

ASSETS AND LIABILITIES

You should read the discussion and analysis set forth in this section in conjunction with our consolidated financial statements, together with the accompanying Note included in Appendix I — Accountant’s Report. Our historical financial information has been prepared in accordance with IFRS.

The following discussion and analysis contain forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements due to a number of factors, including those set forth in “Forward-looking statements” and “Risk Factors”.

ASSETS

Our total assets increased by 13.1% from RMB407,904.7 million as of December 31, 2018 to RMB461,208.8 million as of December 31, 2019, and further increased by 18.9% to RMB548,402.0 million as of December 31, 2020. As of March 31, 2021, our total assets amounted to RMB564,558.2 million, representing an increase of 2.9% from our total assets as of December 31, 2020. The increase in our total assets during the Track Record Period was mainly due to the increases in loans and advances to customers and financial assets resulting from continuous growth in business. The principal components of our assets consisted of net loans and advances to customers and net financial investments, which represented 47.6% and 40.9% of our total assets as of March 31, 2021, respectively. The following table sets forth the components of our total assets as of the dates indicated.

	As of December 31,						As of March 31,	
	2018		2019		2020		2021	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	<i>(in millions of RMB, except percentages)</i>							
Loans and advances to customers ⁽¹⁾	157,445.7	38.6%	198,970.6	43.1%	254,641.8	46.4%	268,689.9	47.6%
Cash and balances with central banks	40,296.9	9.9%	39,557.2	8.6%	38,576.5	7.0%	36,955.9	6.5%
Financial assets held under resale agreements and deposits and placements with banks and other financial institutions	15,033.6	3.7%	21,299.7	4.6%	18,707.4	3.4%	19,338.9	3.4%
Financial investments								
Financial assets at fair value through profit or loss	34,974.7	8.6%	30,254.8	6.6%	36,101.6	6.6%	37,097.2	6.6%
Financial investments at amortized cost	67,979.6	16.7%	86,869.6	18.8%	111,667.9	20.4%	109,770.4	19.4%
Financial investments at fair value through other comprehensive income	86,043.1	21.1%	78,350.9	17.0%	79,943.6	14.6%	84,139.0	14.9%
Investment in associates	267.7	0.1%	430.6	0.1%	433.0	0.1%	448.7	0.1%
Goodwill	—	—	181.4	0.0%	520.5	0.1%	520.5	0.1%
Property and equipment	1,396.1	0.3%	1,577.6	0.4%	2,432.8	0.4%	2,466.7	0.4%
Right-of-use assets	629.9	0.2%	613.6	0.1%	612.2	0.1%	595.2	0.1%
Deferred tax assets	1,683.8	0.4%	2,018.1	0.5%	3,054.2	0.6%	3,089.1	0.5%
Other assets ⁽²⁾	2,153.6	0.4%	1,084.7	0.2%	1,710.5	0.3%	1,446.7	0.4%
Total assets	407,904.7	100.0%	461,208.8	100.0%	548,402.0	100.0%	564,558.2	100.0%

ASSETS AND LIABILITIES

Notes:

- (1) For ease of reference, in this prospectus, unless otherwise indicated, we use the terms “loans and advances to customers”, “loans to customers” and “loans” synonymously.
- (2) Consisted primarily of advances to suppliers, long-term deferred expenses, R&D expenditures clearing and settlement, and precious metal.

Loans and Advances to Customers

We provide various loan products to our customers. Substantially all of our customer loans are denominated in Renminbi. Our loans to customers are reported net of the allowance for expected credit losses on our consolidated statements of financial position. Unless otherwise specified, the following discussion is based on our total loans and advances to customers (excluding accrued interest). Our loans to customers, net of allowance for expected credit losses, represented 38.6%, 43.1%, 46.4% and 47.6% of our total assets as of December 31, 2018, 2019 and 2020 and March 31, 2021, respectively.

Our net loans to customers increased by 26.4% from RMB157,445.7 million as of December 31, 2018 to RMB198,970.6 million as of December 31, 2019, and increased by 28.0% to RMB254,641.8 million as of December 31, 2020, which further increased to RMB268,689.9 million as of March 31, 2021, reflecting the growth in our corporate loans and personal loans business.

The following tables set forth the distribution of our loans and advances to customers by business model and cash flow characteristics as of the dates indicated.

	As of December 31,						As of March 31,	
	2018		2019		2020		2021	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
<i>(in millions of RMB, except percentages)</i>								
Loans and advances to customers at amortized cost								
Corporate loans	95,480.1	58.1%	107,682.3	52.3%	134,299.3	51.4%	141,649.6	51.4%
Personal loans	49,541.7	30.1%	80,048.3	38.9%	98,015.9	37.5%	105,073.8	38.1%
Discounted bills ⁽¹⁾	147.3	0.1%	127.7	0.1%	1,318.3	0.5%	1,643.4	0.6%
Sub-total	145,169.1	88.3%	187,858.3	91.3%	233,633.5	89.4%	248,366.8	90.1%
Loans and advances to customers at fair value through other comprehensive income ⁽²⁾	19,183.7	11.7%	17,968.5	8.7%	27,817.1	10.6%	27,383.8	9.9%
Total loans and advances to customers	164,352.8	100.0%	205,826.8	100.0%	261,450.6	100.0%	275,750.6	100.0%
Accrued interest	304.6		438.3		532.0		591.9	
Less: Allowance for expected credit loss	(7,211.7)		(7,294.5)		(7,340.8)		(7,652.6)	
Net loans and advances to customers	157,445.7		198,970.6		254,641.8		268,689.9	

Notes:

- (1) Only referred to the amount of discounted bills, excluding the amount of rediscounted bills.
- (2) Consisted primarily of rediscounted bills and Forfaiting.

