior management on their performance of duties, to report the assessment results of the performance of duties to the general meetings, and to file the same to regulatory authorities; To organize audits on the directors and senior management upon resignation; To require corrections by directors and senior management where the behaviors of such directors and senior management harm the Bank's interests; To supervise the performance of duties of the directors and senior management, and to propose dismissal of directors and senior management who violate the laws, rules, Articles of Association of the Bank or resolutions of the general meetings; To represent the Bank to negotiate with the directors and senior management, or to bring the lawsuits against the directors and senior management according to the Company Law; To submit

CORPORATE GOVERNANCE

proposals to the general meetings; To propose the convening of extraordinary general meetings, to convene and preside over the general meetings when the Board of Directors fails to perform its responsibility of convening and presiding over the general meeting as required by the Company Law; To communicate with the banking regulatory authorities of the State Council regularly in relation to the condition of the Bank; To exercise other duties and powers which should be exercised by the Board of Supervisors as provided by laws, regulations, regulatory requirements and the Articles of Association of the Bank.

VIII. Convening of the Meeting of the Board of Supervisors

During the Reporting Period, the Bank convened four meetings of the Board of Supervisors, at which a total of 27 resolutions were considered and approved and 5 notifications were listened. The Bank convened two meetings of the Nomination Committee of the Board of Supervisors, at which a total of four resolutions were considered and approved. The Bank convened 2 meetings of the Audit and Supervision Committee of the Board of Supervisors, at which a total of 2 resolutions were considered and approved.

IX. Work of External Supervisors

During the Reporting Period, the external Supervisors of the Bank performed their supervisory duties in strict accordance with relevant laws, regulations, the Bank's Articles of Association and relevant requirements for the performance of duties of Supervisors. They performed their duties diligently by taking part in the meetings of the Board of Supervisors on time, carefully studying and reviewing every proposals, participating in the general meetings, attending the meetings of the Board of Directors and its special committees, and expressing their opinions independently and impartially. Also, they devoted sufficient time and effort to participate in relevant supervision and inspections, investigation and research and training, which played a proactive role in facilitating the improvement of the Bank's corporate governance, internal control, risk prevention and control standards.

X. Duties of Senior Management

Pursuant to the Articles of Association, the Bank shall have one president, who shall be nominated by the chairman of the Board of Directors, and appointed or dismissed by the Board of Directors. The Bank shall have vice president, assistant to the president, secretary to the Board of Directors, business director and other members of the senior management specified by regulators, who shall be appointed or dismissed by the Board of Directors. The senior management shall be accountable to the Board of Directors and supervised by the Board of Supervisors. The operation and management activities of the senior management within the terms of reference shall not be interfered. The senior management shall carry out operation and management in accordance with the Articles of Association and the authorization of the Board of Directors, to ensure that the operation of the Bank is in line with the development strategies, risk profile and other polices formulated by the Board of Directors.

XI. Amendments to the Articles of Association

During the Reporting Period, pursuant to the requirements of the Company Law, the Reply of the State Council on the Adjustment of the Notice Period of the General Meeting and Other Matters Applicable to the Overseas Listed Companies (Guo Han [2019] No. 97), relevant laws and regulations and normative documents, the Bank, in combination with its actual condition, made amendments to certain articles of the Articles of Association. The amendment was considered and approved at the 2020 AGM, and is subject to approval by banking regulatory and management authorities. For details of the amendment, please refer to the announcement dated 16 April, 2021 and the circular dated 14 May, 2021 published by the Bank.

IMPLEMENTATION OF DIVIDENDS DISTRIBUTION

Upon the approval of the 2020 AGM of the Bank, the Bank distributed a final dividend in cash for 2020 on 8 July 2021 of RMB0.20 per share (tax inclusive) and RMB1,962 million (tax inclusive) in aggregate to holders of Non-overseas Listed Shares and holders of H Shares whose names appeared on the register of members of the Bank on 17 June 2021. The Bank did not declare any interim dividend for 2021 (2020: nil).

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

During the Reporting Period, the Bank and all the directors, supervisors and senior management of the Bank had no record of being subject to inspections, administrative sanctions and circulating criticisms by the CSRC, or public condemnation by the Hong Kong Stock Exchange, nor had record of being subject to penalties by other regulatory agencies that had a significant impact on the operation of the Bank.

CHANGES ON THE HOLDING MORE THAN 5% SHARES OF THE BANK AND ITS SHAREHOLDERS

During the Reporting Period, no shareholders held 5% or more of the total issued share capital of the Bank.

MATERIAL CONTRACTS AND THEIR PERFORMANCE

During the Reporting Period, save as disclosed in this report, other announcements and circulars of the Bank, there are no other material contracts that need to be disclosed by the Bank.

MATERIAL ACQUISITION AND DISPOSAL OF ASSETS AND MERGER OF ENTERPRISES

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE BANK

The Bank and any of its subsidiaries had not purchased, sold or redeemed any of the Bank's listed securities during the Reporting Period.

MATERIAL RELATED PARTY TRANSACTIONS

As of the end of the Reporting Period, the loan balance of material related party transactions between the Bank and related parties amounted to RMB10,214 million.

USE OF PROCEEDS

During the Reporting Period, there was no additional proceeds of the Bank. On 23 March 2018, the Bank completed the issuance of the tier-two capital bonds with a total amount of RMB10 billion in the national inter-bank bond market. The proceeds from the issuance of the tier-two capital bonds, after deducting the issuance expense, have all been used to replenish the tier-two capital of the Bank.

The Bank issued the non-cumulative perpetual offshore preference shares with a size of USD1.43 billion on 20 June 2019. The proceeds from the issuance of the offshore preference shares, after deducting the issuance expenses, have all been used to replenish other tier-one capital of the Bank.

MAJOR EVENTS

All of the proceeds received by the Bank in the past issues have been used in accordance with the purposes disclosed in the relevant documents such as their respective prospectuses, which was to replenish the capital of the Bank for supporting its business development.

MATERIAL LEGAL PROCEEDINGS AND ARBITRATIONS

As of the end of the Reporting Period, pending non-credit extension legal proceedings in which the Bank was a defendant or third party involved an amount of RMB23.09 million, the Bank believes that it would not have a significant impact on its business activities.

SUBSEQUENT EVENTS

Pursuant to the resolutions at the general meeting on 8 June 2021, the Bank intended to additionally issue no more than 1,340 million domestic shares and issue no more than 305 million overseas-listed foreign shares through non-public issuance, with a par value of RMB1 per share.

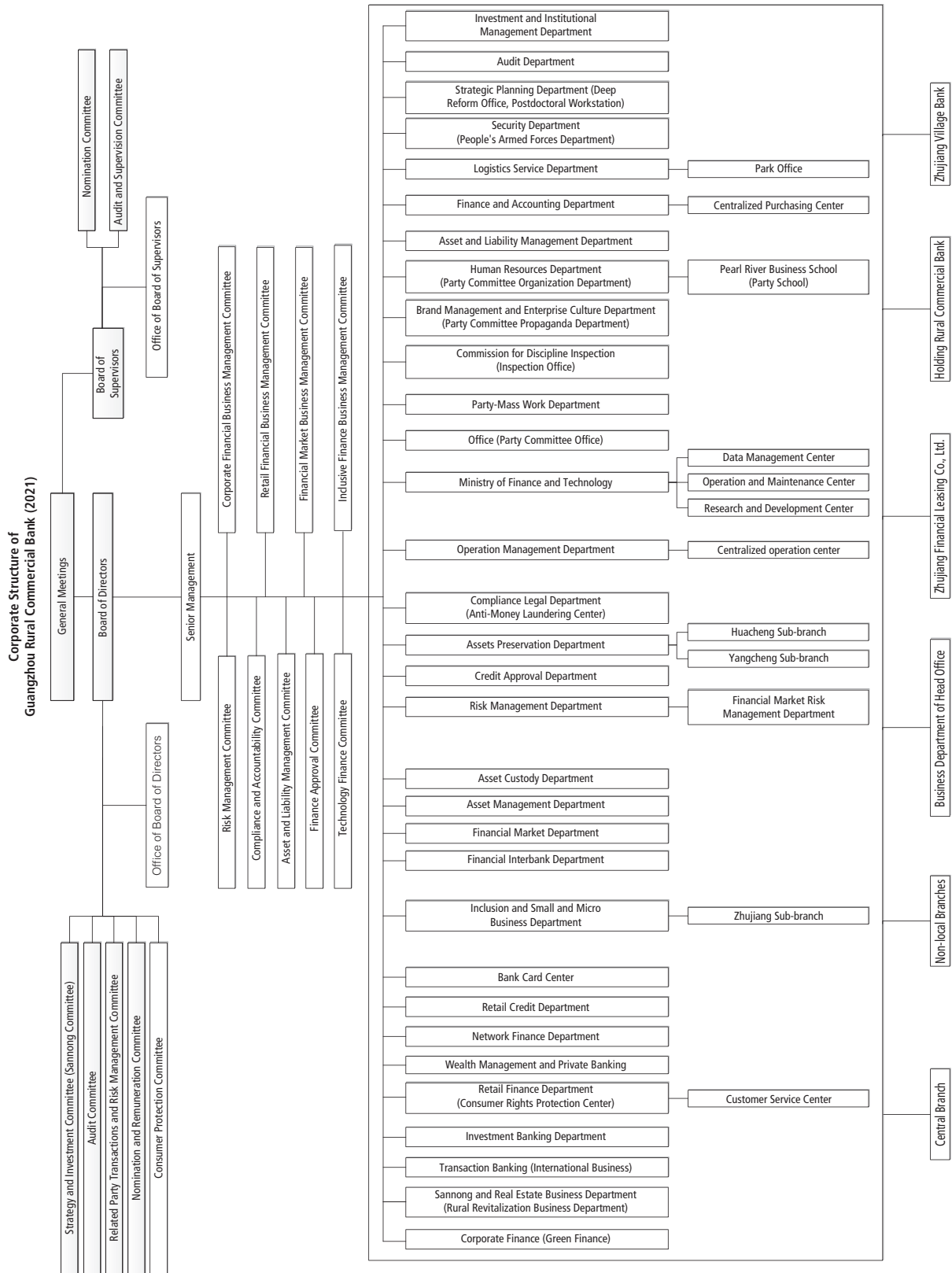
REVIEW OF INTERIM RESULTS

The interim condensed consolidated financial data for the six months ended 30 June 2021 prepared by the Bank in accordance with the IFRS has been reviewed by PricewaterhouseCoopers.

The interim results report of the Bank for the six months ended 30 June 2021 has been reviewed by the Audit Committee of the Board of Directors and the Board of Directors.

CORPORATE STRUCTURE

The corporate structure of the Group as at the end of the Reporting Period is as follows:



Report on Review of Interim Financial Information

For the six months ended 30 June 2021

To the Board of Directors of Guangzhou Rural Commercial Bank Co., Ltd.

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

Introduction

We have reviewed the interim financial information set out on pages 81 to 174, which comprises the interim condensed consolidated statement of financial position of Guangzhou Rural Commercial Bank Co., Ltd. (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2021 and the interim condensed consolidated statement of profit or loss, the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting". The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information of the Group is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 31 August 2021

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2021

(All amounts expressed in thousands of RMB unless otherwise stated)

	Note	Six months ended 30 June	
		2021	2020
Interest income	5	20,463,431	18,656,743
Interest expense	5	(10,803,711)	(9,266,434)
Net interest income		9,659,720	9,390,309
Fee and commission income	6	836,043	720,926
Fee and commission expense	6	(141,850)	(120,885)
Net fee and commission income		694,193	600,041
Net trading gains	7	1,180,642	1,035,954
Net gains on financial investments	8	159,305	363,550
Other income, gains or losses	9	102,348	403,830
Operating income		11,796,208	11,793,684
Operating expenses	10	(3,503,410)	(2,720,873)
Credit impairment losses	11	(3,826,943)	(4,976,547)
Impairment losses on foreclosed assets		(8,696)	(1,619)
Profit before income tax		4,457,159	4,094,645
Income tax expense	12	(797,078)	(772,386)
Net Profit for the period		3,660,081	3,322,259
Attributable to:			
Shareholders of the Bank		3,129,780	3,085,657
Non-controlling interests		530,301	236,602
		3,660,081	3,322,259
Earnings per share (RMB yuan)			
– basic and diluted	14	0.26	0.25

The accompanying notes form an integral part of these interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2021

(All amounts expressed in thousands of RMB unless otherwise stated)

	Note	Six months ended 30 June	
		2021	2020
Net Profit for the period		3,660,081	3,322,259
Other comprehensive income (after tax, net):	36		
Items that may be reclassified to profit or loss			
Changes in the fair value of financial assets at fair value through other comprehensive income		(123,321)	(396,569)
Changes in the expected credit losses of financial assets at fair value through other comprehensive income		363,892	455,877
Items that will not be reclassified to profit or loss			
Remeasurement losses on defined benefit plans		–	(12,758)
Subtotal of other comprehensive income for the period		240,571	46,550
Total comprehensive income for the period		3,900,652	3,368,809
Total comprehensive income attributable to:			
Shareholders of the Bank		3,362,748	3,136,223
Non-controlling interests		537,904	232,586
		3,900,652	3,368,809

The accompanying notes form an integral part of these interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the six months ended 30 June 2021

(All amounts expressed in thousands of RMB unless otherwise stated)

	Note	As at 30 June 2021	As at 31 December 2020
ASSETS			
Cash and deposits with central bank	15	100,423,383	103,784,552
Deposits with banks and other financial institutions	16	19,321,548	25,012,864
Placements with banks and other financial institutions	17	33,968,320	21,711,156
Financial assets held under resale agreements	18	24,822,802	46,447,688
Loans and advances to customers	19	619,653,423	553,168,340
Financial investments			
– Financial assets at fair value through profit or loss	20	89,693,960	90,247,494
– Financial assets at fair value through other comprehensive income	21	62,663,736	75,677,332
– Financial assets at amortized cost	22	124,305,111	96,599,360
Property and equipment	23	2,837,629	2,937,590
Goodwill	24	734,237	734,237
Deferred tax assets	25	7,371,957	6,706,441
Other assets	26	5,505,961	4,844,592
Total assets		1,091,302,067	1,027,871,646
LIABILITIES			
Due to the central bank		16,952,394	20,303,227
Deposits from banks and other financial institutions	27	48,025,115	41,229,918
Placements from banks and other financial institutions	28	691,048	1,818,581
Financial liabilities at fair value through profit or loss		5,114	5,052
Financial assets sold under repurchase agreements	29	9,782,261	10,070,054
Customer deposits	30	829,957,295	778,424,854
Income tax payable		1,532,214	1,919,918
Debt securities issued	31	83,277,286	76,643,876
Other liabilities	32	24,053,808	21,570,856
Total liabilities		1,014,276,535	951,986,336

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the six months ended 30 June 2021

(All amounts expressed in thousands of RMB unless otherwise stated)

	Note	As at 30 June 2021	As at 31 December 2020
EQUITY			
Share capital	33	9,808,269	9,808,269
Preference shares	34	9,820,734	9,820,734
Reserves	35	28,918,797	28,719,443
Retained earnings		21,700,492	21,138,630
Equity attributable to shareholders of the Bank		70,248,292	69,487,076
Non-controlling interests		6,777,240	6,398,234
Total equity		77,025,532	75,885,310
Total liabilities and equity		1,091,302,067	1,027,871,646

The accompanying notes form an integral part of these interim condensed consolidated financial information.

The interim condensed consolidated financial information was approved by the Board of Directors on 31 August 2021 and were signed on its behalf by:

Cai Jian
Chairman

Chen Jianming
Chief Financial Officer

Ding Bin
Head of Financial Department

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

(All amounts expressed in thousands of RMB unless otherwise stated)

	Attributable to shareholders of the Bank											
	Share capital	Preference shares	Capital reserve	Surplus reserve	General reserve	Reserves			Retained earnings	Total	Non-controlling interests	Total
						Other comprehensive income	Subtotal	Controlling interests				
	Note 33	Note 34							Note 35			
Balance at 1 January 2021	9,808,269	9,820,734	10,952,990	5,055,777	12,944,073	(233,397)	28,719,443	21,138,630	69,487,076	6,398,234	75,885,310	
Net profit for the period	-	-	-	-	-	-	-	3,129,780	3,129,780	530,301	3,660,081	
Other comprehensive income for the period	-	-	-	-	-	232,968	232,968	-	232,968	7,603	240,571	
Total comprehensive income	-	-	-	-	-	232,968	232,968	3,129,780	3,362,748	537,904	3,900,652	
Transactions with non-controlling interests	-	-	(33,614)	-	-	-	(33,614)	-	(33,614)	33,614	-	
Dividends declared to ordinary shareholders	-	-	-	-	-	-	-	(1,961,654)	(1,961,654)	(192,512)	(2,154,166)	
Dividends declared and paid to preference shareholders	-	-	-	-	-	-	-	(606,264)	(606,264)	-	(606,264)	
Balance at 30 June 2021	9,808,269	9,820,734	10,919,376	5,055,777	12,944,073	(429)	28,918,797	21,700,492	70,248,292	6,777,240	77,025,532	

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

(All amounts expressed in thousands of RMB unless otherwise stated)

	Attributable to shareholders of the Bank											
	Share capital	Preference shares	Capital reserve	Surplus reserve	Reserves			Subtotal	Retained earnings	Total	Non-Controlling interests	Total
					General reserve	Other comprehensive income	Other					
	Note 33	Note 34						Note 35				
Balance at 1 January 2020	9,808,269	9,820,734	10,920,403	5,055,777	11,236,832	1,113,677	28,326,689	20,391,000	68,346,692	5,362,619	73,709,311	
Net profit for the period	-	-	-	-	-	-	-	3,085,657	3,085,657	236,602	3,322,259	
Other comprehensive income for the period	-	-	-	-	-	50,566	50,566	-	50,566	(4,016)	46,550	
Total comprehensive income	-	-	-	-	-	50,566	50,566	3,085,657	3,136,223	232,586	3,368,809	
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	1,045,376	1,045,376	
Dividends declared and paid to ordinary shareholders	-	-	-	-	-	-	-	(1,961,654)	(1,961,654)	(81,483)	(2,043,137)	
Dividends declared and paid to preference shareholders	-	-	-	-	-	-	-	(664,770)	(664,770)	-	(664,770)	
Balance at 30 June 2020	9,808,269	9,820,734	10,920,403	5,055,777	11,236,832	1,164,243	28,377,255	20,850,233	68,856,491	6,559,098	75,415,589	

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

(All amounts expressed in thousands of RMB unless otherwise stated)

	Attributable to shareholders of the Bank											
	Share capital	Preference shares	Capital reserve	Surplus reserve	General reserve	Reserves			Retained earnings	Total	Non-Controlling interests	Total
						Other comprehensive income	Subtotal					
	Note 33	Note 34							Note 35			
Balance at 1 January 2020	9,808,269	9,820,734	10,920,403	5,055,777	11,236,832	1,113,677	28,326,689	20,391,000	68,346,692	5,362,619	73,709,311	
Net profit for the year	-	-	-	-	-	-	-	5,081,295	5,081,295	195,322	5,276,617	
Other comprehensive income for the year	-	-	-	-	-	(1,347,074)	(1,347,074)	-	(1,347,074)	(22,006)	(1,369,080)	
Total comprehensive income	-	-	-	-	-	(1,347,074)	(1,347,074)	5,081,295	3,734,221	173,316	3,907,537	
Capital contributed by non-controlling shareholders	-	-	-	-	-	-	-	-	-	6,000	6,000	
Transactions with non-controlling interests	-	-	(2,534)	-	-	-	(2,534)	-	(2,534)	2,534	-	
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	1,045,376	1,045,376	
Shareholders' donation	-	-	35,121	-	-	-	35,121	-	35,121	12,764	47,885	
Appropriation to surplus reserve	-	-	-	-	-	-	-	-	-	-	-	
Dividends declared and paid to ordinary shareholders	-	-	-	-	-	-	-	(1,961,654)	(1,961,654)	(204,375)	(2,166,029)	
Dividends declared and paid to preference shareholders	-	-	-	-	-	-	-	(664,770)	(664,770)	-	(664,770)	
Appropriation to general reserve	-	-	-	-	1,707,241	-	1,707,241	(1,707,241)	-	-	-	
Balance at 31 December 2020	9,808,269	9,820,734	10,952,990	5,055,777	12,944,073	(233,397)	28,719,443	21,138,630	69,487,076	6,398,234	75,885,310	