ASSETS AND LIABILITIES

Distribution of Loans to Customers by Business Line

Our loans to customers consisted of corporate loans, personal loans and discounted bills. The following table sets forth our loans to customers by business line as of the dates indicated.

	As of December 31,						As of March 31,	
	2018		2019		2020		2021	
	<u>Amount</u>	<u>% of total</u>	<u>Amount</u>	<u>% of total</u>	<u>Amount</u>	<u>% of total</u>	<u>Amount</u>	<u>% of total</u>
	<i>(in millions of RMB, except percentages)</i>							
Corporate loans	95,480.1	58.1%	107,682.3	52.3%	136,673.6	52.3%	144,660.6	52.5%
Personal loans	49,541.7	30.1%	80,048.3	38.9%	98,015.9	37.5%	105,073.8	38.1%
Discounted bills	19,331.0	11.8%	18,096.2	8.8%	26,761.1	10.2%	26,016.2	9.4%
Total loans and advances to customers	<u>164,352.8</u>	<u>100.0%</u>	<u>205,826.8</u>	<u>100.0%</u>	<u>261,450.6</u>	<u>100.0%</u>	<u>275,750.6</u>	<u>100.0%</u>

Corporate Loans

Corporate loans were the largest component of our loan portfolio, representing 58.1%, 52.3%, 52.3% and 52.5% of our gross loans to customers as of December 31, 2018, 2019 and 2020 and March 31, 2021, respectively.

Our corporate loans increased by 12.8% from RMB95,480.1 million as of December 31, 2018 to RMB107,682.3 million as of December 31, 2019, and further increased by 26.9% to RMB136,673.6 million as of December 31, 2020. As of March 31, 2021, our corporate loans amounted to RMB144,660.6 million. The continued increase in our corporate loans was primarily due to our focus on corporate customers, in particular the SMEs, private enterprises and manufacturing industry, to further expand our customer base.

Distribution of Corporate Loans by Contract Maturity

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

	As of December 31,						As of March 31,	
	2018		2019		2020		2021	
	<u>Amount</u>	<u>% of total</u>	<u>Amount</u>	<u>% of total</u>	<u>Amount</u>	<u>% of total</u>	<u>Amount</u>	<u>% of total</u>
	<i>(in millions of RMB, except percentages)</i>							
Medium- and long-term loans ⁽¹⁾	65,496.5	68.6%	72,915.7	67.7%	95,617.7	70.0%	100,672.6	69.6%
Short-term loans ⁽²⁾	29,983.6	31.4%	34,766.6	32.3%	41,055.9	30.0%	43,988.0	30.4%
Total corporate loans	<u>95,480.1</u>	<u>100.0%</u>	<u>107,682.3</u>	<u>100.0%</u>	<u>136,673.6</u>	<u>100.0%</u>	<u>144,660.6</u>	<u>100.0%</u>

Notes:

- (1) Consisted of loans with maturities of longer than one year.
- (2) Consisted of loans with maturities of one year or less.

ASSETS AND LIABILITIES

During the Track Record Period, the majority of our corporate loans was medium-and long-term loans. Medium- and long-term loans represented 68.6%, 67.7%, 70.0% and 69.6% of our total corporate loans as of December 31, 2018, 2019 and 2020 and March 31, 2021, respectively. As of the same dates, short-term loans represented 31.4%, 32.3%, 30.0% and 30.4% of our total corporate loans, respectively.

Distribution of Corporate Loans by Product Type

The following table sets forth the distribution of our corporate loans by product type as of the dates indicated. For details of each type of our corporate loans, please see “Business — Our Principal Businesses — Corporate Banking Business — Main Products and Services — Corporate Loans”.

	As of December 31,						As of March 31,	
	2018		2019		2020		2021	
	<u>Amount</u>	<u>% of total</u>	<u>Amount</u>	<u>% of total</u>	<u>Amount</u>	<u>% of total</u>	<u>Amount</u>	<u>% of total</u>
	<i>(in millions of RMB, except percentages)</i>							
Fixed asset loans	51,281.5	53.7%	58,805.2	54.6%	69,532.5	50.9%	75,920.7	52.5%
Working capital								
loans	42,826.5	44.9%	46,655.2	43.2%	63,073.1	46.1%	63,458.3	43.9%
Others ⁽¹⁾	1,372.1	1.4%	2,221.9	2.2%	4,068.0	3.0%	5,281.6	3.6%
Total	<u>95,480.1</u>	<u>100.0%</u>	<u>107,682.3</u>	<u>100.0%</u>	<u>136,673.6</u>	<u>100.0%</u>	<u>144,660.6</u>	<u>100.0%</u>

Note:

(1) Consisted primarily of mortgage loans on business premises and mechanical equipment.

Fixed asset loans represented 53.7%, 54.6%, 50.9% and 52.5% of our total corporate loans as of December 31, 2018, 2019 and 2020 and March 31, 2021, respectively. Our fixed asset loans increased by 14.7% from RMB51,281.5 million as of December 31, 2018 to RMB58,805.2 million as of December 31, 2019, and further increased by 18.2% to RMB69,532.5 million as of December 31, 2020. As of March 31, 2021, our fixed asset loans amounted to RMB75,920.7 million. The continued increase in our fixed asset loans was primarily due to the increases in our loans to infrastructure construction, manufacturing and urban renewal projects to support local development, which is in line with the urbanization in Dongguan and the development in the Greater Bay Area.

Working capital loans represented 44.9%, 43.2%, 46.1% and 43.9% of our total corporate loans as of December 31, 2018, 2019 and 2020 and March 31, 2021, respectively. Our working capital loans increased by 8.9% from RMB42,826.5 million as of December 31, 2018 to RMB46,655.2 million as of December 31, 2019, and increased significantly by 35.2% to RMB63,073.1 million as of December 31, 2020. As of March 31, 2021, our working capital loans amounted to RMB63,458.3 million. The continued increase was primarily due to our enhanced support of the increasing working capital needs of private enterprises and the manufacturing industry.

ASSETS AND LIABILITIES

Distribution of Corporate Loans by Industry

Our corporate loans consisted of loans to corporate customers in a broad range of industries. The following table sets forth the distribution of our corporate loans by industry classification¹ as of the dates indicated.

	As of December 31,				As of March 31,			
	2018		2019		2020		2021	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
<i>(in millions of RMB, except percentages)</i>								
Manufacturing	14,325.9	15.0%	16,944.4	15.7%	27,173.6	19.8%	28,240.8	19.5%
Leasing and commercial services	19,595.6	20.5%	22,636.2	21.0%	24,737.3	18.1%	27,557.7	19.0%
Wholesale and retail	20,452.8	21.4%	23,342.2	21.7%	24,274.5	17.8%	26,192.4	18.1%
Construction	16,908.8	17.7%	17,791.3	16.5%	20,860.8	15.3%	22,276.2	15.4%
Real estate	8,407.7	8.8%	9,259.1	8.6%	10,804.3	7.9%	12,667.6	8.8%
Production and supply of power, gas and water	4,878.8	5.1%	4,501.8	4.2%	5,322.4	3.9%	5,915.7	4.1%
Transportation, logistics and postal services	2,075.8	2.2%	3,449.0	3.2%	3,947.1	2.9%	3,853.5	2.7%
Health, social security and welfare	1,465.9	1.5%	2,008.7	1.9%	2,539.0	1.9%	2,537.0	1.8%
Education	994.1	1.0%	1,715.8	1.6%	2,212.0	1.6%	2,255.9	1.6%
Water, environment and public utilities management	2,070.3	2.2%	1,804.0	1.7%	2,101.5	1.5%	2,331.0	1.6%
Hotels and catering industries	920.7	1.0%	1,138.4	1.1%	1,382.0	1.0%	1,355.2	0.9%
Information transmission, software and IT services	924.7	1.0%	757.9	0.7%	823.0	0.6%	1,087.4	0.8%
Finance	—	—	—	—	7,514.0	5.5%	5,603.5	3.9%
Others ⁽¹⁾	2,459.0	2.6%	2,333.5	2.1%	2,982.1	2.2%	2,786.7	1.8%
Total corporate loans	95,480.1	100.0%	107,682.3	100.0%	136,673.6	100.0%	144,660.6	100.0%

Note:

(1) Consisted primarily of (i) agriculture, forestry, animal husbandry and fishery, (ii) resident services and other services, (iii) culture, sports and entertainment, (iv) scientific research and technical services, and geological prospecting, (v) mining, and (vi) public management and social organization.

The top five industries in terms of our aggregate corporate loan amount as of March 31, 2021 were (i) the manufacturing industry, (ii) the leasing and commercial service industry, (iii) the wholesale and retail industry, (iv) the construction industry and (v) the real estate industry. The aggregate balance of loans to customers in the top five industries amounted to RMB79,690.8 million, RMB89,973.2 million, RMB107,850.5 million and RMB116,934.7 million as of December 31, 2018, 2019 and 2020 and March 31, 2021 respectively, representing 83.4%, 83.5%, 78.9% and 80.8% of our total corporate loans as of the same date. The increases in loans to customers in the top five industries during the Track Record Period were mainly due to the overall growth in our business and our adoption of strategic policies favorable to such industries.

¹ The industry classifications are in accordance with the National Economic Industry Classification system of the National Bureau of Statistics.

ASSETS AND LIABILITIES

Our loans to corporate borrowers in the manufacturing industry represented 15.0%, 15.7%, 19.8% and 19.5% of our total corporate loans as of December 31, 2018, 2019 and 2020 and March 31, 2021, respectively. Our loans to corporate borrowers in the manufacturing industry increased by 18.3% from RMB14,325.9 million as of December 31, 2018 to RMB16,944.4 million as of December 31, 2019, which increased significantly by 60.4% to RMB27,173.6 million as of December 31, 2020. As of March 31, 2021, our loans to corporate borrowers in the manufacturing industry amounted to RMB28,240.8 million.