The accompanying notes form an integral part of these interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

(All amounts expressed in thousands of RMB unless otherwise stated)

	Note	Six months ended 30 June	
		2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		4,457,159	4,094,645
Adjustments for:			
Interest income on financial investments		(3,374,036)	(3,127,567)
Interest income accrued on impaired financial assets		(62,886)	(47,833)
Interest expense on debt securities	5	1,289,217	1,376,849
Net trading gains		(321,130)	(371,930)
Net gains on financial investments	8	(159,305)	(363,550)
Net foreign exchange losses/(gains)		72,820	(151,591)
Negative goodwill		–	(76,229)
Net gains on disposal of property and equipment and foreclosed assets		(21,211)	(36,961)
Depreciation and amortization	10	457,271	394,053
Depreciation of investment properties		4,069	9,918
Interest expense on lease liabilities		28,749	23,464
Impairment losses		3,898,331	5,128,662
Other		(1,321)	1,921
		6,267,727	6,853,851
Net decrease/(increase) in operating assets			
Deposits with central bank		(2,163,285)	7,036,826
Deposits with banks and other financial institutions		2,152,758	2,229,396
Placements with banks and other financial institutions		(10,482,446)	(12,565,084)
Financial assets held under resale agreements		2,302,199	(4,773,028)
Loans and advances to customers		(68,868,029)	(68,309,703)
Financial assets at fair value through profit or loss		(12,332,885)	94,789
Other assets		(1,041,524)	(1,845,639)
		(90,433,212)	(78,132,443)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

(All amounts expressed in thousands of RMB unless otherwise stated)

	Note	Six months ended 30 June	
		2021	2020
Net increase/(decrease) in operating liabilities			
Due to the central bank		(3,350,833)	4,125,149
Deposits from banks and other financial institutions		6,795,197	969,613
Placements from banks and other financial institutions		(1,127,533)	687,675
Financial liabilities at fair value through profit or loss		62	–
Financial assets sold under repurchase agreements		(287,793)	(895,690)
Customer deposits		51,573,286	58,043,722
Other liabilities		582,595	(993,081)
		54,184,981	61,937,388
Net cash flows used in operating activities before tax		(29,980,504)	(9,341,204)
Income tax paid		(1,930,488)	(2,220,121)
		(31,910,992)	(11,561,325)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property and equipment and other long-term assets		(198,920)	(135,200)
Proceeds from disposal of property and equipment and other long-term assets		38,997	44,146
Cash paid for investments		(75,635,600)	(62,224,909)
Proceeds from sale and redemption of investments		72,242,549	61,906,796
Acquisition of a subsidiary, net of cash acquired		–	1,289,955
Return on investments		4,583,771	4,413,587
		1,030,797	5,294,375

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

(All amounts expressed in thousands of RMB unless otherwise stated)

	Note	Six months ended 30 June	
		2021	2020
CASH FLOWS FROM FINANCING ACTIVITIES			
Shareholders' donation		370	269
Proceeds from issuance of debt securities		69,675,823	69,617,162
Repayment of debt securities issued		(62,928,245)	(65,245,325)
Interest paid on debt securities		(1,403,385)	(1,939,772)
Dividends paid to ordinary shares		–	(1,961,654)
Dividends paid to preference shares	13	(606,264)	(664,770)
Payment for lease contracts		(142,027)	(159,662)
Dividends paid to non-controlling shareholders		(166,141)	(81,483)
Net cash flows from/(used in) financing activities		4,430,131	(435,235)
NET DECREASE IN CASH AND CASH EQUIVALENTS			
		(26,450,064)	(6,702,185)
Cash and cash equivalents at the beginning of the period		95,700,856	86,870,896
Effect of exchange rate changes on cash and cash equivalents		(90,406)	127,839
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	37	69,160,386	80,296,550
NET CASH FLOWS FROM OPERATING ACTIVITIES			
INCLUDE:			
Interest received		17,814,689	15,611,538
Interest paid		(7,861,371)	(7,542,084)

The accompanying notes form an integral part of these interim condensed consolidated financial information.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2021

(All amounts expressed in thousands of RMB unless otherwise stated)

1 CORPORATE INFORMATION AND STRUCTURE

Guangzhou Rural Commercial Bank Co., Ltd. (the “Bank”), whose predecessor was established in 1952, underwent a series of reforms in subsequent years. Under the “Approval Regarding the Opening of Guangzhou Rural Commercial Bank Co., Ltd.” (Yinjianfu No. [2009]484) issued by the China Banking Regulatory Commission (the “CBRC”, which was renamed to China Banking Insurance Regulatory Commission (the “CBIRC”) in 2018), Guangzhou Rural Commercial Bank Co., Ltd. was incorporated on 9 December 2009.

The Bank obtained its finance permit No.B1048H244010001 from the CBIRC and its business license of Unified Social Credit code No.914401017083429628 from the Administration for Industry and Commerce of Guangzhou Municipality. The registered office is located at No.9 Yingri Road, Huangpu District, Guangzhou, the PRC.

On 20 June 2017, the Bank was listed on The Stock Exchange of Hong Kong Limited.

The Bank and its subsidiaries (the “Group”) conducts its operating activities in the PRC.

The principal activities of the Bank comprise taking deposits from the general public (including domestic and foreign currency), granting short, medium and long-term loans (including domestic and foreign currency), domestic and international settlements, bills acceptance and discounting, providing agency services for issuing/redemption and underwriting of government bonds, trading government bonds, trading and issuing financial bonds, inter-bank placements (including domestic and foreign currency), bank cards (including debit cards and credit cards) business, providing agency services of payment collection and insurance agency service, providing safe locker service, foreign currency remittance, foreign currency exchange, settlement and sale of foreign exchange, foreign credit investigations, advisory and attestation service, fund and insurance assets trusteeship, financing services, fund consignment business, e-bank services, securitization of credit assets, and other financial business activities approved by the CBIRC or other relevant regulators.

As at 30 June 2021, the Bank had a total of 30 subsidiaries, including 25 county banks, a financial leasing company and 4 rural commercial banks across China.

The interim condensed consolidated financial information was authorized for issue by the Board of Directors of the Bank on 31 August 2021.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2021

(All amounts expressed in thousands of RMB unless otherwise stated)

1 CORPORATE INFORMATION AND STRUCTURE (Continued)

The Bank and its subsidiaries are collectively referred to as the “Group”. As at 30 June 2021, the Bank had a total of 30 subsidiaries, including 25 county banks, a financial leasing company and 4 rural commercial banks. The details of the Bank’s subsidiaries as at 30 June 2021 are as follows:

Name	Place of registration	Registered capital (in thousands)		Percentage of equity interests held by the Bank		Percentage of voting rights held by the Bank		Principal activities
		30 June	31 December	30 June	31 December	30 June	31 December	
		2021	2020	2021	2020	2021	2020	
Laiwu Zhujiang County Bank	Laiwu, Shandong Province	60,000	60,000	51.00%	51.00%	51.00%	51.00%	Banking
Jiangsu Xuyi Zhujiang County Bank	Xuyi, Jiangsu Province	100,000	50,000	75.50%	51.00%	75.50%	51.00%	Banking
Jiangsu Qidong Zhujiang County Bank	Qidong, Jiangsu Province	100,000	100,000	51.00%	51.00%	51.00%	51.00%	Banking
Changning Zhujiang County Bank	Changning, Hunan Province	50,000	50,000	51.00%	51.00%	51.00%	51.00%	Banking
Laizhou Zhujiang County Bank	Laizhou, Shandong Province	80,000	80,000	51.00%	51.00%	56.00%	56.00%	Banking
Haiyang Zhujiang County Bank	Haiyang, Shandong Province	70,000	70,000	51.00%	51.00%	51.00%	51.00%	Banking
Huixian Zhujiang County Bank (i)	Huixian, Henan Province	100,000	100,000	35.00%	35.00%	53.57%	53.57%	Banking
Pengshan Zhujiang County Bank	Meishan, Sichuan Province	100,000	100,000	62.50%	62.50%	70.50%	70.50%	Banking
Xinjin Zhujiang County Bank (i)	Xinjin, Sichuan Province	100,000	100,000	35.00%	35.00%	53.00%	53.00%	Banking
Guanghan Zhujiang County Bank (i)	Guanghan, Sichuan Province	100,000	100,000	35.00%	35.00%	51.00%	51.00%	Banking
Dalian Baoshuiqu Zhujiang County Bank	Dalian Bonded Area, Liaoning Province	350,000	350,000	81.43%	81.43%	87.44%	87.44%	Banking
Jizhou Zhujiang County Bank (i)	Jian, Jiangxi Province	87,820	87,820	33.79%	33.79%	57.19%	57.19%	Banking
Heshan Zhujiang County Bank (i)	Heshan, Guangdong Province	150,000	150,000	34.00%	34.00%	71.00%	71.00%	Banking
Beijing Mentougou Zhujiang County Bank	Mentougou District, Beijing	315,000	100,000	84.44%	51.00%	84.44%	51.00%	Banking
Xinyang Zhujiang County Bank (i)	Xinyang, Henan Province	414,200	414,200	39.60%	39.60%	54.13%	54.13%	Banking
Yantai Fushan Zhujiang County Bank	Yantai, Shandong Province	100,000	100,000	93.00%	93.00%	100.00%	100.00%	Banking
Anyang Zhujiang County Bank (i)	Anyang, Henan Province	60,000	60,000	35.00%	35.00%	55.50%	55.50%	Banking

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2021

(All amounts expressed in thousands of RMB unless otherwise stated)

1 CORPORATE INFORMATION AND STRUCTURE (Continued)

Name	Place of registration	Registered capital (in thousands)		Percentage of equity interests held by the Bank		Percentage of voting rights held by the Bank		Principal activities
		30 June	31 December	30 June	31 December	30 June	31 December	
		2021	2020	2021	2020	2021	2020	
Qingdao Chengyang Zhujiang County Bank (i)	Qingdao, Shandong Province	100,000	100,000	35.00%	35.00%	51.00%	51.00%	Banking
Suzhou Wuzhong Zhujiang County Bank	Suzhou, Jiangsu Province	150,000	150,000	51.00%	51.00%	51.00%	51.00%	Banking
Sanshui Zhujiang County Bank (i)	Foshan, Guangdong Province	200,000	200,000	33.40%	33.40%	50.50%	50.50%	Banking
Zhongshan Dongfeng Zhujiang County Bank (i)	Dongfeng, Guangdong Province	150,000	150,000	35.00%	35.00%	55.00%	55.00%	Banking
Xingning Zhujiang County Bank (i)	Meizhou, Guangdong Province	50,000	50,000	34.00%	34.00%	100.00%	100.00%	Banking
Shenzhen Pingshan Zhujiang County Bank (i)	Shenzhen, Guangdong Province	300,000	300,000	35.00%	35.00%	83.00%	83.00%	Banking
Dongguan Huangjiang Zhujiang County Bank (i)	Dongguan, Guangdong Province	150,000	150,000	35.00%	35.00%	100.00%	100.00%	Banking
Zhengzhou Zhujiang County Bank (i)	Zhengzhou, Henan Province	200,000	200,000	35.00%	35.00%	90.00%	90.00%	Banking
Zhuzhou Zhujiang Rural Commercial Bank (the "ZZRCB")	Zhuzhou, Hunan Province	600,000	600,000	51.00%	51.00%	61.00%	61.00%	Banking
Chaozhou Rural Commercial Bank (the "CZRCB")	Chaozhou, Guangdong Province	2,633,342	2,633,342	57.72%	57.72%	74.38%	74.38%	Banking
Nanxiong Rural Commercial Bank (the "NXRCB")	Nanxiong, Guangdong Province	431,800	431,800	51.00%	51.00%	53.39%	53.39%	Banking
Shaoguan Rural Commercial Bank (the "SGRCB")	Shaoguan, Guangdong Province	1,373,718	1,373,718	50.10%	50.10%	50.10%	50.10%	Banking
Zhujiang Financial Leasing Co., Ltd. (the "ZJFL")	Guangzhou, Guangdong Province	1,000,000	1,000,000	100.00%	100.00%	100.00%	100.00%	Financial leasing

- (i) The Bank holds less than majority equity interests in these investees. In accordance with the agreements to act in concert entered into by the Bank and the non-controlling shareholders, the non-controlling shareholders vote consistently with the Bank in deciding the financial and operating policies. Hence, the management of the Bank believes that the Bank has controls over these investees.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2021

(All amounts expressed in thousands of RMB unless otherwise stated)

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

This condensed consolidated interim financial information has been prepared in accordance with International Accounting Standard (“IAS”) 34 – Interim Financial Reporting issued by the International Accounting Standard Board (“IASB”) and the disclosure requirements of the Hong Kong Companies Ordinance.

This condensed consolidated interim financial information has been prepared on an accrual basis and under the historical cost convention except for certain financial instruments that have been measured at fair value. This condensed consolidated interim financial information is presented in RMB and all values are rounded to the nearest thousand except when otherwise indicated.

This condensed consolidated interim financial information of the Group should be read in conjunction with the 2020 annual consolidated financial statements.

Except as described below, the Group’s accounting policies applied in preparing this condensed consolidated interim financial information are consistent with those policies applied in preparing the 2020 annual consolidated financial statements.

2.1 Standards, amendments and interpretations effective in 2021

On 1 January 2021, the Group adopted the following new standards, amendments and interpretations. The Group has not early adopted any other standards, interpretations or amendments that have been issued but are not yet effective.

Amendment to IFRS 16	Covid-19-Related Rent Concessions
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16.	Interest Rate Benchmark Reform – Phase 2

The adoption of the above amendments does not have a significant impact on the operation results, comprehensive income and financial position of the Group.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2021

(All amounts expressed in thousands of RMB unless otherwise stated)

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Standards, amendments and interpretations that are not yet effective and have not been early adopted by the Group in 2021

		Effective for annual periods beginning on or after
IFRS 17	Insurance Contracts	Originally 1 January 2021, but extended to 1 January 2023 by the IASB
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	Originally 1 January 2022, but extended to 1 January 2023 by the IASB
Amendments to IFRS 3	Reference to the Conceptual Framework	1 January 2022
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Amendments to IFRS 9, IFRS 16, IFRS 1 and IAS 41	Annual Improvements to IFRS Standards 2018–2020	1 January 2022
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

The adoption of the above new IFRS issued but not yet effective is not expected to have a material effect on the Group's operating results, financial position or other comprehensive income.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of interim condensed consolidated financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense.

In preparing this interim condensed consolidated financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2020.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2021

(All amounts expressed in thousands of RMB unless otherwise stated)

4 OPERATING SEGMENT INFORMATION

4.1 Operating segments

For management purposes, the Group is organized into four different operating segments as follows:

Corporate banking

The corporate banking segment covers financial products and services for corporate customers including deposits, loans, settlement, clearing and other trade-related services.

Retail banking

The retail banking segment covers financial products and services for individual customers including deposits, debit and credit cards, personal and collateral loans and personal wealth management services.

Financial market business

The financial market business segment covers proprietary tradings and agent services including money market placements, investments, repurchases and foreign exchange transactions.

Others

This segment covers businesses other than corporate banking, retail banking and financial market business, of which the assets, liabilities, income and expenses cannot be directly attributable or allocated to certain segment on a reasonable basis.

Inter-segment transfer pricing is in accordance with the sources, funding periods and interest rates announced by the People's Bank of China (the "PBOC") and the interbank market rates. The allocation of expenses between segments above is based on the benefits received.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2021

(All amounts expressed in thousands of RMB unless otherwise stated)

4 OPERATING SEGMENT INFORMATION (Continued)

4.1 Operating segments (Continued)

	Corporate banking	Retail banking	Financial market business	Others	Total
Six months ended					
30 June 2021 (Unaudited)					
Interest income	11,072,208	4,641,882	4,749,341	-	20,463,431
Interest expense	(3,494,804)	(4,329,707)	(2,979,200)	-	(10,803,711)
Inter-segments Interest (expense)/ income	(1,682,431)	3,120,593	(1,438,162)	-	-
Net interest income	5,894,973	3,432,768	331,979	-	9,659,720
Fee and commission income	473,485	289,340	73,218	-	836,043
Fee and commission expense	(55,817)	(79,358)	(6,675)	-	(141,850)
Net fee and commission income	417,668	209,982	66,543	-	694,193
Net trading gains	-	-	1,180,642	-	1,180,642
Net gains on financial investments	-	-	159,305	-	159,305
Other income, gains or losses	(73,132)	(1,092)	(36)	176,608	102,348
Operating income	6,239,509	3,641,658	1,738,433	176,608	11,796,208
Operating expenses	(1,149,117)	(2,041,697)	(228,256)	(84,340)	(3,503,410)
Credit impairment losses	(2,011,510)	(794,998)	(1,002,801)	(17,634)	(3,826,943)
Impairment losses on foreclosed assets	(4,571)	(1,806)	(2,279)	(40)	(8,696)
Profit before tax	3,074,311	803,157	505,097	74,594	4,457,159
Income tax expense					(797,078)
Net profit for the period					3,660,081
Other segment information					
Depreciation and amortization	142,477	288,059	23,284	7,520	461,340
Capital expenditure	63,649	120,086	11,213	3,972	198,920
As at 30 June 2021 (Unaudited)					
Segment assets	399,505,949	146,990,411	530,899,460	13,906,247	1,091,302,067
Segment liabilities	(399,633,489)	(460,967,288)	(152,728,317)	(947,441)	(1,014,276,535)
Other segment information					
Credit commitments	199,534,639	28,643,754	-	-	228,178,393

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2021

(All amounts expressed in thousands of RMB unless otherwise stated)

4 OPERATING SEGMENT INFORMATION (Continued)

4.1 Operating segments (Continued)

	Corporate banking	Retail banking	Financial market business	Others	Total
Six months ended					
30 June 2020 (Unaudited)					
Interest income	9,971,195	4,706,943	3,978,605	–	18,656,743
Interest expense	(3,495,249)	(3,352,130)	(2,419,055)	–	(9,266,434)
Inter-segments Interest (expense)/ income	(834,888)	1,952,788	(1,117,900)	–	–
Net interest income	5,641,058	3,307,601	441,650	–	9,390,309
Fee and commission income	426,421	250,821	43,684	–	720,926
Fee and commission expense	(54,510)	(55,004)	(11,371)	–	(120,885)
Net fee and commission income	371,911	195,817	32,313	–	600,041
Net trading gains	–	–	1,035,281	673	1,035,954
Net gains on financial investments	–	–	363,550	–	363,550
Other income, gains or losses	219,468	(2,144)	(110)	186,616	403,830
Operating income	6,232,437	3,501,274	1,872,684	187,289	11,793,684
Operating expenses	(841,390)	(1,664,002)	(155,661)	(59,820)	(2,720,873)
Credit impairment (losses)/reversed	(3,074,855)	(589,798)	(1,312,230)	336	(4,976,547)
Impairment losses on foreclosed assets	(1,000)	(192)	(427)	–	(1,619)
Profit before tax	2,315,192	1,247,282	404,366	127,805	4,094,645
Income tax expense					(772,386)
Net profit for the period					3,322,259
Other segment information					
Depreciation and amortization	122,731	254,090	20,602	6,548	403,971
Capital expenditure	42,002	80,726	8,650	3,822	135,200
As at 31 December 2020					
Segment assets	376,091,693	140,912,981	497,563,719	13,303,253	1,027,871,646
Segment liabilities	(383,960,378)	(415,096,700)	(152,631,325)	(297,933)	(951,986,336)
Other segment information					
Credit commitments	179,256,319	25,169,787	–	–	204,426,106