Our loans to corporate borrowers in the leasing and commercial service industry represented 20.5%, 21.0%, 18.1% and 19.0% of our total corporate loans as of December 31, 2018, 2019 and 2020 and March 31, 2021, respectively. Our loans to corporate borrowers in the leasing and commercial service industry increased by 15.5% from RMB19,595.6 million as of December 31, 2018 to RMB22,636.2 million as of December 31, 2019, which further increased by 9.3% to RMB24,737.3 million as of December 31, 2020. As of March 31, 2021, our loans to corporate borrowers in the leasing and commercial service industry amounted to RMB27,557.7 million.

Our loans to corporate borrowers in the wholesale and retail industry represented 21.4%, 21.7%, 17.8% and 18.1% of our total corporate loans as of December 31, 2018, 2019 and 2020 and March 31, 2021, respectively. Our loans to corporate borrowers in the wholesale and retail industry increased by 14.1% from RMB20,452.8 million as of December 31, 2018 to RMB23,342.2 million as of December 31, 2019, and increased by 4.0% to RMB24,274.5 million as of December 31, 2020. As of March 31, 2021, our loans to corporate borrowers in the wholesale and retail industry amounted to RMB26,192.4 million.

Our loans to corporate borrowers in the construction industry represented 17.7%, 16.5%, 15.3% and 15.4% of our total corporate loans as of December 31, 2018, 2019 and 2020 and March 31, 2021, respectively. Our loans to corporate borrowers in the construction industry increased by 5.2% from RMB16,908.8 million as of December 31, 2018 to RMB17,791.3 million as of December 31, 2019, which further increased by 17.3% to RMB20,860.8 million as of December 31, 2020. As of March 31, 2021, our loans to corporate borrowers in the construction industry amounted to RMB22,276.2 million.

Our loans to corporate borrowers in the real estate industry represented 8.8%, 8.6%, 7.9% and 8.8% of our total corporate loans as of December 31, 2018, 2019 and 2020 and March 31, 2021, respectively. Our loans to corporate borrowers in the real estate industry increased by 10.1% from RMB8,407.7 million as of December 31, 2018 to RMB9,259.1 million as of December 31, 2019, which further increased by 16.7% to RMB10,804.3 million as of December 31, 2020. As of March 31, 2021, our loans to corporate borrowers in the real estate industry amounted to RMB12,667.6 million.

ASSETS AND LIABILITIES

Distribution of Corporate Loans to Ten Key Industries

	As of December 31,				As of March 31,			
	2018		2019		2020		2021	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	<i>(in millions of RMB, except percentages)</i>							
Education	1,569.9	6.3%	2,349.5	7.9%	2,736.7	6.4%	2,698.5	5.7%
Medical and pharmaceutical	2,447.1	9.8%	4,473.2	15.1%	5,099.5	12.1%	5,008.8	10.6%
Environmental protection	3,750.8	15.0%	3,103.1	10.4%	4,350.1	10.2%	4,980.1	10.5%
Intelligent city	8,390.8	33.6%	8,999.5	30.3%	12,156.7	28.6%	13,933.8	29.3%
Industrial park	2,010.9	8.1%	4,114.5	13.9%	9,493.5	22.3%	11,173.0	23.5%
High-end manufacturing	1,390.8	5.6%	1,252.6	4.2%	2,180.7	5.1%	2,620.9	5.5%
New generation information technology	2,058.5	8.2%	1,797.8	6.1%	2,263.2	5.3%	2,596.5	5.5%
Mould	251.3	1.0%	284.0	0.9%	303.4	0.7%	301.8	0.6%
Furniture	1,612.2	6.5%	1,451.9	4.9%	1,937.3	4.6%	2,241.1	4.7%
Food	1,469.5	5.9%	1,860.5	6.3%	2,015.7	4.7%	1,964.6	4.1%
Total	24,951.7	100.0%	29,686.4	100.0%	42,536.9	100.0%	47,519.1	100.0%

Since 2017, we identified ten key industries and offered seven tailor-made comprehensive financial service plans for these industries, namely, “Green Financing (綠融通)”, “Campus Financing (校融通)”, “Bank-Hospital Financing (銀醫通)”, “Smart Financing (智融通)”, “Park Financing (園融通)”, “Bay Area Financing (灣融通)” and “City Financing (城新通)”. As of December 31, 2018, 2019 and 2020 and March 31, 2021, the total number of customers of our Bank in the ten key industries were approximately 116,900, 122,900, 125,800 and 126,400, respectively. As of December 31, 2018, 2019 and 2020, the balance of our corporate loans to enterprises in the ten key industries were approximately RMB24,951.7 million, RMB29,686.4 million and RMB42,536.9 million, respectively, representing a CAGR of 30.6%. As of March 31, 2021, the balance of our corporate loans to enterprises in the ten key industries was approximately RMB47,519.1 million.

ASSETS AND LIABILITIES

Distribution of Corporate Loans by Principal Amount

The following table sets forth distribution of our corporate loan amount to borrowers by principal amount as of the dates indicated.

	As of December 31,				As of March 31,			
	2018		2019		2020		2021	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
<i>(in millions of RMB, except percentages)</i>								
Over RMB500 million								
(inclusive)	4,306.4	4.5%	6,081.5	5.6%	24,874.5	18.2%	24,854.8	17.2%
Between RMB100 million and								
RMB500 million	47,767.1	50.0%	54,788.7	50.9%	59,504.5	43.5%	65,331.0	45.2%
Between RMB50 million and								
RMB100 million (inclusive) . . .	19,490.3	20.4%	20,678.5	19.2%	22,415.3	16.4%	25,105.6	17.4%
Between RMB10 million and								
RMB50 million (inclusive)	17,186.3	18.0%	18,438.5	17.1%	20,310.7	14.9%	21,094.5	14.6%
Between RMB5 million and								
RMB10 million (inclusive)	3,286.2	3.4%	3,959.9	3.7%	4,863.7	3.6%	4,723.4	3.2%
Up to RMB5 million								
(inclusive)	3,443.8	3.7%	3,735.2	3.5%	4,704.9	3.4%	3,551.3	2.4%
Total corporate loans	95,480.1	100.0%	107,682.3	100.0%	136,673.6	100.0%	144,660.6	100.0%

Our aggregate loan amount to corporate borrowers for loans with principal amounts between RMB100 million and RMB500 million was the largest component in terms of percentages of our total corporate loan amount, which increased from 50.0% as of December 31, 2018 to 50.9% as of December 31, 2019, and decreased to 43.5% as of December 31, 2020. As of March 31, 2021, the aggregate loan amount to corporate borrowers for loans with principal amounts between RMB100 million and RMB500 million in terms of percentages of our total corporate loan amount increased to 45.2%. Such fluctuations in percentage were primarily due to the increases in aggregate loan amount we granted to projects undertaken by medium to large enterprises that required large principal amount, such as infrastructure construction, urban improvement, factory construction and upgrade. In addition, we increased the support to existing customers with good credit history.

ASSETS AND LIABILITIES

Distribution of Corporate Loans by Size of Corporate Borrowers

The following table sets forth distribution of our corporate loans by size of borrowers as of the dates indicated.

	As of December 31,									As of March 31,		
	2018			2019			2020			2021		
	Amount	% of total	NPL ratio	Amount	% of total	NPL ratio	Amount	% of total	NPL ratio	Amount	% of total	NPL ratio
<i>(in millions of RMB, except percentages)</i>												
SMEs ⁽¹⁾	62,969.9	65.9%	2.35%	68,097.9	63.3%	1.75%	82,515.2	60.4%	1.10%	89,767.9	62.0%	1.08%
Medium enterprises ⁽¹⁾	23,281.4	24.4%	1.24%	28,277.8	26.3%	1.36%	37,349.4	27.3%	1.00%	37,696.0	26.1%	0.84%
Large enterprises ⁽¹⁾	8,392.2	8.8%	0.18%	10,605.0	9.8%	0.14%	16,156.6	11.8%	0.00%	16,597.3	11.5%	0.00%
Others ⁽²⁾	836.6	0.9%	0.00%	701.6	0.6%	0.00%	652.4	0.5%	0.00%	599.4	0.4%	0.20%
Total corporate loans	95,480.1	100.0%	1.87%	107,682.3	100.0%	1.52%	136,673.6	100.0%	0.94%	144,660.6	100.0%	0.89%

Notes:

- (1) The classification criteria for large, medium, SMEs are set out by the 2017 Measures for Classification.
- (2) Consisted primarily of public institutions, such as hospitals and schools.

Our loans to SMEs increased by 8.1% from RMB62,969.9 million as of December 31, 2018 to RMB68,097.9 million as of December 31, 2019, which further increased by 21.2% to RMB82,515.2 million as of December 31, 2020. As of March 31, 2021, our loans to SMEs amounted to RMB89,767.9 million. Such increases in our loans to SMEs were primarily due to our efforts to support local SMEs by meeting their increasing capital needs.

Our loans to medium to large enterprises increased by 22.8% from RMB31,673.6 million as of December 31, 2018 to RMB38,882.8 million as of December 31, 2019, which further increased by 37.6% to RMB53,506.0 million as of December 31, 2020. As of March 31, 2021, our loans to medium to large enterprises amounted to RMB54,293.3 million. Such increases in our loans to medium to large enterprises were primarily due to the increases in aggregate loan amount we granted to projects undertaken by medium to large enterprises that required large principal amount, such as infrastructure construction, urban improvement, factory construction and upgrade, local key projects and advanced manufacturing projects.

During the Track Record Period, despite certain adverse impact of the outbreak of COVID-19 on the global economy and our loan portfolio and asset quality, the NPL ratios decreased for our corporate loans across almost all sizes of borrowers, which was primarily due to (i) the prompt and effective epidemic control in Dongguan and series of supporting measures launched by the local government that supported and improved the business environment of micro-, small- and medium-sized enterprises in Dongguan, which provides a sound foundation for our loan portfolio and asset quality; and (ii) our efforts on maintaining sufficient collaterals in the process of expanding our credit business to ensure that credit risks can be effectively mitigated. As of March 31, 2021, the balances of loans collateralized, pledged or guaranteed amounted to RMB241,619.7 million, representing 87.6% of our total loans and advances to customers as of the same date.