4.2 Geographical information

The Group mainly operates in Guangdong Province, China. The main customers and non-current assets are located in Guangdong Province, China.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2021

(All amounts expressed in thousands of RMB unless otherwise stated)

5 NET INTEREST INCOME

	Six months ended 30 June	
	2021	2020
Interest income		
Loans and advances to customers	15,455,142	14,034,408
Financial investments	3,374,036	3,127,567
– Financial assets at amortized cost	1,969,591	1,534,632
– Financial assets at fair value through other comprehensive income	1,404,445	1,592,935
Financial assets held under resale agreements	480,197	298,067
Due from central bank	542,886	524,532
Deposits with banks and other financial institutions	611,170	672,529
Subtotal	20,463,431	18,656,743
Interest expense		
Customer deposits	(8,250,118)	(6,967,328)
Debt securities issued	(1,289,217)	(1,376,849)
Deposits from banks and other financial institutions	(656,642)	(478,131)
Due to central bank	(212,493)	(159,936)
Borrowings from other banks (i)	(204,081)	(170,886)
Financial assets sold under repurchase agreements	(162,411)	(89,840)
Lease liabilities	(28,749)	(23,464)
Subtotal	(10,803,711)	(9,266,434)
Net interest income	9,659,720	9,390,309
Including:		
Interest income accrued on impaired financial assets	62,886	47,833

- (i) The interest expenses for borrowings from other banks were incurred by the ZJFL, a wholly-owned subsidiary of the Bank.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2021

(All amounts expressed in thousands of RMB unless otherwise stated)

6 NET FEE AND COMMISSION INCOME

	Six months ended 30 June	
	2021	2020
Fee and commission income:		
Agency and custodian services	174,683	231,999
Syndicated loan business	151,291	7,337
Bank cards	114,711	120,340
Settlement and electronic channel business	82,693	76,300
Guarantee and commitment services	73,800	83,515
Wealth management services	73,135	43,679
Financial lease business	39,309	32,621
Advisory and consultancy services	31,019	36,130
Foreign exchange business	12,122	19,988
Others	83,280	69,017
Subtotal	836,043	720,926
Fee and commission expense:		
Bank cards	(31,399)	(33,258)
Settlement and electronic channel business fees	(8,010)	(8,256)
Others	(102,441)	(79,371)
Subtotal	(141,850)	(120,885)
Net fee and commission income:	694,193	600,041

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2021

(All amounts expressed in thousands of RMB unless otherwise stated)

7 NET TRADING GAINS

	Six months ended 30 June	
	2021	2020
Debt securities		
Unrealised losses from debt securities	(398,194)	(787,076)
Realised gains from debt securities	1,260,699	1,533,943
Subtotal	862,505	746,867
Funds		
Unrealised gains from funds	10,059	12,377
Realised gains from funds	304,966	276,710
Subtotal	315,025	289,087
Others	3,112	–
Total	1,180,642	1,035,954

The above amounts include gains and losses arising from the buying and selling of, interest income on, and changes in the fair value of financial assets at fair value through profit or loss.

8 NET GAINS ON FINANCIAL INVESTMENTS

	Six months ended 30 June	
	2021	2020
Net gains from financial assets at fair value through other comprehensive income	156,855	361,130
Net gains from financial assets at amortized cost	2,450	2,420
Total	159,305	363,550

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2021

(All amounts expressed in thousands of RMB unless otherwise stated)

9 OTHER INCOME, GAINS OR LOSSES

	Six months ended 30 June	
	2021	2020
Government grants and subsidies	131,812	53,210
Net foreign exchange (losses)/gains	(72,820)	219,953
Net gains on disposal of property and equipment	21,100	37,571
Net gains/(losses) on disposal of foreclosed assets	111	(610)
Negative goodwill	–	76,229
Others	22,145	17,477
Total	102,348	403,830

10 OPERATING EXPENSES

	Six months ended 30 June	
	2021	2020
Staff costs (i)	2,379,527	1,719,033
Depreciation and amortization	457,271	394,053
Tax and surcharges	130,510	98,966
Labor dispatch fees	23,086	32,071
Professional service fees	6,795	5,174
Consulting fees	5,637	3,126
Others	500,584	468,450
Total	3,503,410	2,720,873

(i) Staff costs

	Six months ended 30 June	
	2021	2020
Salaries, bonuses and allowances	1,678,673	1,319,067
Social insurance and employee benefits	611,833	345,965
Labour union expenditure and education costs	57,751	46,271
Benefits for early retirement and supplemental retirement	31,270	7,730
Total	2,379,527	1,719,033

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2021

(All amounts expressed in thousands of RMB unless otherwise stated)

11 CREDIT IMPAIRMENT LOSSES

	Six months ended 30 June	
	2021	2020
Loans and advances to customers		
– Loans and advances to customers at amortized cost	2,574,183	3,581,478
– Impairment gains on assets (i)	(62,692)	(150,496)
– Loans and advances to customers at fair value through other comprehensive income	30,137	231,042
Financial investments	803,423	982,786
Off-balance sheet activities	244,644	207,898
Placements with banks and other financial institutions	27,746	35,009
Deposits with banks and other financial institutions	18,792	(8,437)
Others	190,710	97,267
Total	3,826,943	4,976,547

- (i) The Group recognized the excess of the collection amount of the purchased loans over the fair value on the purchase date as asset impairment gains.

12 INCOME TAX EXPENSE

	Six months ended 30 June	
	2021	2020
Current income tax	1,542,784	1,670,991
Deferred income tax	(745,706)	(898,605)
Total	797,078	772,386

Current income tax is calculated based on the statutory rate of 25% of the taxable income of the Group for the respective periods.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2021

(All amounts expressed in thousands of RMB unless otherwise stated)

12 INCOME TAX EXPENSE (Continued)

The difference between the actual income tax charged in the profit or loss and the amounts which would result from applying the enacted tax rate to profit before income tax can be reconciled as follows:

	Six months ended 30 June	
	2021	2020
Profit before income tax	4,457,159	4,094,645
Tax calculated at a tax rate of 25%	1,114,290	1,023,661
Tax effect arising from income not subject to tax (i)	(377,225)	(261,832)
Tax effect of expenses that are not deductible for tax purposes (ii)	30,091	23,596
Adjustments on income tax for prior years which affect current period profit or loss	29,922	(13,039)
Income tax expense	797,078	772,386

(i) The income not subject to tax mainly represents interest income arising from treasury bonds, which is income tax free in accordance with the PRC tax regulations.

(ii) The expenses that are not tax deductible for tax purposes mainly represent certain expenditures, such as entertainment expenses, which are not deductible for tax purposes according to the PRC tax regulations.

13 DIVIDENDS

	Six months ended 30 June	
	2021	2020
Dividends on ordinary shares declared	1,961,654	1,961,654
Dividend per share (in RMB yuan)	0.20	0.20
Dividends on preference shares declared	606,264	664,770

(a) Distribution of final dividend for 2020

A cash dividend of RMB0.2 per ordinary share related to 2020, amounting to RMB1,961,654 thousands in total was approved in the annual general meeting held on 8 June 2021.

The above dividend was recognized as distribution but not paid during the six months ended 30 June 2021.

(b) Distribution of preference share dividend

A cash dividend of preference share, amounting to RMB606,264 thousands in total was approved by the board of directors on 30, April 2021.

The above dividend was recognized as distribution and paid during the six months ended 30 June 2021.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2021

(All amounts expressed in thousands of RMB unless otherwise stated)

14 EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the net profit for the period attributable to shareholders of the Bank by the weighted average number of ordinary shares outstanding in issue during the periods.

	Six months ended 30 June	
	2021	2020
Profit for the period attributable to shareholders of the Bank	3,129,780	3,085,657
Less: profit for the period attributable to preference shareholders of the Bank	(606,264)	(664,770)
Net profit for the period attributable to ordinary shareholders of the Bank	2,523,516	2,420,887
Divided: Weighted average number of ordinary shares in issue	9,808,269	9,808,269
Basic and diluted earnings per share (in RMB yuan)	0.26	0.25

For the six months ended 30 June 2021, there were no potential diluted ordinary shares, so the diluted earnings per share were the same as the basic earnings per share.

The Bank issued preference shares on 20 June 2019 and the terms and conditions are detailed in Note 34. When calculating the basic earnings per share of ordinary shares, the preferred dividends declared in the current period have been deducted from the net profit for the period attributable to ordinary shareholders of the Bank, RMB606,264 thousand in total. The conversion feature of preference shares is considered to be contingently issuable ordinary shares. The triggering events of conversion did not occur during the period ended 30 June 2021, and therefore the conversion feature of preference shares has no effect on the basic earnings per share calculation.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2021

(All amounts expressed in thousands of RMB unless otherwise stated)

15 CASH AND DEPOSITS WITH CENTRAL BANK

	As at 30 June 2021	As at 31 December 2020
Cash on hand	3,353,751	3,786,547
Mandatory reserves with central bank (a)	65,419,158	63,308,030
Surplus reserves with central bank (b)	30,477,489	35,565,294
Fiscal deposits with central bank	1,185,995	1,133,838
Subtotal	100,436,393	103,793,709
Less:		
ECL allowance	(13,010)	(9,157)
Total	100,423,383	103,784,552

(a) The Group is required to place mandatory reserves with the PBOC, and these mandatory reserves with central bank are not available for use in the Group's daily operations. As at 30 June 2021, the ratio of the Bank for RMB deposits mandatory reserves was 8.5% (31 December 2020: 8.5%), and different ratios are applicable to the subsidiaries based on their locations. The ratio for foreign currency deposits was 7% at 30 June 2021 (31 December 2020: 5%). The reserves for RMB and foreign currencies are interest bearing based on the requirement of the PBOC.

(b) Surplus reserves are maintained with the PBOC are mainly for settlement purpose.

16 DEPOSITS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 30 June 2021	As at 31 December 2020
Deposits with banks operating in Mainland China	14,744,801	16,382,471
Deposits with other financial institutions operating in Mainland China	1,151,404	2,033,914
Deposits with banks operating outside Mainland China	3,662,502	6,835,460
Interest receivable	112,579	91,965
Subtotal	19,671,286	25,343,810
Less:		
ECL allowance	(349,738)	(330,946)
Total	19,321,548	25,012,864

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2021

(All amounts expressed in thousands of RMB unless otherwise stated)

17 PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 30 June 2021	As at 31 December 2020
Placements with banks operating in Mainland China	1,608,044	1,271,494
Placements with other financial institutions operating in Mainland China	28,943,250	19,729,799
Placements with banks operating outside Mainland China	3,661,140	947,549
Interest receivable	67,217	45,899
Subtotal	34,279,651	21,994,741
Less: ECL allowance	(311,331)	(283,585)
Total	33,968,320	21,711,156

18 FINANCIAL ASSETS HELD UNDER RESALE AGREEMENT

	As at 30 June 2021	As at 31 December 2020
Securities purchased under resale agreements	24,808,714	46,406,422
Interest receivable	14,089	45,520
Subtotal	24,822,803	46,451,942
Less: ECL allowance	(1)	(4,254)
Total	24,822,802	46,447,688

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2021

(All amounts expressed in thousands of RMB unless otherwise stated)

19 LOANS AND ADVANCES TO CUSTOMERS

(a) Loans and advances to customers:

	As at 30 June 2021	As at 31 December 2020
Loans and advances at amortized cost		
Corporate loans and advances		
– Corporate loans	402,726,152	379,857,495
– Discounted bills	3,468,312	1,868,222
	406,194,464	381,725,717
Personal loans and advances		
– Personal residential mortgages	69,427,369	67,439,751
– Personal business loans	60,902,580	54,466,750
– Personal consumption loans	9,424,319	9,508,812
– Credit cards overdraft	8,907,057	8,916,488
	148,661,325	140,331,801
Gross amount of loans and advances at amortized cost	554,855,789	522,057,518
Less: ECL allowance of loans and advances at amortized cost	(17,171,567)	(15,757,830)
Net amount of loans and advances at amortized cost	537,684,222	506,299,688
Loans and advances at fair value through other comprehensive income		
Corporate loans and advances		
– Discounted bills	81,969,201	46,868,652
Net amount of loans and advance to customers	619,653,423	553,168,340

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2021

(All amounts expressed in thousands of RMB unless otherwise stated)

19 LOANS AND ADVANCES TO CUSTOMERS (Continued)

(b) Loans listed by assessment method for allowance

	As at 30 June 2021				
	Stage I	Stage II	Stage III	Purchased or originated credit- impaired	Total
Gross amount of loans and advances at amortized cost					
Corporate loans	357,681,691	28,385,564	20,010,635	116,574	406,194,464
Personal loans	145,368,544	1,602,176	1,597,421	93,184	148,661,325
	503,050,235	29,987,740	21,608,056	209,758	554,855,789
Less: ECL allowance					
– Corporate loans	(2,213,571)	(3,089,682)	(8,064,709)	(1,931)	(13,369,893)
– Personal loans	(1,714,083)	(744,114)	(1,341,934)	(1,543)	(3,801,674)
	(3,927,654)	(3,833,796)	(9,406,643)	(3,474)	(17,171,567)
Net amount of loans and advances at amortized cost	499,122,581	26,153,944	12,201,413	206,284	537,684,222
Gross amount of loans and advances at fair value through other comprehensive income	81,969,201	–	–	–	81,969,201
ECL allowance on loans and advances to customers at fair value through other comprehensive income	(37,463)	–	(200,000)	–	(237,463)

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2021

(All amounts expressed in thousands of RMB unless otherwise stated)

19 LOANS AND ADVANCES TO CUSTOMERS (Continued)

(b) Loans listed by assessment method for allowance (Continued)

	As at 31 December 2020				Total
	Stage I	Stage II	Stage III	Purchased or originated credit-impaired	
Gross amount of loans and advances to customers at amortized cost					
Corporate loans	328,752,179	36,833,763	15,959,024	180,751	381,725,717
Personal loans	137,049,272	1,698,253	1,468,787	115,489	140,331,801
	465,801,451	38,532,016	17,427,811	296,240	522,057,518
Less: ECL allowance					
– Corporate loans	(1,471,346)	(3,703,951)	(6,394,640)	(1,972)	(11,571,909)
– Personal loans	(2,113,122)	(809,623)	(1,261,541)	(1,635)	(4,185,921)
	(3,584,468)	(4,513,574)	(7,656,181)	(3,607)	(15,757,830)
Net amount of loans and advances to customers	462,216,983	34,018,442	9,771,630	292,633	506,299,688
Gross amount of loans and advances at fair value through other comprehensive income	46,868,652	–	–	–	46,868,652
ECL allowance on loans and advances to customers at fair value through other comprehensive income	(7,326)	–	(200,000)	–	(207,326)

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2021

(All amounts expressed in thousands of RMB unless otherwise stated)

19 LOANS AND ADVANCES TO CUSTOMERS (Continued)

(c) Movements in ECL allowance

Movements in ECL allowance on corporate loans and advances to customers at amortized cost

	Six months ended 30 June 2021				Total
	Stage I 12-month ECL	Stage II Lifetime ECL	Stage III Lifetime ECL	Purchased or originated credit- impaired	
Corporate loans and advances					
ECL allowance as at 1 January 2021	1,471,346	3,703,951	6,394,640	1,972	11,571,909
Originated or purchased	996,576	–	–	–	996,576
Derecognition or settlements	(655,094)	(270,999)	(208,816)	–	(1,134,909)
Remeasurement					
– Parameter changes	470,531	194,955	741,502	(41)	1,406,947
– Stage transfer	(532,652)	638,777	1,415,880	–	1,522,005
Write-off	–	–	(929,180)	–	(929,180)
Transfers	462,864	(1,177,002)	714,138	–	–
Transfer from Stage I to Stage II	(109,061)	109,061	–	–	–
Transfer from Stage I to Stage III	(6,662)	–	6,662	–	–
Transfer from Stage II to Stage I	500,618	(500,618)	–	–	–
Transfer from Stage II to Stage III	–	(840,077)	840,077	–	–
Transfer from Stage III to Stage II	–	54,632	(54,632)	–	–
Transfer from Stage III to Stage I	77,969	–	(77,969)	–	–
Others	–	–	(63,455)	–	(63,455)
ECL allowance as at 30 June 2021	2,213,571	3,089,682	8,064,709	1,931	13,369,893

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2021

(All amounts expressed in thousands of RMB unless otherwise stated)

19 LOANS AND ADVANCES TO CUSTOMERS (Continued)

(c) Movements in ECL allowance (Continued)

Movements in ECL allowance on corporate loans and advances to customers at amortized cost

	Year ended 31 December 2020				Total
	Stage I 12-month ECL	Stage II Lifetime ECL	Stage III Lifetime ECL	Purchased or originated credit- impaired	
Corporate loans and advances					
ECL allowance as at 1 January 2020	1,239,986	7,048,784	5,173,062	–	13,461,832
Originated or purchased	1,423,834	–	–	–	1,423,834
Derecognition or settlements	(781,312)	(492,563)	(234,540)	–	(1,508,415)
Remeasurement					
– Parameter changes	(116,918)	(47,374)	(118,990)	1,972	(281,310)
– Stage transfer	(1,667,018)	1,036,850	4,967,336	–	4,337,168
Write-off	–	–	(5,805,199)	–	(5,805,199)
Transfers	1,372,774	(3,841,746)	2,468,972	–	–
Transfer from Stage I to Stage II	(197,686)	197,686	–	–	–
Transfer from Stage I to Stage III	(113,882)	–	113,882	–	–
Transfer from Stage II to Stage I	1,684,342	(1,684,342)	–	–	–
Transfer from Stage II to Stage III	–	(2,377,972)	2,377,972	–	–
Transfer from Stage III to Stage II	–	22,882	(22,882)	–	–
Transfer from Stage III to Stage I	–	–	–	–	–
Others	–	–	(56,001)	–	(56,001)
ECL allowance as at 31 December 2020	1,471,346	3,703,951	6,394,640	1,972	11,571,909

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2021

(All amounts expressed in thousands of RMB unless otherwise stated)

19 LOANS AND ADVANCES TO CUSTOMERS (Continued)

(c) Movements in ECL allowance (Continued)

Movements in ECL allowance on personal loans and advances to customers at amortized cost

	Six months ended 30 June 2021				Total
	Stage I 12-month ECL	Stage II Lifetime ECL	Stage III Lifetime ECL	Purchased or originated credit- impaired	
Personal loans and advances					
ECL allowance as at 1 January 2021	2,113,122	809,623	1,261,541	1,635	4,185,921
Originated or purchased	330,137	–	–	–	330,137
Derecognition or settlements	(528,551)	(227,144)	(125,187)	–	(880,882)
Remeasurement					
– Parameter changes	(166,833)	17,046	52,505	(92)	(97,374)
– Stage transfer	(207,537)	456,922	432,170	–	681,555
Write-off	–	–	(418,252)	–	(418,252)
Transfers	173,745	(312,333)	138,588	–	–
Transfer from Stage I to Stage II	(22,551)	22,551	–	–	–
Transfer from Stage I to Stage III	(14,691)	–	14,691	–	–
Transfer from Stage II to Stage I	191,683	(191,683)	–	–	–
Transfer from Stage II to Stage III	–	(159,465)	159,465	–	–
Transfer from Stage III to Stage II	–	16,264	(16,264)	–	–
Transfer from Stage III to Stage I	19,304	–	(19,304)	–	–
Others	–	–	569	–	569
ECL allowance as at 30 June 2021	1,714,083	744,114	1,341,934	1,543	3,801,674

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2021

(All amounts expressed in thousands of RMB unless otherwise stated)

19 LOANS AND ADVANCES TO CUSTOMERS (Continued)

(c) Movements in ECL allowance (Continued)

Movements in ECL allowance on personal loans and advances to customers at amortized cost

	Year ended 31 December 2020				Total
	Stage I 12-month ECL	Stage II Lifetime ECL	Stage III Lifetime ECL	Purchased or originated credit- impaired	
Personal loans and advances					
ECL allowance as at 1 January					
2020	1,685,516	532,606	1,236,801	–	3,454,923
Originated or purchased	1,137,976	–	–	–	1,137,976
Derecognition or settlements	(681,795)	(265,902)	(115,330)	–	(1,063,027)
Remeasurement					
– Parameter changes	16,662	53,580	591,498	1,635	663,375
– Stage transfer	(136,216)	681,871	681,071	–	1,226,726
Write-off	–	–	(1,234,093)	–	(1,234,093)
Transfers	90,979	(192,532)	101,553	–	–
Transfer from Stage I to Stage II	(23,230)	23,230	–	–	–
Transfer from Stage I to Stage III	(24,886)	–	24,886	–	–
Transfer from Stage II to Stage I	132,994	(132,994)	–	–	–
Transfer from Stage II to Stage III	–	(86,169)	86,169	–	–
Transfer from Stage III to Stage II	–	3,401	(3,401)	–	–
Transfer from Stage III to Stage I	6,101	–	(6,101)	–	–
Others	–	–	41	–	41
ECL allowance as at 31 December					
2020	2,113,122	809,623	1,261,541	1,635	4,185,921

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2021

(All amounts expressed in thousands of RMB unless otherwise stated)

19 LOANS AND ADVANCES TO CUSTOMERS (Continued)

(c) Movements in ECL allowance (Continued)

Movements in ECL allowance on loans and advances to customers at fair value through other comprehensive income

	Six months ended 30 June 2021			
	Stage I	Stage II	Stage III	Total
	12-month ECL	Lifetime ECL	Lifetime ECL	
Discounted bills				
ECL allowance as at 1 January 2021	7,326	–	200,000	207,326
Originated or purchased	35,754	–	–	35,754
Derecognition or settlements	(3,926)	–	–	(3,926)
Remeasurement				
– Parameter changes	(1,691)	–	–	(1,691)
Write-off	–	–	–	–
Transfers	–	–	–	–
Transfer from Stage I to Stage II	–	–	–	–
Transfer from Stage I to Stage III	–	–	–	–
Transfer from Stage II to Stage I	–	–	–	–
Transfer from Stage II to Stage III	–	–	–	–
Transfer from Stage III to Stage II	–	–	–	–
Transfer from Stage III to Stage I	–	–	–	–
ECL allowance as at 30 June 2021	37,463	–	200,000	237,463

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2021

(All amounts expressed in thousands of RMB unless otherwise stated)

19 LOANS AND ADVANCES TO CUSTOMERS (Continued)

(c) Movements in ECL allowance (Continued)

	Year ended 31 December 2020			Total
	Stage I 12-month ECL	Stage II Lifetime ECL	Stage III Lifetime ECL	
Discounted bills				
ECL allowance as at 1 January 2020	3,014	–	393,428	396,442
Originated or purchased	7,326	–	–	7,326
Derecognition or settlements	(3,014)	–	–	(3,014)
Remeasurement				
– Parameter changes	–	–	356,571	356,571
Write-off	–	–	(549,999)	(549,999)
Transfers	–	–	–	–
Transfer from Stage I to Stage II	–	–	–	–
Transfer from Stage I to Stage III	–	–	–	–
Transfer from Stage II to Stage I	–	–	–	–
Transfer from Stage II to Stage III	–	–	–	–
Transfer from Stage III to Stage II	–	–	–	–
Transfer from Stage III to Stage I	–	–	–	–
ECL allowance as at 31 December 2020	7,326	–	200,000	207,326

20 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 June 2021	As at 31 December 2020
Government bonds	12,075,216	13,725,234
Bonds issued by policy banks	24,717,725	21,414,511
Bonds issued by financial institutions	2,171,439	2,243,957
Certificates of deposit issued by other financial institutions	10,116,876	46,045
Assets backed securities issued by other banks and non-bank financial institutions	3,049,348	3,176,810
Corporate bonds	2,759,820	4,423,335
Trust and asset management plans	7,864,366	7,894,769
Fund and other investments	25,429,514	35,948,298
Interest receivable	1,509,656	1,374,535
Total	89,693,960	90,247,494

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2021

(All amounts expressed in thousands of RMB unless otherwise stated)

21 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	As at 30 June 2021	As at 31 December 2020
Government bonds	19,524,778	18,703,129
Bonds issued by policy banks	25,424,189	35,372,734
Bonds issued by financial institutions	873,682	984,193
Assets backed securities issued by other banks and non-bank financial institutions	2,019,540	2,295,188
Corporate bonds	6,786,880	9,263,436
Certificates of deposit issued by other financial institutions	1,026,714	1,145,227
Trust and asset management plans (i)	6,219,474	6,537,923
Interest receivable	788,479	1,375,502
Total	62,663,736	75,677,332

(i) Trust and asset management plans as at 30 June 2021 were invested in credit assets.

(a) Movements in ECL allowance are summarised as follows:

	Six months ended 30 June 2021			
	Stage I 12-month ECL	Stage II Lifetime ECL	Stage III Lifetime ECL	Total
ECL allowance as at 1 January 2021	35,013	483,019	1,265,291	1,783,323
Originated or purchased	9,536	–	–	9,536
Derecognition or settlements	(19,439)	(232)	(1,067)	(20,738)
Remeasurement				
– Parameter changes	27,166	97,530	126,503	251,199
– Stage transfer	–	–	215,055	215,055
Transfers:	(2,031)	(311,899)	313,930	–
Transfer from Stage I to Stage II	–	–	–	–
Transfer from Stage I to Stage III	(2,031)	–	2,031	–
Transfer from Stage II to Stage I	–	–	–	–
Transfer from Stage II to Stage III	–	(311,899)	311,899	–
Transfer from Stage III to Stage II	–	–	–	–
Transfer from Stage III to Stage I	–	–	–	–
ECL allowance as at 30 June 2021	50,245	268,418	1,919,712	2,238,375

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2021

(All amounts expressed in thousands of RMB unless otherwise stated)

21 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Continued)

(a) Movements in ECL allowance are summarised as follows (Continued):

	Year ended 31 December 2020			
	Stage I	Stage II	Stage III	Total
	12-month ECL	Lifetime ECL	Lifetime ECL	
ECL allowance as at 1 January 2020	89,162	173,841	1,211,722	1,474,725
Originated or purchased	10,363	–	–	10,363
Derecognition or settlements	(20,578)	(21,755)	(17,316)	(59,649)
Remeasurement				
– Parameter changes	(8,841)	137,066	70,170	198,395
– Stage transfer	–	158,824	665	159,489
Transfers:	(35,093)	35,043	50	–
Transfer from Stage I to Stage II	(35,043)	35,043	–	–
Transfer from Stage I to Stage III	(50)	–	50	–
Transfer from Stage II to Stage I	–	–	–	–
Transfer from Stage II to Stage III	–	–	–	–
Transfer from Stage III to Stage II	–	–	–	–
Transfer from Stage III to Stage I	–	–	–	–
ECL allowance as at 31 December 2020	35,013	483,019	1,265,291	1,783,323

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2021

(All amounts expressed in thousands of RMB unless otherwise stated)

22 FINANCIAL ASSETS AT AMORTIZED COST

	As at 30 June 2021	As at 31 December 2020
Government bonds	40,199,477	25,140,355
Bonds issued by policy banks	40,711,293	35,043,690
Bonds issued by financial institutions	2,980,853	677,600
Certificates of deposit issued by other financial institutions	16,315,089	19,270,099
Assets backed securities issued by other banks and non-bank financial institutions	8,694,404	7,110,358
Corporate bonds	6,358,039	3,270,966
Trust and asset management plans (i)	9,017,018	5,825,068
Interest receivable	1,330,480	1,214,395
Subtotal	125,606,653	97,552,531
Less :		
ECL allowance	(1,301,542)	(953,171)
Total	124,305,111	96,599,360

(i) Trust and asset management plans as at 30 June 2021 were invested in credit assets.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2021

(All amounts expressed in thousands of RMB unless otherwise stated)

22 FINANCIAL ASSETS AT AMORTIZED COST (Continued)

(a) Movements in ECL allowance are summarised as follows:

	Six months ended 30 June 2021			
	Stage I	Stage II	Stage III	Total
	12-month ECL	Lifetime ECL	Lifetime ECL	
ECL allowance as at 1 January 2021	12,853	259,149	681,169	953,171
Originated or purchased	45,914	–	–	45,914
Derecognition or settlements	(2,621)	(22,654)	–	(25,275)
Remeasurement				
– Parameter changes	40,606	(27,121)	134,549	148,034
– Stage transfer	–	14,244	165,454	179,698
Transfers:	(8,532)	(31,234)	39,766	–
Transfer from Stage I to Stage II	(6,104)	6,104	–	–
Transfer from Stage I to Stage III	(2,428)	–	2,428	–
Transfer from Stage II to Stage I	–	–	–	–
Transfer from Stage II to Stage III	–	(37,338)	37,338	–
Transfer from Stage III to Stage II	–	–	–	–
Transfer from Stage III to Stage I	–	–	–	–
ECL allowance as at 30 June 2021	88,220	192,384	1,020,938	1,301,542
	Year ended 31 December 2020			
	Stage I	Stage II	Stage III	Total
	12-month ECL	Lifetime ECL	Lifetime ECL	
ECL allowance as at 1 January 2020	142,820	311,645	232,787	687,252
Originated or purchased	11,324	–	–	11,324
Derecognition or settlements	(90,517)	(9,586)	(266,033)	(366,136)
Remeasurement				
– Parameter changes	(27,701)	(66,883)	(361)	(94,945)
– Stage transfer	–	136,006	579,670	715,676
Transfers:	(23,073)	(112,033)	135,106	–
Transfer from Stage I to Stage II	(23,073)	23,073	–	–
Transfer from Stage I to Stage III	–	–	–	–
Transfer from Stage II to Stage I	–	–	–	–
Transfer from Stage II to Stage III	–	(135,106)	135,106	–
Transfer from Stage III to Stage II	–	–	–	–
Transfer from Stage III to Stage I	–	–	–	–
ECL allowance as at 31 December 2020	12,853	259,149	681,169	953,171

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2021

(All amounts expressed in thousands of RMB unless otherwise stated)

23 PROPERTY AND EQUIPMENT

	Properties and buildings	Construction in progress	Leasehold improvements	Office equipment	Motor vehicles	Total
Cost						
As at 1 January 2021	6,084,348	269,885	597,756	1,263,215	45,096	8,260,300
Additions	9,634	121,325	2,487	18,201	5,567	157,214
Transfer from construction in progress	1,807	(73,078)	6,073	65,198	-	-
Disposals	(20,942)	(145)	(107)	(38,953)	(11,331)	(71,478)
Other transfer-out	-	(25,780)	-	-	(230)	(26,010)
As at 30 June 2021	6,074,847	292,207	606,209	1,307,661	39,102	8,320,026
Accumulated depreciation						
As at 1 January 2021	3,783,514	-	534,506	966,487	38,203	5,322,710
Charge for the period	131,161	-	13,270	65,425	3,742	213,598
Disposals	(7,989)	-	(94)	(36,449)	(9,379)	(53,911)
As at 30 June 2021	3,906,686	-	547,682	995,463	32,566	5,482,397
Net book value						
As at 30 June 2021	2,168,161	292,207	58,527	312,198	6,536	2,837,629
As at 1 January 2021	2,300,834	269,885	63,250	296,728	6,893	2,937,590

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2021

(All amounts expressed in thousands of RMB unless otherwise stated)

23 PROPERTY AND EQUIPMENT (Continued)

	Properties and buildings	Construction in progress	Leasehold improvements	Office equipment	Motor vehicles	Total
Cost						
At 1 January 2020	5,773,065	170,377	585,727	1,242,634	51,734	7,823,537
Additions	63,587	195,585	14,055	73,434	4,730	351,391
Transfer from construction in progress	24,353	(51,934)	2,070	25,511	-	-
Transfer from investment properties	194,144	-	-	-	-	194,144
Acquisition of a subsidiary	94,571	-	-	6,432	1,189	102,192
Disposals	(33,179)	-	(3,615)	(84,796)	(12,557)	(134,147)
Other transfer-out	(32,193)	(44,143)	(481)	-	-	(76,817)
At 31 December 2020	6,084,348	269,885	597,756	1,263,215	45,096	8,260,300
Accumulated depreciation						
At 1 January 2020	3,433,199	-	497,978	922,690	48,032	4,901,899
Charge for the year	271,081	-	40,217	124,081	2,296	437,675
Transfer from investment properties	133,074	-	-	-	-	133,074
Disposals	(21,647)	-	(3,590)	(80,284)	(12,125)	(117,646)
Other transfer-out	(32,193)	-	(99)	-	-	(32,292)
At 31 December 2020	3,783,514	-	534,506	966,487	38,203	5,322,710
Net book value						
At 31 December 2020	2,300,834	269,885	63,250	296,728	6,893	2,937,590
At 1 January 2020	2,339,866	170,377	87,749	319,944	3,702	2,921,638

The original value and net value of the property and equipment that have been used but are in the process of applying for the right certificates and that have been used but have not yet applied for the right certificates are listed as follows:

	As at 30 June 2021	As at 31 December 2020
Original value	1,578,773	1,583,953
Net value	806,594	814,086

Management expects that the aforesaid matter would not affect the rights of the Group to these assets or have any significant impact on the business operation of the Group.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2021

(All amounts expressed in thousands of RMB unless otherwise stated)

24 GOODWILL

	As at 1 January 2021	Additions	As at 30 June 2021
ZZRCB	382,216	–	382,216
CZRCB	476,181	–	476,181
Impairment allowance (i)	(124,160)	–	(124,160)
	734,237	–	734,237

	As at 1 January 2020	Additions	As at 31 December 2020
ZZRCB	382,216	–	382,216
CZRCB	476,181	–	476,181
Impairment allowance (i)	(124,160)	–	(124,160)
	734,237	–	734,237

(i) Impairment

The recoverable amount of the asset group is based on the five-year budget approved by the management, which is then estimated based on a fixed growth rate (as described in the table below) and calculated using the cash flow forecast method.

The assumptions of the future cash flow discount method are as follows:

	As at 30 June 2021	As at 31 December 2020
Growth rate	3%	3%
Discount rate	15%	15%

The growth rate is the weighted average growth rate used by the Group to forecast the cash flow after five years, which is consistent with the forecast data contained in the industry report and does not exceed the long-term average growth rate of each business. The management uses the interest rate of profit-before-tax as the discount rate which can reflect the specific risks of the relevant asset groups and the portfolio of asset groups. The above assumptions are used to analyse the recoverable amounts of each asset group and portfolio of asset groups within the business division.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2021

(All amounts expressed in thousands of RMB unless otherwise stated)

25 DEFERRED INCOME TAXES

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset income tax assets against income tax liabilities and when the deferred income taxes are related to income taxes levied by the same taxation authority. The deferred tax assets and liabilities recognised are as follows:

	30 June 2021		31 December 2020	
	Deferred tax assets/ (liabilities)	Deductible/ (taxable) temporary difference	Deferred tax assets/ (liabilities)	Deductible/ (taxable) temporary difference
Deferred income tax assets:				
Impairment allowances for assets	5,063,121	20,252,475	4,685,122	18,740,486
Provisions	713,272	2,853,088	706,936	2,827,744
Changes in the expected credit losses of financial assets at FVOCI	559,594	2,238,375	445,831	1,783,322
Changes in fair value of financial assets at FVOCI	589,571	2,358,282	518,065	2,072,258
Changes in the expected credit losses of loans and advances to customers at FVOCI	59,365	237,463	51,832	207,326
Changes in fair value of loans and advances to customers at FVOCI	36,442	145,771	66,842	267,367
Changes in fair value of financial assets at FVPL	301,972	1,207,888	205,937	823,748
Salaries, bonuses, allowances and subsidies payable	596,107	2,384,427	486,128	1,944,510
Others	186,585	746,340	169,175	676,701
Subtotal	8,106,029	32,424,109	7,335,868	29,343,462
Deferred income tax liabilities:				
Changes in the expected credit losses of financial assets at FVOCI	(559,594)	(2,238,375)	(445,831)	(1,783,322)
Changes in the expected credit losses of loans and advances to customers at FVOCI	(59,365)	(237,463)	(51,832)	(207,326)
Changes in fair value of financial assets at FVPL	(2,764)	(11,055)	(3,762)	(15,048)
Adjustment of book value of assets and liabilities on the date of acquisition	(112,187)	(448,748)	(127,840)	(511,360)
Unrealized gains of foreclosed assets	(162)	(646)	(162)	(646)
Subtotal	(734,072)	(2,936,287)	(629,427)	(2,517,702)
Net deferred income tax	7,371,957	29,487,822	6,706,441	26,825,760

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2021

(All amounts expressed in thousands of RMB unless otherwise stated)

25 DEFERRED INCOME TAXES (Continued)

The movements for deferred tax assets and liabilities recognised are as follows:

	As at 30 June 2021	As at 31 December 2020
Balance at the end of the last year	6,706,441	5,054,904
Charged to profit or loss	745,706	1,213,983
Charged to other comprehensive income	(80,190)	464,919
Acquisition of a subsidiary	–	(27,365)
At the end of the period/year	7,371,957	6,706,441

26 OTHER ASSETS

	As at 30 June 2021	As at 31 December 2020
Right-of-use assets (a)	1,885,301	1,946,889
Settlement and clearing accounts	1,221,072	718,192
Receivables and payments	1,070,128	1,221,605
Interest receivable	1,017,435	417,874
Foreclosed assets (b)	638,003	640,937
Assets to be settled	297,366	297,366
Intangible assets (c)	185,407	185,682
Long-term deferred expenses	83,922	105,988
Investment properties	43,623	47,692
Assets classified as held for sale	230	–
Others	19,238	18,325
Total	6,461,725	5,600,550
Less: Allowance for impairment losses	(955,764)	(755,958)
Total	5,505,961	4,844,592

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2021

(All amounts expressed in thousands of RMB unless otherwise stated)

26 OTHER ASSETS (Continued)

(a) Right-of-use assets

	Properties and equipments	Land use rights	Total
Cost			
As at 1 January 2021	1,366,127	1,102,911	2,469,038
Additions	116,292	–	116,292
Disposals	(90,996)	–	(90,996)
As at 30 June 2021	1,391,423	1,102,911	2,494,334
Accumulated depreciation			
As at 1 January 2021	453,250	68,899	522,149
Charge for the period	141,118	13,049	154,167
Disposals	(67,283)	–	(67,283)
As at 30 June 2021	527,085	81,948	609,033
Net book value			
As at 30 June 2021	864,338	1,020,963	1,885,301
As at 1 January 2021	912,877	1,034,012	1,946,889

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2021

(All amounts expressed in thousands of RMB unless otherwise stated)

26 OTHER ASSETS (Continued)

(a) Right-of-use assets (Continued)

	Properties and equipments	Land use rights	Total
Cost			
As at 1 January 2020	1,206,351	1,045,961	2,252,312
Additions	337,304	10,543	347,847
Acquisition of a subsidiary	–	46,407	46,407
Disposals	(177,528)	–	(177,528)
As at 31 December 2020	1,366,127	1,102,911	2,469,038
Accumulated depreciation			
As at 1 January 2020	297,960	43,273	341,233
Charge for the year	296,072	25,626	321,698
Disposal	(140,782)	–	(140,782)
As at 31 December 2020	453,250	68,899	522,149
Net book value			
As at 31 December 2020	912,877	1,034,012	1,946,889
As at 1 January 2020	908,391	1,002,688	1,911,079