ASSETS AND LIABILITIES

Personal Loans

As of December 31, 2018, 2019 and 2020 and March 31, 2021, our personal loans represented 30.1%, 38.9%, 37.5% and 38.1% of our loans and advances to customers, respectively.

Our personal loans increased by 61.6% from RMB49,541.7 million as of December 31, 2018 to RMB80,048.3 million as of December 31, 2019, which further increased by 22.4% to RMB98,015.9 million as of December 31, 2020. As of March 31, 2021, our personal loans amounted to RMB105,073.8 million. The increase in our personal loans was primarily attributable to the growing market demand, which was in turn driven by Dongguan's urbanization and economic transformation. Increase in our personal loans was also a result of our strategic focus on personal consumption loans and online banking channels.

Distribution of Personal Loans by Product Type

The table below sets forth the distribution of our personal loans by product type as of the dates indicated.

	As of December 31,				As of March 31,			
	2018		2019		2020		2021	
	<u>Amount</u>	<u>% of total</u>	<u>Amount</u>	<u>% of total</u>	<u>Amount</u>	<u>% of total</u>	<u>Amount</u>	<u>% of total</u>
	<i>(in millions of RMB, except percentages)</i>							
Residential mortgage loans	23,568.3	47.6%	32,441.2	40.5%	37,665.4	38.4%	39,788.3	37.9%
Personal consumption loans . . .	5,336.2	10.8%	19,089.8	23.9%	26,517.0	27.1%	30,080.3	28.6%
Personal business loans	9,766.5	19.7%	18,001.0	22.5%	25,609.6	26.1%	27,604.0	26.3%
Credit card balances	10,870.7	21.9%	10,516.3	13.1%	8,223.9	8.4%	7,601.2	7.2%
Total personal loans	<u>49,541.7</u>	<u>100.0%</u>	<u>80,048.3</u>	<u>100.0%</u>	<u>98,015.9</u>	<u>100.0%</u>	<u>105,073.8</u>	<u>100.0%</u>

Residential mortgage loans represented 47.6%, 40.5%, 38.4% and 37.9% of our personal loans as of December 31, 2018, 2019 and 2020 and March 31, 2021, respectively. The decreases in the percentage were due to our efforts to diversify products and services to individual customers. Our residential mortgage loans increased by 37.6% from RMB23,568.3 million as of December 31, 2018 to RMB32,441.2 million as of December 31, 2019, primarily due to the relaxation of the relevant governmental policies on loans for residential properties in the second half of 2018 and our increased allocation of resources to residential mortgage loans. Our residential mortgage loans further increased by 16.1% to RMB37,665.4 million as of December 31, 2020. As of March 31, 2021, our residential mortgage loans amounted to RMB39,788.3 million. Such increase in our residential mortgage loans was primarily a result of the increased amount of individual residential mortgage loan, which is in line with the market price of properties in Dongguan, and the decrease in growth rate of our residential mortgage loans is consistent with our policy for granting personal residential mortgage loans under the principle that "houses are for living in, not for speculation (房住不炒)".

Personal consumption loans represented 10.8%, 23.9%, 27.1% and 28.6% of our personal loans as of December 31, 2018, 2019 and 2020 and March 31, 2021, respectively. Our personal consumption loans increased significantly by 257.7% from RMB5,336.2 million as of December 31, 2018 to RMB19,089.8 million as of December 31, 2019, primarily due to our efforts to promote personal consumption loans and online banking channels and the expansion in the portfolio of personal consumption loan products we offered to individual

ASSETS AND LIABILITIES

customers. Our personal consumption loans further increased by 38.9% to RMB26,517.0 million as of December 31, 2020 and amounted to RMB30,080.3 million as of March 31, 2021, primarily resulted from our increased allocation of resources to personal consumption loans and upgrade in our personal consumption loans products such as “Good Salary Loan (好薪贷)”, which was launched exclusively to our payroll customers who maintain a good credit history with our Bank and enables to borrow a maximum amount of RMB1.0 million with a term of up to ten years.

Personal business loans represented 19.7%, 22.5%, 26.1% and 26.3% of our personal loans as of December 31, 2018, 2019 and 2020 and March 31, 2021, respectively. Our personal business loans increased by 84.3% from RMB9,766.5 million as of December 31, 2018 to RMB18,001.0 million as of December 31, 2019, and further increased by 42.3% to RMB25,609.6 million as of December 31, 2020. As of March 31, 2021, our personal business loans amounted to RMB27,604.0 million. The continuous increase was in line with the general market condition in Dongguan and our overall business growth.

Credit card balances represented 21.9%, 13.1%, 8.4% and 7.2% of our personal loans as of December 31, 2018, 2019 and 2020 and March 31, 2021, respectively. Our credit card balances as of December 31, 2019 amounted to RMB10,516.3 million, representing a slight decrease of 3.3% when compared with that of December 31, 2018, which was further decreased by 21.8% to RMB8,223.9 million as of December 31, 2020. Our credit card balances decreased by 7.6% to RMB7,601.2 million as of March 31, 2021. The continuous decrease was primarily due to our more proactive risk management strategy.

Distribution of Personal Loans by Principal Amount

The following table sets forth the distribution of our outstanding personal loans by principal amount as of the dates indicated.

	As of December 31,						As of March 31,	
	2018		2019		2020		2021	
	<u>Amount</u>	<u>% of total</u>	<u>Amount</u>	<u>% of total</u>	<u>Amount</u>	<u>% of total</u>	<u>Amount</u>	<u>% of total</u>
	<i>(in millions of RMB, except percentages)</i>							
Over RMB5,000,000	4,743.9	9.6%	6,014.8	7.5%	9,234.9	9.4%	10,127.1	9.6%
Between RMB500,000 and RMB5,000,000 (inclusive)	23,690.0	47.8%	37,870.0	47.3%	50,870.0	51.9%	55,770.6	53.1%
Between RMB250,000 and RMB500,000 (inclusive)	5,801.2	11.7%	10,161.6	12.7%	9,613.4	9.8%	11,325.7	10.8%
Between RMB100,000 and RMB250,000 (inclusive)	2,503.6	5.1%	7,259.0	9.1%	7,965.3	8.1%	9,254.3	8.8%
Up to RMB100,000 (inclusive)	12,803.0	25.8%	18,742.9	23.4%	20,332.3	20.8%	18,596.1	17.7%
Total personal loans	<u>49,541.7</u>	<u>100.0%</u>	<u>80,048.3</u>	<u>100.0%</u>	<u>98,015.9</u>	<u>100.0%</u>	<u>105,073.8</u>	<u>100.0%</u>

Our aggregate loan amount to individual borrowers with principal amounts between RMB0.5 million and RMB5.0 million was the largest component of our personal loans in terms of percentages of our total personal

ASSETS AND LIABILITIES

loan amount, percentage of which to the total personal loan was relatively stable as of December 31, 2018 when compared with that of December 31, 2019, and increased to 51.9% as of December 31, 2020, primarily due to the relatively rapid growth of residential mortgage loans. As of March 31, 2021, our aggregate loan amount to individual borrowers with principal amounts between RMB0.5 million and RMB5.0 million in terms of percentages of our total personal loan amount increased to 53.1%, reflecting the increase in our residential mortgage loans with each of the amount largely between RMB0.5 million to RMB5.0 million. In terms of its percentage to our total personal loan amount, our aggregate loan amount to individual borrowers with principal amounts up to RMB0.1 million decreased from 25.8% as of December 31, 2018 to 23.4% as of December 31, 2019, primarily due to the consolidation of Zhanjiang RCB in 2019, whose percentage of personal loans with principal amounts up to RMB0.1 million was relatively low. Such percentage further decreased to 20.8% as of December 31, 2020, primarily due to the relatively rapid growth of loans in other amounts range, resulting in the increase of proportion. As of March 31, 2021, our aggregate loan amount to individual borrowers with principal amounts up to RMB0.1 million in terms of percentages of our total personal loan amount decreased to 17.7%, primarily due to the adjustment in online personal loans pursuant to our business development needs.

Discounted Bills

During the Track Record Period, our discounted bills consisted of bank acceptance bills only. As of March 31, 2021, our discounted bills slightly decreased by 2.8% from RMB26,761.1 million as of December 31, 2020 to RMB26,016.2 million, primarily due to maturity of certain discounted bills. Our discounted bills increased by 47.9% from RMB18,096.2 million as of December 31, 2019 to RMB26,761.1 million as of December 31, 2020, due to factors including relatively lower market interest rates under the COVID-19 economic recovery policy and higher liquidity of discounted bills. Our discounted bills decreased by 6.4% from RMB19,331.0 million as of December 31, 2018 to RMB18,096.2 million as of December 31, 2019, primarily due to our increased allocation of resources to loans to customers and accordingly decreased in resources allocated to discounted bills.

Distribution of Loans to Customers by Geographical Region

We classified loans geographically based on the location of our branches that originated the loans. Our branches generally grant loans to local borrowers. The following table sets forth the distribution of our loans to customers by geographical region as of the dates indicated.

	As of December 31,						As of March 31,	
	2018		2019		2020		2021	
	<u>Amount</u>	<u>% of total</u>	<u>Amount</u>	<u>% of total</u>	<u>Amount</u>	<u>% of total</u>	<u>Amount</u>	<u>% of total</u>
	<i>(in millions of RMB, except percentages)</i>							
Dongguan	155,563.2	94.7%	169,039.0	82.1%	214,171.5	81.9%	220,674.9	80.0%
Other regions ⁽¹⁾	8,789.6	5.3%	36,787.8	17.9%	47,279.1	18.1%	55,075.7	20.0%
Total loans to customers	164,352.8	100.0%	205,826.8	100.0%	261,450.6	100.0%	275,750.6	100.0%

Note:

(1) For details on the distribution of our branches, outlets and county banks, please see “Business — Distribution Network”.