(b) Foreclosed assets

	As at 30 June 2021	As at 31 December 2020
Houses and buildings	616,820	619,754
Others	21,183	21,183
Subtotal	638,003	640,937
Less: Allowance for impairment losses	(78,003)	(69,307)
Total	560,000	571,630

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2021

(All amounts expressed in thousands of RMB unless otherwise stated)

26 OTHER ASSETS (Continued)

(b) Foreclosed assets (Continued)

Movements of allowance for foreclosed assets are as follows:

	Houses and buildings
At 1 January 2021	69,307
Charge for the period	8,696
At 30 June 2021	78,003
At 1 January 2020	64,017
Charge for the year	41,620
Disposal for the year	(36,330)
At 31 December 2020	69,307

(c) Intangible assets

	Software	Total
Cost		
At 1 January 2021	716,611	716,611
Additions	57,097	57,097
Transfer from construction in progress	16,555	16,555
Disposal	(47)	(47)
As at 30 June 2021	790,216	790,216
Accumulated amortization		
At 1 January 2021	530,929	530,929
Amortization	73,924	73,924
Disposal	(44)	(44)
As at 30 June 2021	604,809	604,809
Net book value		
As at 30 June 2021	185,407	185,407
At 1 January 2021	185,682	185,682

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2021

(All amounts expressed in thousands of RMB unless otherwise stated)

26 OTHER ASSETS (Continued)

(c) Intangible assets (Continued)

	Software	Total
Cost		
At 1 January 2020	595,825	595,825
Additions	101,606	101,606
Transfer from construction in progress	19,180	19,180
At 31 December 2020	716,611	716,611
Accumulated amortization		
At 1 January 2020	429,103	429,103
Amortization	101,826	101,826
At 31 December 2020	530,929	530,929
Net book value		
At 31 December 2020	185,682	185,682
At 1 January 2020	166,722	166,722

27 DEPOSITS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 30 June 2021	As at 31 December 2020
Deposits from banks operating in Mainland China	4,587,980	2,182,452
Deposits from other financial institutions operating in Mainland China	43,193,668	38,827,688
Interest payable	243,467	219,778
Total	48,025,115	41,229,918

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2021

(All amounts expressed in thousands of RMB unless otherwise stated)

28 PLACEMENTS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 30 June 2021	As at 31 December 2020
Placements from banks operating in Mainland China	590,000	1,450,000
Placements from banks operating outside Mainland China	100,000	16,830
Placements from other financial institutions operating in Mainland China	–	350,000
Interest payable	1,048	1,751
Total	691,048	1,818,581

29 FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

	As at 30 June 2021	As at 31 December 2020
Securities	9,773,610	10,068,344
Interest payable	8,651	1,710
Total	9,782,261	10,070,054

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2021

(All amounts expressed in thousands of RMB unless otherwise stated)

30 CUSTOMER DEPOSITS

	As at 30 June 2021	As at 31 December 2020
Demand deposits		
– Corporate customers	173,237,984	172,388,269
– Personal customers	126,782,411	121,225,967
	300,020,395	293,614,236
Time deposits		
– Corporate customers	194,752,214	184,855,368
– Personal customers	309,105,092	274,991,612
	503,857,306	459,846,980
Pledged deposits	13,235,746	13,726,691
Other deposits (i)	12,843,848	11,236,947
Total	829,957,295	778,424,854

- (i) As at 30 June 2021, the deposits arising from wealth management products with the principal amounts guaranteed by the Group amounted to RMB4,168,730 thousands (31 December 2020: RMB6,566,780 thousands).

31 DEBT SECURITIES ISSUED

	As at 30 June 2021	As at 31 December 2020
2018 tier 2 capital bonds (a)	9,998,934	9,998,868
Interbank certificates of deposit issued (b)	72,133,211	65,239,249
Financial bonds (c)	999,436	999,221
Interest payable	145,705	406,538
Total	83,277,286	76,643,876

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2021

(All amounts expressed in thousands of RMB unless otherwise stated)

31 DEBT SECURITIES ISSUED (Continued)

(a) Tier 2 capital bonds

Pursuant to the approval of the PBOC and the CBIRC, the Bank issued tier 2 capital bonds in an amount of RMB10 billion in the domestic interbank bond market on 23 March 2018. The bonds have a maturity of 10 years, with a fixed coupon rate of 4.90% and annual interest payment on 23 March. The principal is repaid upon its maturity and the Bank has the option to early redeem the bonds at the end of the fifth year. These eligible Tier 2 capital bonds have the write-down feature of a Tier 2 capital instrument, which allows the Bank to write down the entire principal of the bonds when a regulatory trigger event occurs. Any accumulated unpaid interest will not be needed to be paid.

(b) Interbank certificates of deposit issued

As at 30 June 2021 and 31 December 2020, the outstanding balance was RMB72,133,211 thousands and RMB65,239,249 thousands, with the interest rate ranging from 2.43% to 3.42% and from 1.85% to 3.42% respectively, and the amount would mature in 2022 and 2021 respectively.

(c) Financial bonds

Pursuant to the approval of the PBOC and the CBIRC, ZJFL issued financial bonds in an amount of RMB1 billion in the domestic interbank bond market on 18 April 2019. The bonds have a maturity of 3 years, with a fixed coupon rate of 3.80% and annual interest payment on 22 April every year from 2020 to 2022.

32 OTHER LIABILITIES

	As at 30 June 2021	As at 31 December 2020
Borrowings from other banks (a)	11,426,779	10,048,067
Provisions (b)	2,853,088	2,827,744
Salaries, bonuses, allowances and subsidies payable (c)	2,503,677	2,655,115
Dividend payable	1,988,025	15,950
Guarantee deposits from lessees (d)	1,471,591	1,377,410
Rediscount liabilities	1,382,762	290,091
Lease liabilities	938,012	957,973
Sundry tax payables	549,196	530,135
Settlement and clearing accounts	397,384	2,198,045
Deferred revenue	151,237	156,710
Deposit insurance premium payable	86,904	86,146
Deposits and guarantees received	50,342	49,343
Payables for commission funds	25,000	25,000
Collection of foreclosed assets	15,000	15,000
Others	214,811	338,127
Total	24,053,808	21,570,856

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2021

(All amounts expressed in thousands of RMB unless otherwise stated)

32 OTHER LIABILITIES (Continued)

(a) Borrowings from other banks

As at 30 June 2021, the wholly-owned subsidiary of the Bank, ZJFL, borrowed long-term and short-term loans for its leasing operation business, with maturity ranging from 1 to 60 months (31 December 2020: from 1 to 60 months) and interest rates ranging from 3.40% to 4.80% (31 December 2020: from 2.50% to 5.39%).

(b) Provisions

Upon the extension of the transition period of the “Guiding Opinion on Regulating Asset Management Business of Financial Institutions”, in order to steadily promote the subsequent rectification of the asset management business, the Group accrued a provision for estimated liabilities of RMB2,829,746 thousands for off-balance sheet assets as at 30 June 2021 (31 December 2020: RMB 2,803,081 thousands).

(c) Salaries, bonuses, allowances and subsidies payable

	As at 30 June 2021	As at 31 December 2020
Salaries, bonuses and allowances	1,647,132	1,822,612
Social insurance	5,326	4,454
Housing fund	300	175
Employee benefits	48,300	78,636
Labor union expenditure and education costs	241,006	224,397
Defined contribution plans	10,684	5,828
Defined benefit plans		
– Supplemental retirement benefits (i)	422,202	422,202
Early retirement benefits	128,727	96,811
Total	2,503,677	2,655,115

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2021

(All amounts expressed in thousands of RMB unless otherwise stated)

32 OTHER LIABILITIES (Continued)

(c) Salaries, bonuses, allowances and subsidies payable (Continued)

(i) Supplemental retirement benefits

The movement of supplementary retirement benefits of the Group are as follows:

	As at 30 June 2021	As at 31 December 2020
At the beginning of the period/year	422,202	555,945
Benefits paid during the period/year	(9,516)	(161,036)
Defined benefit cost recognised in profit or loss	9,516	52,970
Defined benefit cost recognised in other comprehensive income	–	(25,677)
At the end of the period/year	422,202	422,202

The principal actuarial assumptions adopted at the end of 30 June 2021 and 31 December 2020 are as follows:

	As at 30 June 2021	As at 31 December 2020
Discount rate		
– Normal retirees	3.59%	3.59%
– Early retirees	3.66%	3.66%
Expected growth rate of benefits	0-5%	0-5%
Age of retirement		
– Male	60	60
– Female	50/55	50/55

Assumptions regarding future mortality are based on the China Life Insurance Mortality table, published in Mainland China.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2021

(All amounts expressed in thousands of RMB unless otherwise stated)

32 OTHER LIABILITIES (Continued)

(c) Salaries, bonuses, allowances and subsidies payable (Continued)

(i) Supplemental retirement benefits (Continued)

The sensitivity of the present value of supplemental retirement benefit obligations to changes in the principal assumption is:

	Discount rate	
	As at 30 June 2021	As at 31 December 2020
Change in basis points		
+50 basis points	(31,903)	(31,903)
-50 basis points	36,102	36,102

	Growth rate	
	As at 30 June 2021	As at 31 December 2020
Change in basis points		
+50 basis points	37,013	37,013
-50 basis points	(32,992)	(32,992)

(d) Guarantee deposits from lessees

The wholly-owned subsidiary of the Bank, ZJFL, received deposits from lessees when entering into the finance lease contracts. These deposits are interest-free and will be repaid upon maturity of the lease contracts.

33 SHARE CAPITAL

All shares of the Bank issued are fully paid ordinary shares, with par value of RMB1 per share. The Bank's number of shares is as follows:

	30 June 2021		31 December 2020	
	Number of shares '000	Nominal value	Number of shares '000	Nominal value
Opening balance	9,808,269	9,808,269	9,808,269	9,808,269
As at 30 June 2021/31 December 2020	9,808,269	9,808,269	9,808,269	9,808,269

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2021

(All amounts expressed in thousands of RMB unless otherwise stated)

34 PREFERENCE SHARES

(a) Preference shares outstanding at the end of the period

	Issue date	Accounting classification	Dividend rate	Issue price	Number of shares	In original currency	In RMB	Maturity	Conversion condition	Conversion
Offshore preference share										
Preference shares in USD	20 June 2019	Equity	5.90%	USD20/ share	71,500,000	1,430,000	9,839,115	No maturity date	Mandatory	No conversion during the period
					Total		9,839,115			
					Less:					
					Issuance fees		18,381			
					Book value		9,820,734			

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2021

(All amounts expressed in thousands of RMB unless otherwise stated)

34 PREFERENCE SHARES (Continued)

(b) Main clauses

Offshore preference shares

(i) Dividend

The offshore preference shares accrue non-cumulative dividends on the issue price at the relevant dividend rate below:

- (1) From and including the issue date to but excluding the first reset date, at the rate of 5.90% per annum; and
- (2) Thereafter, in respect of the period from and including the first reset date and each reset date falling thereafter to but excluding the immediately following reset date, at the relevant reset dividend rate, provided that the dividend rate shall not at any time exceed 13.57% per annum, being the mean of the weighted average return on equity of the Bank (as determined in accordance with the Rules for Preparation of Information Disclosure by Companies Offering Securities to the Public No. 9 – Calculation and Disclosure of Return on Equity and Earnings per Share (as amended in 2010) and calculated based on the return attributable to the Ordinary Shareholders) for the two most recent financial years prior to the issue date.

(ii) Conditions to distribution of dividends

The payment of any dividend on any dividend payment date is subject to:

- (a) the Board (or within the delegated authorization of the Board) having passed a resolution to declare such dividend in accordance with the Articles of Association;
- (b) the Bank having distributable after-tax profit, after making up for the previous years' losses and contributing to the statutory reserve fund and general reserve; and
- (c) the capital adequacy ratios of the Bank meet the regulatory requirements.

Offshore preference shareholders of the Bank are senior to the ordinary shareholders on the right to dividends.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2021

(All amounts expressed in thousands of RMB unless otherwise stated)

34 PREFERENCE SHARES (Continued)

(b) Main clauses (Continued)

Offshore preference shares (Continued)

(ii) Conditions to distribution of dividends (Continued)

Subject to a resolution to be passed at a shareholders' general meeting of the Bank on each such occasion, the Bank may elect to cancel (in whole or in part) any dividend. The Bank shall not distribute any dividends to its ordinary shareholders before it declares such dividends to preference shareholders for the relevant periods.

The cancellation of any amount of dividend (in whole or in part) shall not constitute a default for any purpose by the Bank. Dividend payments are non-cumulative. Under the circumstances where the Bank cancels a dividend (in whole or in part), any amount of dividend that has not been fully distributed to the offshore preference shareholders during the then current dividend period will not be accumulated to the following dividend periods.

(iii) Mandatory conversion trigger events

Upon occurrence of the triggering events as stipulated by the offering documents and subject to regulatory approval, offshore preference share shall be mandatorily converted into ordinary H Shares of the Bank (as converted into Hong Kong dollars at the fixed exchange rate of USD1.00 to HKD7.8489), partially or entirely.

(iv) Order of distribution and liquidation method

On winding-up of the Bank, distribution to offshore preference shareholders is made after all debts of the Bank (including subordinated debts) and obligations that are issued or guaranteed by the Bank and specifically stated to be distributed prior to the offshore preference shares; all offshore preference shareholders are ranked the same in the distribution sequence without priority among them and have the same repayment sequence rights as holders of obligations with equivalent rights. In addition, distribution is made to offshore preference shareholders prior to ordinary shareholders.

On winding-up of the Bank, any remaining assets of the Bank shall, after the distributions in accordance with the terms and conditions of the offshore preference shares have been made, be applied to the claims of the offshore preference shareholders equally in all respects with the claims of holders of any parity obligations and in priority to the claims of the holders of ordinary shares.

The distribution amount obtained by the offshore preference shareholders shall be the total par value of the issued and outstanding preference shares plus dividends declared but not paid in the current period; if the distribution amount is insufficient, offshore preference shareholders will share the distribution amount on a proportional basis.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2021

(All amounts expressed in thousands of RMB unless otherwise stated)

34 PREFERENCE SHARES (Continued)

(b) Main clauses (Continued)

Offshore preference shares (Continued)

(v) Redemption

The offshore preference shares are perpetual and have no maturity date. The Bank may, subject to obtaining CBIRC approval and in compliance with the redemption preconditions, redeem all or some of the offshore preference shares after five years. The redemption period ends at the date when shares are fully converted or redeemed.

35 RESERVES

(a) Capital reserve

Capital reserve mainly includes share premium arising from the issuance of new shares at prices in excess of par value and shareholders' donation.

(b) Surplus reserve

The Bank is required to appropriate 10% of its profit for the year pursuant to the Company Law of the People's Republic of China and the articles of association to the statutory surplus reserve until the reserve balance reaches 50% of its registered capital.

Subject to the approval of the shareholders, the statutory surplus reserve may be used to offset accumulated losses of the Bank, if any, and may also be converted into capital of the Bank, provided that the balance of the statutory surplus reserve after such capitalisation is not less than 25% of the registered capital immediately before capitalisation.

For the six months ended 30 June 2021, no appropriation was made to the statutory surplus reserve (For the year ended 31 December 2020: nil).

(c) General reserve

Pursuant to the relevant regulations issued by the Ministry of Finance (the "MOF"), the Bank and its subsidiaries are required to maintain a general reserve within equity, through the appropriation of net profit, which starting from 1 July 2012, should not be less than 1.5% of the year-end balance of their respective risk assets as defined by the regulations.

For the six months ended 30 June 2021, no appropriation was made to the general reserve (For the year ended 31 December 2020: RMB1,707,241 thousands) and the reserve has reached 1.5% of the year ended balance of its risk assets as required on 31 December 2020.

(d) Other comprehensive income

Other comprehensive income included financial assets revaluation reserve and remeasurement losses on defined benefit plans. The financial assets revaluation reserve records the fair value changes and expected credit losses of financial assets at fair value through other comprehensive income. Remeasurement losses on defined benefit plans are the actuarial gains or losses of supplemental retirement benefits.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2021

(All amounts expressed in thousands of RMB unless otherwise stated)

36 COMPONENTS OF OTHER COMPREHENSIVE INCOME

	Other comprehensive income in statement of financial position				Other comprehensive income in income statement				
	Attributable to the shareholders		As at 30 June 2021	Amount before tax	Net amount transferred to the income statement	Tax expense	Attributable to the shareholders		Attributable to the non- controlling interests after tax
	As at 31 December 2020	of the Bank after tax					of the Bank after tax		
Other comprehensive income to be reclassified to profit or loss in subsequent years:									
Financial assets at fair value through other comprehensive income	(238,462)	232,968	(5,494)	477,616	(156,855)	(80,190)	232,968	7,603	
Other comprehensive income not to be reclassified to profit or loss in subsequent years:									
Remeasurement losses on defined benefit plans	5,065	-	5,065	-	-	-	-	-	
Total	(233,397)	232,968	(429)	477,616	(156,855)	(80,190)	232,968	7,603	

	Other comprehensive income in statement of financial position				Other comprehensive income in income statement				
	Attributable to the shareholders		As at 31 December 2020	Amount before tax	Net amount transferred to the income statement	Tax expense	Attributable to the shareholders		Attributable to the non- controlling interests after tax
	As at 31 December 2019	of the Bank after tax					of the Bank after tax		
Other comprehensive income to be reclassified to profit or loss in subsequent years:									
Financial assets at fair value through other comprehensive income	1,134,289	(1,372,751)	(238,462)	(1,500,688)	(358,988)	464,919	(1,372,751)	(22,006)	
Other comprehensive income not to be reclassified to profit or loss in subsequent years:									
Remeasurement losses on defined benefit plans	(20,612)	25,677	5,065	25,677	-	-	25,677	-	
Total	1,113,677	(1,347,074)	(233,397)	(1,475,011)	(358,988)	464,919	(1,347,074)	(22,006)	

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2021

(All amounts expressed in thousands of RMB unless otherwise stated)

37 ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS

On the consolidated statement of cash flows, cash and cash equivalents have an original maturity of less than three months and include the following:

	As at 30 June 2021	As at 31 December 2020
Cash on hand	3,353,751	3,786,547
Surplus reserves with central bank	30,477,489	35,565,294
Deposits with banks and other financial institutions	10,390,699	13,910,465
Placements with banks and other financial institutions	2,706,837	880,000
Financial assets held under resale agreements	22,231,610	41,558,550
Total	69,160,386	95,700,856

38 TRANSFERS OF FINANCIAL ASSETS

The Group enters into transactions in the normal course of business by which it transfers recognised financial assets to third parties or to special purpose entities. In some cases where these transferred financial assets qualify for derecognition, the transfers may give rise to full or partial derecognition of the financial assets concerned. In other cases where the transferred assets do not qualify for derecognition as the Group has retained substantially all the risks and rewards of these assets, the Group continues to recognise the transferred assets in the consolidated statement of financial position.

Bond lending arrangements

The Group entered into bond lending agreements with securities borrowers to lend out its bond securities classified as financial assets at fair value through profit or loss of carrying amount totalling RMB1,172,703 thousands as at 30 June 2021 (31 December 2020: RMB379,199 thousands) and financial assets at fair value through other comprehensive income of carrying amount totalling RMB1,755,805 thousands as at 30 June 2021 (31 December 2020: RMB923,827 thousands) and financial assets at amortized cost amount totalling RMB8,921,486 thousands as at 30 June 2021 (31 December 2020: RMB674,961 thousands). The counterparties are allowed to sell or repledge these securities in the absence of default by the Group, but have an obligation to return the securities at the maturity of the contract. The Group has determined that it retains substantially all the risks and rewards of these securities and therefore has not derecognized them in the condensed consolidated interim financial information.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2021

(All amounts expressed in thousands of RMB unless otherwise stated)

39 STRUCTURED ENTITIES

The Group is principally involved with structured entities through wealth management products, financial investments in asset management plans, trust plans and securitisation transactions. The Group determines whether or not to consolidate these structured entities depending on whether the Group has control over them.

(a) Consolidated Structured entities

(i) *Principal guaranteed wealth management products sponsored and managed by the Group*

Principal guaranteed wealth management products sponsored and managed by the Group represent products to which the Group has guaranteed the investor's principal investment, regardless of their actual performance. Investments made by these products are presented in respective financial assets items in accordance with the Group's accounting policies based on the nature of the assets. The corresponding liabilities to the investors of these products are presented in customers deposits and deposits with banks and other financial institutions.

As at 30 June 2021, the balance of wealth management products sponsored and managed by the Group were RMB 4,168,730 thousands (31 December 2020: RMB 6,566,780 thousands). And no single wealth management plan has significant financial impact on the Group.

(ii) *Other consolidated structured entities*

Other structured entities consolidated by the Group include certain asset management plans, trust plans and wealth management products invested by the Group. The Group controls these entities because the Group has power over, is exposed to, or has rights to, variable returns from its involvement with these entities and has the ability to use its power over these entities to affect the amount of the Group's returns.

As at 30 June 2021, the balance of these consolidated structured entities were RMB 34,207,460 thousands (31 December 2020: RMB 30,921,039 thousands).

(b) Unconsolidated structured entities

(i) *Unconsolidated structured entities managed by the Group*

Unconsolidated structured entities managed by the Group mainly include non-principal guaranteed wealth management products issued and managed by the Group as an agent. Based on the analysis and research of potential target customer groups, the Group designs and sells wealth management products to specific target customers. The Group invests the funds raised in the assets and distributes investment income to investors in accordance with the contracts.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2021

(All amounts expressed in thousands of RMB unless otherwise stated)

39 STRUCTURED ENTITIES (Continued)

(b) Unconsolidated structured entities (Continued)

(i) *Unconsolidated structured entities managed by the Group (Continued)*

In July 2020, the regulators announced the extension to the end of 2021 of the transition period set out in the Guiding Opinions on Improving the Compliance of the Asset Management Operations of Financial Institutions, encouraging financial institutions to adopt a combination of methods to orderly dispose of their existing portfolio, including assumption in the new products, market-oriented transfer, and/or recognition in the balance sheet. In the first half of 2021, the Group is moving steadily ahead with the relevant work to ensure the smooth transition and robust development of the asset and wealth management business. As of 30 June 2021, the Group included part of the non-principal-guaranteed wealth management products issued in the Group's financial investments.

During the six months ended 30 June 2021, the Group recorded commission income as the manager of these wealth management products amounting to RMB73,135 thousands (For the six months ended 30 June 2020: RMB43,679 thousands). The gains from the unconsolidated non-guaranteed wealth management products of the Group are the same as the Bank's maximum exposure to loss in such business. The Group considered its variable returns from its involvement with the structured entities are not significant and hence it does not consolidate these structured entities.

For the purpose of asset-liability management, the Group's unconsolidated structured entities may raise short-term financing needs to the Group and other banks. The Group is not contractually obliged to provide financing. The Group may enter into repurchase and placement transactions with these unconsolidated structured entities in accordance with market principles. As at 30 June 2021, there was no balance of the above repurchase and placement transactions (31 December 2020: nil).

As at 30 June 2021, the balance of the unconsolidated non-guaranteed wealth management products sponsored by the Group amounted to RMB75,787,376 thousands (31 December 2020: RMB78,912,178 thousands).

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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(All amounts expressed in thousands of RMB unless otherwise stated)

1 CORPORATE INFORMATION AND STRUCTURE (Continued)

39 STRUCTURED ENTITIES (Continued)

(b) Unconsolidated structured entities (Continued)

(ii) Unconsolidated structured entities invested by the Group

As at 30 June 2021, the Group invests in a number of unconsolidated structured entities mainly consisting of asset-backed securities, funds, wealth management products, trust plans and the asset management plans sponsored and managed by other independent third parties.

The table below sets out the carrying value and the Group's maximum exposure to these unconsolidated structured entities.

As at 30 June 2021	Carrying value	Maximum exposure to loss
<u>Financial assets at fair value through profit or loss</u>		
Trust plans and asset management plans	8,068,831	8,068,831
Fund investments	24,062,265	24,062,265
Other investments	3,947,482	3,947,482
Subtotal	36,078,578	36,078,578
<u>Financial assets at fair value through other comprehensive income</u>		
Trust plans and asset management plans	6,349,809	6,349,809
Other investments	2,025,755	2,025,755
Subtotal	8,375,564	8,375,564
<u>Financial assets at amortized cost</u>		
Trust plans and asset management plans	7,910,287	7,910,287
Other investments	8,701,379	8,701,379
Subtotal	16,611,666	16,611,666

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For the six months ended 30 June 2021

(All amounts expressed in thousands of RMB unless otherwise stated)

39 STRUCTURED ENTITIES (Continued)

(b) Unconsolidated structured entities (Continued)

(ii) Unconsolidated structured entities invested by the Group (Continued)

<u>At 31 December 2020</u>	<u>Carrying value</u>	<u>Maximum exposure to loss</u>
<u>Financial assets at fair value through profit or loss</u>		
Trust plans and asset management plans	8,059,607	8,059,607
Fund investments	30,616,265	30,616,265
Other investments	8,385,884	8,385,884
<u>Subtotal</u>	<u>47,061,756</u>	<u>47,061,756</u>
<u>Financial assets at fair value through other comprehensive income</u>		
Trust plans and asset management plans	6,671,738	6,671,738
Other investments	2,302,738	2,302,738
<u>Subtotal</u>	<u>8,974,476</u>	<u>8,974,476</u>
<u>Financial assets at amortised cost</u>		
Trust plans and asset management plans	4,972,877	4,972,877
Other investments	7,138,328	7,138,328
<u>Subtotal</u>	<u>12,111,205</u>	<u>12,111,205</u>

40 COMMITMENTS AND CONTINGENT LIABILITIES

(a) Credit commitments

At any given time, the Group has outstanding commitments to extend credit. These commitments are in the form of approved loans and undrawn credit card limits.

The Group provides letters of credit and financial guarantees to guarantee the performance of customers to third parties.

Bank acceptances comprise undertakings by the Group to pay bills drawn on customers. The Group expects most acceptances to be settled simultaneously with the reimbursement from the customers.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2021

(All amounts expressed in thousands of RMB unless otherwise stated)

40 COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

(a) Credit commitments (Continued)

The contractual amounts of credit commitments by category are set out below. The amounts disclosed in respect of loan and credit card commitments are under the assumption that the amounts will be fully advanced. The amounts for bank acceptances, letters of credit and guarantees represent the maximum potential losses that would be recognised at the end of the period if the counterparties had failed to perform as contracted.

	As at 30 June 2021	As at 31 December 2020
Bank acceptances	30,388,299	28,630,154
Letters of credit issued	2,542,238	1,906,302
Guarantees issued	43,252,742	42,383,086
Loan and credit card commitments (i)	151,995,114	131,506,564
Subtotal	228,178,393	204,426,106
Allowance for credit commitments	891,223	751,894
Total	227,287,170	203,674,212

(i) Loan commitments of the Group are the unconditionally revocable loan commitments.

(b) Operating lease commitments

The Group leased certain of their office properties under operating lease arrangements, and the total future minimum lease payments in respect of non-cancellable operating leases are as follows:

	As at 30 June 2021	As at 31 December 2020
Within one year	474	6,546
After one year but not more than two years	603	6,482
After two years but not more than three years	499	6,574
After three years	1,604	11,866
Total	3,180	31,468

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2021

(All amounts expressed in thousands of RMB unless otherwise stated)

40 COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

(c) Capital commitments

	As at 30 June 2021	As at 31 December 2020
Contracted, but not provided for	259,982	310,103

(d) Credit risk-weighted amount of financial guarantees and credit related commitments

	As at 30 June 2021	As at 31 December 2020
Financial guarantees and credit related commitments	33,638,329	32,970,606

The credit risk-weighted amount refers to the amount as computed in accordance with the formula promulgated by the CBIRC and depends on the credit worthiness of the counterparty and the maturity characteristics. The risk weights used range from 0% to 100% for contingent liabilities and commitments.

(e) Legal proceedings

As at 30 June 2021, provisions of RMB23,342 thousands were made by the Group (31 December 2020: RMB24,663 thousands) based on advice of legal counsel. The litigation cases are not expected to have a significant impact on the Group's business, financial condition and performance.

41 FIDUCIARY ACTIVITIES

The Group operates entrusted loans. The entrusted loans represent the loans granted to specific borrowers designated by the trustors on their behalf according to the entrusted agreements signed by the Group and the trustors. The Group only acts on behalf of trustors and assists them to administer the loans. Risks remain to trustors while the Group charges commission fee for the business. Entrusted loans are not included in the Group's consolidated balance sheet.

The Group manages assets for customers as an agent, which does not include in the Group's consolidated balance sheet. The Group only charges fees according to agent agreement and bears no risk and takes no benefit of these assets.

	As at 30 June 2021	As at 31 December 2020
Entrusted deposits	(6,565,386)	(6,773,966)
Entrusted loans	6,565,386	6,773,966

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2021

(All amounts expressed in thousands of RMB unless otherwise stated)

41 FIDUCIARY ACTIVITIES (Continued)

Entrusted wealth management refers to service that the Group makes investments and manages principal on behalf of customers within agreed investment plans and methods, and earnings will be paid to customers in accordance with terms of agreements and actual earnings. As at 30 June 2021 and 31 December 2020, entrusted wealth management service of the Group amounted to RMB75,787,376 thousands and RMB78,912,178 thousands respectively.

42 ASSETS PLEDGED AS SECURITY

(a) Financial assets which have been pledged

As at 30 June 2021 and 31 December 2020, financial assets of the Group, which refer to debt securities, have been pledged as security for liabilities or contingent liabilities, mainly arising from financial assets sold under repurchase agreements, time deposits and borrowings from the Central Bank. As at 30 June 2021 and 31 December 2020, the carrying value of the financial assets of the Group pledged as security amounted to approximately RMB16,464,992 thousands and RMB13,090,725 thousands respectively.

(b) Collateral received

The Group received debt securities and bills as collateral in connection with the terms of the Financial assets held under resale agreements. The Group did not hold any collateral that can be resold or reused as at 30 June 2021 and 31 December 2020.

43 RELATED PARTY DISCLOSURES

(a) Related party relationships

As at 30 June 2021 and 31 December 2020, there is no shareholder directly or indirectly holding 5% or above shares of the Bank.

(b) Related party transactions

Related party transactions of the Bank mainly include loans and deposits. Transactions between the Bank and its related parties follow general business terms and normal procedures and their pricing principle is the same as with independent third parties.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2021

(All amounts expressed in thousands of RMB unless otherwise stated)

43 RELATED PARTY DISCLOSURES (Continued)

(b) Related party transactions (Continued)

(i) Transactions between the Bank and major shareholders and the companies controlled or jointly controlled by major shareholders

Major shareholders include shareholders of the Bank with the power to appoint a director in the Bank.

Balances at the end of the period/year	As at 30 June 2021	As at 31 December 2020
Loans and advances to customers	9,922,159	3,044,487
Financial assets at amortized cost	797,244	1,313,028
Deposits from banks and other financial institutions	2,660	9,525
Customer deposits	7,439,152	9,854,320
Bank acceptance bills	258,871	26,671
	Six months ended 30 June	
Transactions during the period	2021	2020
Interest income	270,057	140,848
Interest expense	(185,463)	(38,197)
Fee and commission income	5,196	1,795
Fee and commission expense	(525)	(1,115)
	Interest rate ranges during the period	
Loans and advances to customers	3.15%-9.00%	4.41%-7.00%
Financial assets at amortized cost	2.95%-3.19%	2.95%-4.10%
Placements with banks and other financial institutions	–	1.50%-3.38%
Financial assets held under resale agreements	–	2.65%
Customer deposits	0.07%-4.00%	0.25%-3.80%
Deposits from banks and other financial institutions	0.30%-1.00%	0.30%-0.72%

(ii) Transactions between the Bank and subsidiaries

There are various related party transactions that occur between the Bank and its subsidiaries. These transactions are equitable and follow regular business procedures. The material balances and transactions with subsidiaries have been eliminated in full in the condensed consolidated interim financial information. In the opinion of management, the transactions between the Bank and subsidiaries have no significant impact on profit or loss.

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For the six months ended 30 June 2021

(All amounts expressed in thousands of RMB unless otherwise stated)

43 RELATED PARTY DISCLOSURES (Continued)

(b) Related party transactions (Continued)

(iii) Other related parties

Other related parties include the companies controlled or jointly controlled by the key management personnel and their close family members, and the companies of which key management personnel and their close family members were appointed as directors and key management personnel. During the period/year, the Group entered into transactions with other related parties in the ordinary course of business. Details are as follows:

Balances at the end of the period/year	As at 30 June 2021	As at 31 December 2020
Loans and advances to customers	15,154,021	11,675,777
Financial assets at fair value through profit or loss	2,201,274	–
Financial assets at amortized cost	367,658	–
Financial assets at fair value through other comprehensive income	83,458	–
Customer deposits	4,007,132	3,539,863
Deposits from banks and other financial institutions	1,304	–
Placements with banks and other financial institutions	370,000	–
Bank acceptance bills	–	832,667
Credit commitments	3,970,997	368,200

Transactions during the period	Six months ended 30 June 2021	2020
Interest income	376,448	335,329
Interest expense	(94,327)	(147,495)
Fee and commission income	2,604	7,653
Net trading gains	2,912	–
<u>Interest rate ranges during the period</u>		
Loans and advances to customers	3.30%-8.50%	3.85%-10.00%
Placements with banks and other financial institutions	4.00%-4.90%	–
Financial assets at amortized cost	3.70%-3.72%	–
Financial assets at fair value through other comprehensive income	3.00%	–
Customer deposits	0.30%-4.26%	0.05%-3.80%
Deposits from banks and other financial institutions	0.35%	0.30%

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For the six months ended 30 June 2021

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43 RELATED PARTY DISCLOSURES (Continued)

(c) Key management personnel

Key management personnel refer to those have power and directly or indirectly are responsible for planning, instruction and control of the Group.

Total amount of remuneration of key management personnel is listed below:

	Six months ended 30 June	
	2021	2020
Salary, remuneration and benefits	9,886	9,350

Transactions with key management personnel and their closed family members are listed below:

Balances at the end of the period/year	As at 30 June 2021	As at 31 December 2020
Loans and advances to customers	11,186	10,626
Customer deposits	694,200	66,925
Credit commitments	11,957	1,600

Transactions during the period	Six months ended 30 June	
	2021	2020
Interest income	286	265
Interest expense	(4,368)	(2,029)
Fee and commission income	176	–
<u>Interest rate ranges during the period</u>		
Loans and advances to customers	3.28%-6.65%	3.43%-7.27%
Customer deposits	0.30%-5.24%	0.25%-5.45%

44 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks and those activities involve analysis, evaluation, acceptance and management of some degree of risks or combination of risks. Managing those risks are crucial to the financial business, and risks are an inevitable consequence of being in business operation. The Group's aim is therefore to achieve an appropriate balance between risk and return and minimize potential adverse effects on the Group's financial performance.

The Group's risk management policies are designed to identify and analyze these risks, to set appropriate risk limits and control programs, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2021

(All amounts expressed in thousands of RMB unless otherwise stated)

44 FINANCIAL RISK MANAGEMENT (Continued)

A description and an analysis of the major risks faced by the Group are as follows:

The major types of risks are credit risk, market risk and liquidity risk. Market risk mainly consists of currency risk, interest rate risk and price risk.

The Board of Directors of the Group is responsible for determining the Group's overall risk preference. Within this framework, the senior management of the Bank designs risk management policies and procedures for credit risk, market risk and liquidity risk accordingly. After the policies and procedures are approved by the Board of Directors, relevant departments of the headquarters are responsible for their implementation.

The Board of Directors of the Group is responsible for setting the Group's overall risk tolerance, risk management and internal control strategies, supervising and ensuring that senior management performs risk management duties effectively. The Group has a Related Party Transactions and Risk Management Committee under the Board of Directors, which is responsible for monitoring the risk management of senior management, evaluating the Group's situation of risk management, risk tolerance ability and level regularly, and taking case precautions, reviewing and controlling the related party transactions. The Board of Supervisors is responsible for inspecting the Group's risk management and taking case precautions, comprehensively evaluating the risk management performance of the directors and senior management. Senior management is responsible for executing the policies of risk management and internal control approved by the Board of Directors and developing the specific rules and regulations of risk management. The Group has a Compliance and Risk Management Committee under senior management, which is responsible for reviewing the Group's significant matters of compliance and risk management.

The Risk Management Department is the leading department of overall risk management, and is responsible for overall planning and coordination of risk management. The Risk Management Department, Credit Management Department and Legal and Compliance Department are primarily responsible for managing credit risk, market risk, operation risk and liquidity risk. The Audit Department is responsible for supervising, inspecting, evaluating and reporting the risk management activities' effect independently and objectively.

(a) Credit risk

Credit risk represents the potential loss that may arise from a customer or counterparty's failure to meet its obligations. Credit risk is often greater when counterparties are concentrated in one single industry or geographic location or have comparable economic features. In addition, different industrial sectors and geographic areas have their unique characteristics in terms of economic development, and could present a different credit risk.

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For the six months ended 30 June 2021

(All amounts expressed in thousands of RMB unless otherwise stated)

44 FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

(i) Credit Risk Management

Loans

The Group exercises standardised credit management procedures, including credit investigation and proposals, credit limit review, loan disbursement, post lending monitoring, and management. The Group enhances its credit risk management by strict compliance with its credit management procedures to identify, measure, monitor and manage the potential credit risk, which includes:

- strengthening customer investigation, lending approval and post lending monitoring;
- setting up authorisation limits over loan review and approval;
- establishing the internal assessment system in respect of the credit rating towards different kinds of customers, as the fundamental procedures for granting credit;
- setting up the authority limit over risk classification of credit assets, reviewing periodically and updating risk classification of credit assets, and carrying out on-site sample review and off-site review to monitor the risk; and
- implementing and continuously upgrading the Credit Management System based on the requirements of risk management, developing and popularising various risk management tools.

In respect of the corporate loans, credit managers of the Group are responsible for accepting application from the applicants, carrying out credit investigation and making recommendations on credit rating through credit risk assessment of the applicants and their business. According to the authority limit over credit review and approval, applications will be assessed and authorised at the branch level or/and head office level. The credit limit will be determined based on assessment of the factors including the applicant's credit rating, financial position, collateral and guarantee, the overall credit risk of the portfolio, macro-economic policies, and restriction imposed by laws and regulations. The Group minimises losses over credit risk through: (1) collecting; (2) restructuring; (3) repossessing the collateral or resourcing from the guarantor; (4) seeking arbitration or pursuing lawsuits; and (5) write off according to relevant regulations.

Bonds and other bills

The Group manages the credit risk exposure of bonds and other bills through controlling the investment scale and based on issuer's credit rating and establishing post lending management standards.

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(All amounts expressed in thousands of RMB unless otherwise stated)

44 FINANCIAL RISK MANAGEMENT (Continued)

(i) **Credit Risk Management (Continued)**

Other financial assets carrying at amortized cost

Other financial assets carrying at amortized cost, include wealth management products, trust plans and asset management plans issued and managed by other banks and other financial institutions. The Group establishes a risk evaluation system on the trust companies, security companies and fund management companies, sets up credit limit for parties repurchasing trust beneficial rights, issuers of wealth management products, ultimate borrowers of asset management schemes, and performs ongoing post-lending monitoring on timely basis.

Inter-bank transactions

The Group reviews and monitors the credit risk of individual financial institutions on regularly basis. Limits are set for each individual bank or non-banking financial institution which has business relationship with the Group.

Credit commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Letters of guarantee issued, acceptances, bill acceptance and letters of credit, which represent irrevocable commitment that the Group will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. When the amount of credit commitment exceeds the original credit limit, margin deposits are required to mitigate the credit risk. The Group's exposure of credit risk is equivalent to the total amount of credit commitments.

(ii) **Risk limit control and mitigation policies**

The Group manages and limits the concentrations of credit risk, including concentration to individual counterparty, group, industry and region.

The Group continuously optimizes the credit risk structure by setting limits on the borrower, group of borrowers, geographical and industry segments. Concentration risks are monitored on ongoing basis and subject to an annual or more frequent reviews where necessary.

The Group manages the exposure to credit risk through regular analyses of borrowers and potential borrowers' abilities to fulfil interest and principal repayment obligations and amends the lending limits where appropriate.

The Group has established relevant policies to mitigate credit risk. One of the most important measures is to obtain collateral, pledged assets, guarantee deposits or guarantees from corporates or individuals. The Group provides guidelines on the acceptance of specific classes of collateral. The principal types of collateral for loans and advances are:

- Residential property and land use right;

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For the six months ended 30 June 2021

(All amounts expressed in thousands of RMB unless otherwise stated)

44 FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

(ii) Risk limit control and mitigation policies (Continued)

- Commercial assets, such as commercial property, inventory and accounts receivables;
- Financial instruments, such as debt securities and equity shares.

Fair value of collateral is usually required to be assessed by professional valuer designated by the Group. When there is objective evidence of impairment, the value of collateral will be reviewed by the Group to assess whether it could sufficiently cover the credit exposure of relevant loans. To mitigate the credit risk, the Group has implemented loan-to-value ratio requirement based on type of collateral as follows:

Item	Main loan-to-value ratio
Residential properties	70%
Office buildings, shops, factories, houses, carports, warehouses	50%
Land use rights	50%
Constructions in process	45%
Automobiles	50%
Forest ownerships	40%

Fair value of collateral was determined by management based on the latest available external valuation results, taking into account experience adjustments for current market conditions and estimated expenses to be incurred in the disposal process.

For loans guaranteed by third parties, the Group will review the financial condition and credit history of guarantors and evaluate the ability of the guarantors to meet obligations on regular basis.

(iii) Credit risk impairment

IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarized below:

Stage I (not credit-impaired on initial recognition): 12-month expected credit losses (ECL);
Stage II (significant increase in credit risk since initial recognition): lifetime expected credit losses;
Stage III (credit-impaired assets): lifetime expected credit losses

The Group developed an impairment model to calculate expected credit losses in accordance with the new standards. A top-down development method was used to establish a logistic regression model of macroeconomic indicators and risk parameters.

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(All amounts expressed in thousands of RMB unless otherwise stated)

44 FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

(iii) Credit risk impairment (Continued)

Stage division

The assessment of significant increase in credit risk consider a number of factors such as five-category classification, overdue days, and credit rating changes. The stages are transferable.

Significant increase in credit risk

The Group considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following criteria have been met:

Quantitative criteria

At the reporting date, the Group assesses the significant increase in credit risk through the relative change of the probability of default. The thresholds were set based on different product type, such as corporate loans, personal loans, securities investments, etc. For the financial instrument without overdue, the Group assesses changes of probability of default over the lifetime to identify increment of the default risk.

If the borrower fails to pay more than 30 days after the contractual payment date, the credit risk of the financial instrument is considered to be increased significantly.

Qualitative criteria

For corporate loans and bond investment portfolio, the credit risk is considered to be increased significantly, if borrowers were on the watch list or met one or more criteria as follows:

- Significant negative impact appears in business, financing or economic position for borrower;
- Actual or expected extension or restructuring;
- Actual or expected significant adverse change on borrower's operations;
- Collateral's valuation changes which expected to led the increase of default probability (only for collateralized and pledged loans);
- Indicator for cash flow or liquidity problems, e.g. extension for account payable or loan repayment

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(All amounts expressed in thousands of RMB unless otherwise stated)

44 FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

(iii) Credit risk impairment (Continued)

Qualitative criteria (Continued)

For corporate loans, the Group uses a credit risk early warning monitoring system to assess whether there has been a significant increase in its credit risk. For bond investment, the Group strengthens the management of bond investment and assesses it periodically. For individual loans, the Group assesses at the portfolio level on a quarterly basis whether there has been a significant increase in credit risk. The criteria used to identify significant increases in credit risk are monitored and reviewed by risk management departments on timely basis.

The Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. The Group recognizes a financial instrument as having low credit risk if its internal rating is consistent with the globally accepted definition for low credit risk.

Definition of default and credit impairment

When a financial instrument meets one or more of the following conditions, the Group defines the financial asset as default which is consistent with the definition of credit impairment:

Quantitative criteria

The borrower is more than 90 days overdue.

Qualitative criteria

The borrower meets the "difficulty to repay" criteria, indicating significant financial difficulties experienced by the borrower. Examples include:

- Significant financial difficulty of the issuer or the debtor;
- The creditor of the debtor, for economic or contractual reasons relating to the debtor's financial difficulty, granted to the debtor a concession that the creditor would not otherwise consider;
- It is becoming probable that the debtor will enter bankruptcy or other financial restructuring;
- Debtors are in breach of contract;
- The disappearance of an active market for some financial assets due to the borrower's financial difficulties;
- A purchased or originated credit-impaired financial asset.

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44 FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

(iii) Credit risk impairment (Continued)

Qualitative criteria (Continued)

These criteria apply to all financial instruments of the Group and are consistent with the definition of default used in internal credit risk management. The definition of default has been consistently applied to the model of Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD) in the calculation of expected credit losses of the Group.

Explanation of inputs, assumptions and estimation techniques in the ECL models

The Expected Credit Losses (ECL) are measured on either a 12-month (12M) or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. Expected credit losses are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD), defined as follows:

- The PD represents the likelihood of a borrower defaulting on its financial obligation (as per “Definition of default and credit-impaired” above), either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation.
- EAD is based on the amounts the Group expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD). For example, for a revolving commitment, the Group includes the current drawn balance plus any further amount that is expected to be drawn up to the current contractual limit by the time of default, should it occur.
- Loss Given Default (LGD) represents the Group’s expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD). LGD is calculated on a 12-month or lifetime basis, where 12-month LGD is the percentage of loss expected to be made if the default occurs in the next 12 months and Lifetime LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the loan.

The ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier month).

Forward-looking information should be considered in determining the 12-month and lifetime PD, EAD and LGD. This varies by product types.

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44 FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

(iii) Credit risk impairment (Continued)

Explanation of inputs, assumptions and estimation techniques in the ECL models (Continued)

The Group quarterly monitors and reviews the ECL calculation related assumptions, including the changes of PD and LGD for different terms. The Group has updated the parameters in the ECL models based on the latest historical information and forecasts of the economic factors.

Forward-looking information in the ECL models

The assessment of significant increase in credit risk and the calculation of ECL incorporates forward-looking information. The Group obtained the key macroeconomic factors of the past 10 years from the Wind Economic to perform historical analysis on the intertemporal endogenous relationship of the macroeconomic factors. The Group integrates statistical analysis and expert judgements to determine economic forecasts and weighting scheme under various economic scenarios.

Since the outbreak of COVID-19 in January 2020, the economy in China has undergone significant changes and the economic environment is still uncertain. Future impairment charges may be subject to further volatility, depending on the longevity of the COVID-19 pandemic and related containment measures, as well as the longer term effectiveness of central bank, government and other support measures. For the six months ended 30 June 2021, in order to timely reflect the impact of the COVID-19 on the ECL of financial instruments continuously, the Group updated the forward-looking information in the ECL models. The results of the ECL models were consistent with the impact of COVID-19.

The Group has adopted three economic scenarios (Base, Pessimistic and Optimistic) on the basis of the macroeconomic information analysis and expert judgment. Considering the impact of the effectiveness of central bank, government and other support measures on the ECL of financial instruments under the COVID-19, the weightings for the three scenarios remain 55%, 40% and 5% respectively.

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(All amounts expressed in thousands of RMB unless otherwise stated)

44 FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

(iii) Credit risk impairment (Continued)

Forward-looking information in the ECL models (Continued)

Key macroeconomic assumptions are as follows:

<u>Item</u>	<u>Range</u>
GDP Annual Percentage Change ("GDP")	5.58%~6.51%
Growth rate of Producer Price Index ("PPI")	4.68%~5.46%
Growth rate of Industrial Value Added ("IVA")	5.76%~6.72%
Purchasing Managers' Index ("PMI")	42.30%~49.35%
Growth rate of Total Retail Sales of Consumer Goods	9.09%~10.61%
Growth rate of Fixed Assets Investment	4.50%~5.25%
Growth rate of Export Earnings	2.43%~2.84%
Growth rate of M2	7.79%~9.02%
USD to RMB exchange rate	5.78~6.69

As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The Group considers these forecasts to represent its best estimate of the possible outcomes and has analysed the nonlinearities and asymmetries within the Group's different portfolios to establish that the chosen scenarios are appropriately representative of the range of possible scenarios.

Sensitivity analysis

The expected credit losses are sensitive to the parameters used in the model, macroeconomic variables for forward-looking prediction, scenarios weightings and other factors considered in the application of expert judgments. The changes in these parameters, assumptions, models and judgments will have an impact on the significant increase in credit risk and the measurement of expected credit losses.

Grouping for ECL allowance

The Group classified the exposures with similar characteristics when collectively assessing the ECL allowance.

The characteristics for grouping are as follows:

Personal loans

- Product types (for instance, personal business loans, personal consumption loans, personal residential mortgages, credit cards overdraft)

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44 FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

(iii) Credit risk impairment

Grouping for ECL allowance (Continued)

Corporate loans

- Industry

Exposures evaluated by impairment assessment

- Corporate loans in Stage III

Credit risk team monitors and reviews the grouping appropriateness regularly.

(iv) Maximum exposure to credit risk

Financial instruments and commitment and guarantee subject to impairment

The following table contains an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognised. The net carrying amount of financial assets below also represents the Group's maximum exposure to credit risk on these assets.

	As at 30 June 2021	As at 31 December 2020
Deposits with central bank	97,069,632	99,998,005
Deposits with banks and other financial institutions	19,321,548	25,012,864
Placements with banks and other financial institutions	33,968,320	21,711,156
Interest payable		
Financial assets held under resale agreements	24,822,802	46,447,688
Loans and advances to customers		
– at amortized cost	537,684,222	506,299,688
– at fair value through other comprehensive income	81,969,201	46,868,652
Financial assets at amortized cost	124,305,111	96,599,360
Financial assets at fair value through other comprehensive income	62,663,736	75,677,332
Other financial assets	2,450,111	1,501,265
Total	984,254,683	920,116,010
Credit commitments	227,287,170	203,674,212

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For the six months ended 30 June 2021

(All amounts expressed in thousands of RMB unless otherwise stated)

44 FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

(v) Loans and advances to customers

By industry	30 June 2021		31 December 2020	
	Amount	(%)	Amount	(%)
Corporate loans				
Lease and commercial service	95,035,596	14.92%	85,472,116	15.02%
Wholesale and retail	65,775,722	10.33%	61,918,810	10.88%
Real estate	60,328,541	9.47%	58,970,712	10.37%
Manufacturing	41,006,933	6.44%	38,662,748	6.80%
Construction	38,795,404	6.09%	39,218,277	6.89%
Hotel and catering	19,020,389	2.99%	18,954,296	3.33%
Resident services, repairing and other services	15,371,260	2.41%	13,039,577	2.29%
Education	13,322,481	2.09%	9,963,574	1.75%
Transportation, warehouse and postal services	10,303,314	1.62%	10,108,741	1.78%
Agriculture, forestry, farming and fishery	10,205,211	1.60%	10,273,440	1.81%
Water, environment and public facilities management	9,961,391	1.56%	10,211,563	1.79%
Information transmission, software and IT services	5,862,529	0.92%	5,922,902	1.04%
Culture, sports and entertainment	3,306,133	0.52%	2,632,448	0.46%
Financial services	3,147,281	0.49%	4,176,621	0.73%
Energy and utilities	3,139,200	0.49%	2,608,827	0.46%
Healthcare and social welfare	2,116,718	0.33%	2,204,346	0.39%
Others	6,028,049	0.97%	5,518,497	0.97%
Subtotal	402,726,152	63.24%	379,857,495	66.76%
Discounted bills	85,437,513	13.42%	48,736,874	8.57%
Personal loans	148,661,325	23.34%	140,331,801	24.67%
Total	636,824,990	100.00%	568,926,170	100.00%

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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(All amounts expressed in thousands of RMB unless otherwise stated)

44 FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

(v) Loans and advances to customers (Continued)

By geography	As at 30 June 2021	As at 31 December 2020
Guangzhou	496,770,459	458,081,490
Pearl River Delta (except Guangzhou)	59,819,917	40,009,299
Guangdong Province (except Pearl River Delta)	50,079,844	42,692,298
Central China	19,499,891	17,936,573
Western China	2,521,327	2,445,615
Yangtze River Delta	2,466,600	2,410,851
Bohai Rim	1,368,232	1,345,882
North-east China	478,812	445,230
Others	3,819,908	3,558,932
Total	636,824,990	568,926,170

- (i) The bank lists the distribution by geography according to the location of the loan granting institution.

By collateral type	As at 30 June 2021	As at 31 December 2020
Unsecured loans	124,363,675	85,276,731
Guaranteed loans	157,680,266	142,863,740
Collateralised loans	318,380,604	301,805,773
Pledged loans	36,400,445	38,979,926
Total	636,824,990	568,926,170

Overdue loans and advances to customers

	Past due up to 90 days (including 90 days)	Past due 90 days to 1 year (including 1 year)	Past due 1 year to 3 years (including 3 years)	Past due over 3 years	Total
30 June 2021					
Unsecured loans	179,628	386,798	141,566	25,115	733,107
Guaranteed loans	2,923,015	1,978,098	2,799,236	95,665	7,796,014
Collateralised loans	3,737,433	5,320,578	1,440,112	190,383	10,688,506
Pledged loans	102,455	36,295	3,532	531	142,813
Total	6,942,531	7,721,769	4,384,446	311,694	19,360,440

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2021

(All amounts expressed in thousands of RMB unless otherwise stated)

44 FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

(v) Loans and advances to customers (Continued)

	Overdue loans and advances to customers				Total
	Past due up to 90 days (including 90 days)	Past due 90 days to 1 year (including 1 year)	Past due 1 year to 3 years (including 3 years)	Past due over 3 years	
31 December 2020					
Unsecured loans	279,094	456,074	55,050	18,655	808,873
Guaranteed loans	850,307	307,006	779,435	118,998	2,055,746
Collateralised loans	3,835,558	2,288,575	764,769	211,888	7,100,790
Pledged loans	18,251	2,554,483	3,845	513	2,577,092
Total	4,983,210	5,606,138	1,603,099	350,054	12,542,501

(vi) Restructuring loans and advances to customers

As at 30 June 2021 and 31 December 2020, the original value of the Group's restructuring loans and advances were RMB6,245,314 thousands and RMB6,669,322 thousands respectively.

As at 30 June 2021 and 31 December 2020, the original value of the Group's restructuring loans and advances in stage I were RMB1,239,642 thousands and RMB1,109,727 thousands respectively.

(b) Liquidity risk

Liquidity risk is the risk that capital will not be sufficient or funds will not be raised at reasonable cost in a timely manner for the repayment of debts due. This may arise from amount or maturity mismatches of assets and liabilities.

The Group manages its liquidity risk through the Asset and Liability Management Department and aims to:

- optimise the structure of assets and liabilities;
- maintain the stability of the deposit base;
- project cash flows and evaluate the level of current assets; and
- in terms of liquidity of the branches, maintain an efficient internal fund transfer mechanism.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2021

(All amounts expressed in thousands of RMB unless otherwise stated)

44 FINANCIAL RISK MANAGEMENT (Continued)

(b) Liquidity risk (Continued)

The Group's expected remaining maturity of their financial instruments may vary significantly from the following analysis. For example, demand deposits from customers are expected to maintain a stable or increasing balance although they have been classified as repayable on demand in the following tables.

(i) Analysis of the remaining maturity of the assets and liabilities is set out below:

30 June 2021	Overdue	Repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	More than five years	Undated	Total
Financial assets:									
Cash and deposits with central bank	-	99,237,388	-	-	-	-	-	1,185,995	100,423,383
Deposits with banks and other financial institutions ⁽¹⁾	156,523	10,488,814	32,300,724	8,331,656	26,834,953	-	-	-	78,112,670
Loans and advances to customers	9,828,319	-	24,576,445	34,766,276	200,432,597	218,924,247	131,125,539	-	619,653,423
Financial assets at fair value through profit or loss	4,694,624	24,067,379	2,741,737	7,111,439	22,817,133	24,391,615	3,512,192	357,841	89,693,960
Financial assets at amortized cost	2,454,173	-	2,121,324	10,296,055	17,070,829	64,188,549	28,174,181	-	124,305,111
Financial assets at fair value through other comprehensive income	3,160,554	-	231,962	807,726	2,284,417	32,802,772	23,376,305	-	62,663,736
Other financial assets	1,224,538	-	647,299	114,999	314,727	46,523	102,025	-	2,450,111
Total financial assets	21,518,731	133,793,581	62,619,491	61,428,151	269,754,656	340,353,706	186,290,242	1,543,836	1,077,302,394
Financial liabilities:									
Due to the central bank	-	-	416,572	7,257,635	9,270,818	-	-	7,369	16,952,394
Deposits from banks and other financial institutions ⁽²⁾	-	6,704,113	11,391,615	14,109,909	26,292,787	-	-	-	58,498,424
Financial liabilities at fair value through profit or loss	-	5,114	-	-	-	-	-	-	5,114
Customer deposits ⁽³⁾	-	324,718,141	20,210,241	36,682,197	175,953,225	255,297,076	3,946,738	13,149,677	829,957,295
Lease liabilities	-	-	24,313	48,627	150,798	594,122	120,152	-	938,012
Debt securities issued	-	-	5,391,363	32,659,120	35,227,869	-	9,998,934	-	83,277,286
Other financial liabilities	668	27,879	1,087,121	1,877,114	12,289,614	274,338	8,314	335,608	15,900,656
Total financial liabilities	668	331,455,247	38,521,225	92,634,602	259,185,111	256,165,536	14,074,138	13,492,654	1,005,529,181
Net liquidity gap	21,518,063	(197,661,666)	24,098,266	(31,206,451)	10,569,545	84,188,170	172,216,104	(11,948,818)	71,773,213

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2021

(All amounts expressed in thousands of RMB unless otherwise stated)

44 FINANCIAL RISK MANAGEMENT (Continued)

(b) Liquidity risk (Continued)

(i) Analysis of the remaining maturity of the assets and liabilities is set out below (Continued):

31 December 2020	Overdue	Repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	More than five years	Undated	Total
Financial assets:									
Cash and deposits with central bank	-	40,476,522	-	-	-	-	-	63,308,030	103,784,552
Deposits with banks and other financial institutions ⁽¹⁾	287,631	12,557,971	51,211,571	4,380,166	22,221,474	2,512,895	-	-	93,171,708
Loans and advances to customers	4,759,603	-	23,435,407	40,855,734	161,083,875	206,164,954	116,868,767	-	553,168,340
Financial assets at fair value through profit or loss	3,319,693	30,621,318	2,657,983	10,533,054	23,510,533	16,966,850	2,291,360	346,703	90,247,494
Financial assets at amortized cost	2,293,387	-	5,620,115	8,381,928	21,946,688	37,051,337	21,305,905	-	96,599,360
Financial assets at fair value through other comprehensive income	1,629,721	-	993,959	1,554,391	4,438,388	38,896,967	28,163,906	-	75,677,332
Other financial assets	599,892	-	530,893	174,848	68,323	29,892	97,417	-	1,501,265
Total financial assets	12,889,927	83,655,811	84,449,928	65,880,121	233,269,281	301,622,895	168,727,355	63,654,733	1,014,150,051
Financial liabilities:									
Due to the central bank	-	-	800,000	1,706,510	17,762,483	-	-	34,234	20,303,227
Deposits from banks and other financial institutions ⁽²⁾	-	5,160,140	12,882,761	12,476,018	22,599,634	-	-	-	53,118,553
Financial liabilities at fair value through profit or loss	-	5,052	-	-	-	-	-	-	5,052
Customer deposits ⁽³⁾	-	317,362,600	20,925,023	44,433,433	135,312,122	247,805,356	1,398,566	11,187,754	778,424,854
Lease liabilities	-	-	25,844	51,689	198,794	575,454	106,192	-	957,973
Debt securities issued	-	-	1,496,850	20,060,068	44,088,869	999,221	9,998,868	-	76,643,876
Other financial liabilities	751	11,488	697,156	1,573,506	7,614,949	1,196,157	28,426	328,867	11,451,300
Total financial liabilities	751	322,539,280	36,827,634	80,301,224	227,576,851	250,576,188	11,532,052	11,550,855	940,904,835
Net liquidity gap	12,889,176	(238,883,469)	47,622,294	(14,421,103)	5,692,430	51,046,707	157,195,303	52,103,878	73,245,216

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2021

(All amounts expressed in thousands of RMB unless otherwise stated)

44 FINANCIAL RISK MANAGEMENT (Continued)

(b) Liquidity risk (Continued)

(i) *Analysis of the remaining maturity of the assets and liabilities is set out below (Continued):*

- (1) Includes placements with banks and other financial institutions, financial assets held under resale agreements.
- (2) Includes financial assets sold under repurchase agreements.
- (3) Demand deposits from customers are classified as repayable on demand for disclosure purposes. In practice, there is a stable portion which has a longer maturity profile.

(ii) *Maturity analysis of contractual undiscounted cash flows*

The tables below summarise the maturity profile of the Group's financial instruments based on the contractual undiscounted cash flows. The balances of some items in the tables below are different from the balances on the statement of financial position as the tables incorporate all cash flows relating to both principal and interest. The Group's expected cash flows on these instruments may vary significantly from the following analysis. For example, demand deposits from customers are expected to maintain a stable or increasing balance although they have been classified as repayable on demand in the following tables.

(c) Market risk

Market risk is the risk of loss, in respect of the Group's on and off-balance sheet activities, arising from adverse movements in market rates including interest rates, foreign exchange rates, commodity prices and stock prices.

Market risk arises from both the Group's trading and non-trading businesses. The Group's market risk contains currency risk, interest rate risk and other price risk.

The Group is primarily exposed to structural interest rate risk arising from commercial banking and position risk arising from treasury transactions.

The Group's currency risk mainly arises from exchange rate fluctuations on its foreign exchange exposures. Foreign exchange exposures include the mismatch of foreign exchange assets and liabilities.

Sensitivity analysis, interest rate repricing gap analysis and foreign exchange risk concentration analysis are the major market risk management tools used by the Group.

The Bank uses different management methods to control market risk which comprises trading book and banking book risks respectively.

The Group considers the market risk arising from commodity or stock price fluctuations in respect of its investment portfolios to be immaterial.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2021

(All amounts expressed in thousands of RMB unless otherwise stated)

44 FINANCIAL RISK MANAGEMENT (Continued)

(c) Market risk (Continued)

(i) Currency risk

The Group conducts its businesses mainly in RMB, with certain transactions denominated in USD, HKD and other currencies. Transactions in foreign currencies mainly arise from the Group's treasury exposures and foreign exchange business.

(ii) Interest rate risk

The Group's interest rate risk mainly arises from the mismatches between the repricing dates of interest generating assets and interest-bearing liabilities. The Group's interest-generating assets and interest-bearing liabilities are mainly denominated in RMB.

The Group manages its interest rate risk by:

- regularly monitoring the macroeconomic factors that may have impact on the PBOC benchmark interest rates;
- optimising the differences in timing between contractual repricing (maturities) of interest-generating assets and interest-bearing liabilities; and
- managing the deviation of the pricing of interest-generating assets and interest-bearing liabilities from the PBOC benchmark interest rates.

(d) Capital management

The Group follows the following capital management principles:

- Maintain the high quality and adequacy of capital to meet asset regulatory requirements, support business growth and advance the sustainable development scale in the Group;
- Sufficiently identify, calculate, monitor, mitigate and control various types of risks, ensuring that the capital employed is commensurate with the related risks and the level of risk management of the Group; and
- Optimise asset structure and allocate capital properly, to steadily improve the efficiency and return of capital, and advance the sustainable development of the Group.

Capital adequacy and regulatory capital are monitored by the Group's management by employing techniques based on the guidelines developed by the Basel Committee, as implemented by the CBIRC, for supervisory purposes. The required information is filed with the CBIRC on a quarterly basis. From 1 January 2013, the Group commenced to calculate the capital adequacy ratios in accordance with the Administrative Measures for the Capital of Commercial Banks (Trial) and other relevant regulations promulgated by the CBIRC.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2021

(All amounts expressed in thousands of RMB unless otherwise stated)

44 FINANCIAL RISK MANAGEMENT (Continued)

(d) Capital management (Continued)

The Group's regulatory capital consists of the following:

- Common equity tier 1 capital, mainly including share capital, capital reserve, surplus reserve, general reserve, retained profits, eligible portion of minority interests and others;
- Additional tier 1 capital, including additional tier 1 capital instruments issued and related premium and eligible portion of minority interests; and
- Tier 2 capital, including tier 2 capital instruments issued and related premium, excess loan loss allowances and eligible portion of minority interests.

The Group implements a weighted approach to measuring credit risk-weighted assets, which are determined according to the credit risks associated with each asset and counterparty, taking into account any eligible collateral or guarantee, with adjustments made to reflect the potential losses. Market risk-weighted assets and operational risk weighted assets are calculated using the standardised approach and basic indicator approach, respectively.

The Group takes various measures to manage risk-weighted assets including adjusting the composition of its on-balance and off-balance sheet assets.

The Group was in compliance with the capital requirement promulgated by the regulators in the reporting period. The table below summarises the Group's common equity tier 1 capital adequacy ratio, tier 1 capital adequacy ratio and capital adequacy ratio calculated in accordance with the Administrative Measures for the Capital of Commercial Banks (Trial) and other relevant regulations promulgated by the CBIRC.

	As at 30 June 2021	As at 31 December 2020
Net common equity tier 1 capital	60,842,800	60,398,707
Net tier 1 capital	70,996,581	70,512,335
Net capital	82,211,775	82,469,589
Risk-weighted assets	686,307,861	656,572,371
Common equity tier 1 capital adequacy ratio	8.87%	9.20%
Tier 1 capital adequacy ratio	10.34%	10.74%
Capital adequacy ratio	11.98%	12.56%

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2021

(All amounts expressed in thousands of RMB unless otherwise stated)

45 FAIR VALUE OF FINANCIAL INSTRUMENTS

(a) Financial instruments measured at fair value

Determination of fair value and fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: Quoted (Unadjusted) prices in active markets for identical assets or liabilities;

Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable, and

Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

The following tables show an analysis of financial instruments measured or disclosed at fair value by level of the fair value hierarchy:

30 June 2021	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss				
– Debt securities	–	55,402,063	–	55,402,063
– Funds and other investments	24,069,097	–	10,222,800	34,291,897
Financial assets at fair value through other comprehensive income				
– Debt securities	–	56,313,927	–	56,313,927
– Other investments	–	–	6,349,809	6,349,809
Total	24,069,097	111,715,990	16,572,609	152,357,696

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2021

(All amounts expressed in thousands of RMB unless otherwise stated)

45 FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

(a) Financial instruments measured at fair value (Continued)

Determination of fair value and fair value hierarchy (Continued)

31 December 2020	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss				
– Debt securities	–	45,306,357	–	45,306,357
– Funds and other investments	30,619,699	–	14,321,438	44,941,137
Financial assets at fair value through other comprehensive income				
– Debt securities	–	68,994,884	–	68,994,884
– Other investments	–	–	6,682,448	6,682,448
Total	30,619,699	114,301,241	21,003,886	165,924,826

The following tables present the changes in Level 3 assets for the period ended 30 June 2021 and the year ended 31 December 2020:

	Financial assets at fair value through profit or loss		Financial assets at fair value through other comprehensive income	Total
	Debt securities	Funds and other investments		
At 1 January 2021	–	14,321,438	6,682,448	21,003,886
Purchase	–	691,754	–	691,754
Total gains and losses				
– Realized gains and losses	–	(105,900)	(14,190)	(120,090)
– Other comprehensive income	–	–	(311,849)	(311,849)
Settlement	–	(4,684,492)	(6,600)	(4,691,092)
At 30 June 2021	–	10,222,800	6,349,809	16,572,609

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2021

(All amounts expressed in thousands of RMB unless otherwise stated)

45 FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

(a) Financial instruments measured at fair value (Continued)

Determination of fair value and fair value hierarchy (Continued)

	Financial assets at fair value through profit or loss		Financial assets at fair value through other comprehensive income	Total
	Debt securities	Funds and other investments		
At 1 January 2020	29,777	32,790,871	15,437,022	48,257,670
Purchase	–	4,248,082	4,183	4,252,265
Transfer to Level 3	–	–	–	–
Total gains and losses				
– Realized gains and losses	4,964	(1,568,738)	(295,038)	(1,858,812)
– Other comprehensive income	–	–	(330,832)	(330,832)
Settlement	(34,741)	(21,148,777)	(8,132,887)	(29,316,405)
At 31 December 2020	–	14,321,438	6,682,448	21,003,886

The valuation techniques used and the qualitative and quantitative information of key parameters for recurring fair value measurements categorised within Level 3 fair value measurement is as below:

	Fair value		Valuation techniques	Unobservable input
	As at 30 June 2021	As at 31 December 2020		
Financial assets:				
Financial assets at fair value through profit or loss	–	–	Discounted cash flow	Risk-adjusted discount rate, cash flow
– Debt securities				
– Funds and other investments	10,222,800	14,321,438	Discounted cash flow	Risk-adjusted discount rate, cash flow
Financial assets at fair value through other comprehensive income				
– Funds and other investments	6,349,809	6,682,448	Discounted cash flow	Risk-adjusted discount rate, cash flow
Total	16,572,609	21,003,886		

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2021

(All amounts expressed in thousands of RMB unless otherwise stated)

45 FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

(a) Financial instruments measured at fair value (Continued)

Determination of fair value and fair value hierarchy (Continued)

During the six months ended 30 June 2021 and the year ended 31 December 2020, there were no significant change in the valuation techniques.

As at 30 June 2021 and 31 December 2020, unobservable inputs such as estimated future cash flow were used in the valuation of financial assets at fair value classified as Level 3, which were mainly asset management plans and wealth management products. The fair value of these financial assets fluctuates according to the changes in the unobservable inputs.

The sensitivity of the fair value measurement on changes in unobservable inputs for Level 3 financial instruments measured at fair value on an ongoing basis.

There are no transfers between Level 1 and Level 2 for financial assets measured at fair value during the period of 2021 and the year of 2020.

(b) Financial instruments for which fair values are disclosed

As at 30 June 2021, financial assets and liabilities not presented at fair value on the condensed consolidated interim statement of financial position mainly represent "Deposits with central banks", "Deposits with banks and other financial institutions", "Placements with banks and other financial institutions", "Financial assets held under resale agreements", "Loans and advances to customers" measured at amortized cost, "Financial assets at amortized cost", "Borrowings from central bank", "Deposits from banks and other financial institutions", "Placements from banks and other financial institutions", "Financial assets sold under repurchase agreements", "Customer deposits" and "Debt securities issued" (31 December 2020: represent "Deposits with central bank", "Deposits with banks and other financial institutions", "Placements with banks and other financial institutions", "Financial assets held under resale agreements", "Loans and advances to customers" measured at amortized cost, "Financial assets at amortized cost", "Borrowings from central bank", "Deposits from banks and other financial institutions", "Placements from banks and other financial institutions", "Financial assets sold under repurchase agreements", "Customer deposits" and "Debt securities issued").

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2021

(All amounts expressed in thousands of RMB unless otherwise stated)

45 FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

(b) Financial instruments for which fair values are disclosed (Continued)

Except for the following items, there are no significant differences between carrying amount and fair value.

	As at 30 June 2021	As at 31 December 2020
Carrying amount:		
Financial assets at amortized cost	124,305,111	96,599,360
Debt securities issued	83,277,286	76,643,876
Fair Value:		
Financial assets at amortized cost	125,101,938	97,036,231
Debt securities issued	83,479,925	76,798,002

46 EVENTS AFTER THE REPORTING PERIOD

Pursuant to a shareholders' resolution dated 8 June 2021, the Bank will simultaneously issue domestic shares through private placement and H shares through non-public offering. The Bank intends to issue a total of not more than 1.340 billion domestic shares and not more than 0.305 billion H shares, with a par value of RMB 1.00 per share.

UNREVIEWED SUPPLEMENTARY FINANCIAL INFORMATION

For the six months ended 30 June 2021

(All amounts expressed in millions of RMB unless otherwise stated)

1 LIQUIDITY RATIO, LIQUIDITY COVERAGE RATIO AND NET STABLE FUNDING RATIO (EXPRESSED IN PERCENTAGE)

(1) Liquidity Ratio

	As at 30 June 2021	As at 31 December 2021
Liquidity ratio (RMB and foreign currency)	78.88%	87.52%

(2) Liquidity coverage ratio

	As at 30 June 2021	As at 31 December 2020
High-quality liquid assets	167,420.51	161,194.23
Net cash outflows in future 30 days	98,380.62	68,477.68
Liquidity coverage ratio	170.18%	235.40%

(3) Net stable funding ratio

	As at 30 June 2021	As at 31 March 2021	As at 31 December 2020
Available and stable funds	679,774.29	667,944.86	647,341.56
Required stable funds	586,043.13	584,200.79	549,210.09
Net stable funding ratio	115.99%	114.33%	117.87%

Pursuant to the Administrative Measures on the Liquidity Risk of Commercial Banks (商業銀行流動性風險管理辦法) issued by the CBIRC, since 1 July 2018 (effective date of the Measures), the above liquidity ratio, liquidity coverage ratio and net stable funding ratio were calculated based on the financial statements prepared in accordance with the Accounting Standards for Business Enterprises issued by the MOF.

UNREVIEWED SUPPLEMENTARY FINANCIAL INFORMATION

For the six months ended 30 June 2021

(All amounts expressed in millions of RMB unless otherwise stated)

2. CURRENCY CONCENTRATION

	As at 30 June 2021			Subtotal
	USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	
Spot assets	7,973.55	2,851.64	292.25	11,117.44
Spot liabilities	7,909.32	2,851.64	292.25	11,053.21
Net long/(short) position	64.23	–	–	64.23

	As at 31 December 2020			Subtotal
	USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	
Spot assets	7,720.79	3,071.13	318.37	11,110.29
Spot liabilities	7,655.91	3,071.13	318.37	11,045.41
Net long/(short) position	64.88	–	–	64.88

Above information is calculated in accordance with regulations promulgated by the CBRC. The Group had no structural position as at 30 June 2021 and 31 December 2020.

UNREVIEWED SUPPLEMENTARY FINANCIAL INFORMATION

For the six months ended 30 June 2021

(All amounts expressed in millions of RMB unless otherwise stated)

3. INTERNATIONAL CLAIMS

The Group regards all claims on third parties outside Mainland China and claims denominated in foreign currencies on third parties inside Mainland China as international claims.

International claims include loans and advances to customers, deposits with central bank, deposits and placements with banks and other financial institutions, financial assets held under resale agreements and investments in debt securities.

International claims are disclosed by country or geographical region. A country or geographical region 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.

	As at 30 June 2021		
	Banks and other financial institutions	Non-bank private institutions	Total
Asia Pacific	8,869.87	739.25	9,609.12
of which attributed to Hong Kong	2,297.43	–	2,297.43
North and South America	890.95	–	890.95
Europe	13.18	–	13.18
Oceania	548.10	–	548.10
Total	10,322.10	739.25	11,061.35

	As at 31 December 2020		
	Banks and other financial institutions	Non-bank private institutions	Total
Asia Pacific	9,894.19	610.92	10,505.11
of which attributed to Hong Kong	3,970.51	–	3,970.51
North and South America	523.72	–	523.72
Europe	8.67	–	8.67
Oceania	5.86	–	5.86
Total	10,432.44	610.92	11,043.36

UNREVIEWED SUPPLEMENTARY FINANCIAL INFORMATION

For the six months ended 30 June 2021

(All amounts expressed in millions of RMB unless otherwise stated)

4. GEOGRAPHICAL DISTRIBUTION OF THE PRINCIPAL AMOUNT OF OVERDUE LOANS AND ADVANCES TO CUSTOMERS

Principal amount of overdue loans and advances to customers by geographical region	As at 30 June 2021	As at 31 December 2020
Guangzhou	15,255.70	9,865.43
Pearl River Delta (Excluding Guangzhou)	1,569.18	458.99
Guangdong Province (Excluding Pearl River Delta)	953.73	923.27
Yangtze River Delta	75.24	50.53
Northeastern China	9.15	13.44
Bohai Rim	175.33	161.73
Western China	84.38	55.96
Central China	775.74	539.09
Others	122.18	98.14
Total	19,020.63	12,166.58

DEFINITION

“the Company”, “the Bank” “Guangzhou Rural Commercial Bank”	Guangzhou Rural Commercial Bank Co., Ltd.
“Group”	Guangzhou Rural Commercial Bank Co., Ltd. and its subsidiaries
“Articles of Association” or “Articles”	the articles of association of the Bank, which was passed by the shareholders of the Bank at the general meeting held on 6 September 2018 and was approved by the Guangdong Bureau of CBIRC on 30 November 2018 to take effect after the issuance of Offshore Preference Shares (as amended, supplemented or otherwise revised from time to time)
“Sannong”	agriculture, rural areas and farmers
“county bank(s)”	bank institutions that are approved by CBIRC to be incorporated in rural areas to provide services to local farmers or enterprises
“Reporting Period”	from 1 January 2021 to 30 June 2021
“CBIRC”	China Banking and Insurance Regulatory Commission
“Guangdong Bureau of CBIRC” Commission	Guangdong Bureau of China Banking and Insurance Regulatory
“CSRC”	China Securities Regulatory Commission
“AGM”	annual general meeting of the Bank
“Board of Directors”	the board of directors of the Bank
“Board of Supervisors”	the board of supervisors of the Bank
“H Shares”	the foreign shares which are registered in Mainland China and listed in Hong Kong
“Non-overseas Listed Shares”	the ordinary shares with a nominal value of RMB1.00 each issued by the Bank, which are subscribed for or credited as paid up in RMB
“Offshore Preference Shares”	71,500,000 non-cumulative perpetual offshore preference shares with a nominal value of RMB100 per share issued by the Bank and listed on the Hong Kong Stock Exchange

DEFINITION

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“RMB”	the lawful currency of the People’s Republic of China
“USD”	the lawful currency of the United States of America
“IFRS”	International Financial Reporting Standards and International Accounting Standards (“IAS”), which include the related standards, amendments and interpretations issued by the International Accounting Standard Board (“IASB”)
“Latest Practicable Date”	31 August 2021



广州农商银行

GUANGZHOU RURAL COMMERCIAL BANK