ASSETS AND LIABILITIES

We operated our loan business primarily in Dongguan. Loans originated in Dongguan represented 94.7%, 82.1%, 81.9% and 80.0% of our total loans to customers as of December 31, 2018, 2019 and 2020 and March 31, 2021, respectively. The percentage of loans to customers originated in Dongguan decreased from 94.7% as of December 31, 2018 to 82.1% as of December 31, 2019, primarily due to the expansion of our online loans with customers located in different regions, which further decreased to 81.9% and 80.0% as of December 31, 2020 and March 31, 2021, respectively, primarily due to the better development of corporate loans of Zhanjiang RCB and bills business of Chaoyang RCB, which led to the increase in the percentage of loans outside Dongguan.

Distribution of Loans to Customers by Collateral

The following table sets forth the distribution of our loans to customers by type of collateral as of the dates indicated. The increase in these loans primarily reflected the overall growth in our loan portfolio.

	As of December 31,						As of March 31,	
	2018		2019		2020		2021	
	<u>Amount</u>	<u>% of total</u>	<u>Amount</u>	<u>% of total</u>	<u>Amount</u>	<u>% of total</u>	<u>Amount</u>	<u>% of total</u>
	<i>(in millions of RMB, except percentages)</i>							
Pledged loans ⁽¹⁾⁽²⁾	30,769.2	18.7%	28,847.7	14.0%	39,107.9	15.0%	39,371.2	14.3%
Collateralized								
loans ⁽¹⁾⁽³⁾	88,589.1	53.9%	113,050.8	54.9%	134,641.7	51.5%	144,891.5	52.5%
Guaranteed loans	31,566.8	19.2%	35,717.2	17.4%	54,441.7	20.8%	57,357.0	20.8%
Unsecured loans	13,427.7	8.2%	28,211.1	13.7%	33,259.3	12.7%	34,130.9	12.4%
Total	<u>164,352.8</u>	<u>100.0%</u>	<u>205,826.8</u>	<u>100.0%</u>	<u>261,450.6</u>	<u>100.0%</u>	<u>275,750.6</u>	<u>100.0%</u>

Notes:

- (1) Represented the total amount of loans wholly or partially secured by collateral in each category. If a loan is secured by more than one form of security interest, the classification is based on the primary form of security interest.
- (2) Represented security interest in the form of intangible assets or monetary assets, such as chattels, certificates of deposit, financial instruments, intellectual properties and interests in future cash flows, by taking possession of, or registering as beneficiary of, such assets.
- (3) Represented security interest in tangible assets other than monetary assets, such as buildings and fixtures, land use rights, machines, equipment and vehicles, without taking possession.

During the Track Record Period, a substantial amount of our loans to customers were secured by pledges, collateral or guarantees. As of December 31, 2018, 2019 and 2020 and March 31, 2021, our loans to customer secured by pledges, collateral or guarantees amounted to RMB150,925.1 million, RMB177,615.7 million, RMB228,191.3 million and RMB241,619.7 million, respectively, representing 91.8%, 86.3%, 87.3% and 87.6% of our total loans to customers as of the same dates. The high percentage of these loans in our loan portfolio was a result of our prudent risk management policies.

Our loan-to-value ratio refers to an indicator that compares the size of loans to the value of the collaterals or pledges securing the loans. As of December 31, 2018, 2019 and 2020 and March 31, 2021, the loan-to-value ratio for our loans secured by collaterals was 54.0%, 51.3%, 52.8% and 52.4%, respectively. As of the same dates, the loan-to-value ratio for our loans secured by pledges was 60.9%, 59.8%, 64.7% and 66.1%, respectively. Our Bank requires that the value of collaterals shall be sufficient to cover the principal and interest of the corresponding loan.

ASSETS AND LIABILITIES

Our unsecured loans were RMB13,427.7 million, RMB28,211.1 million, RMB33,259.3 million and RMB34,130.9 million as of December 31, 2018, 2019 and 2020 and March 31, 2021, respectively, representing 8.2%, 13.7%, 12.7% and 12.4% of our total loans to customers as of the same dates, respectively. The percentage of unsecured loans to our total loans to customers remained relatively stable during the Track Record Period, and the increases of unsecured loans in percentage as of December 31, 2019 were primarily due our strategic focus on certain retail banking products and services, including online joint granted loans and SME loans. According to our policies, high quality customers with comparatively high credit ratings can access various types of our loan products, including unsecured loans. For details, please see “Risk Management — Credit Risk Management”.

ASSETS AND LIABILITIES

Borrower Concentration

In accordance with applicable PRC banking laws and regulations, our loan balance to any single borrower is subject to a lending limit of 10% of our net capital. Please see “Supervision and Regulation — Other Operational and Risk Management Ratios”. The following table sets forth our loan amount to our ten largest single borrowers (all classified as normal) as of the date indicated.

As of March 31, 2021												
Borrower	Industry	Background	Operational scale	Amount	Type of business loans	% of total loans	% of net capital ⁽¹⁾	Amount of off-balance-sheet commitments / guarantees	Underlying securities	Value of underlying securities	Coverage ratio (times)	Impairment
Borrower A ⁽¹⁾	Leasing and commercial services	State-controlled	Small	2,999.8	Loans	1.1%	6.5%	2,024.0	Guarantee	—	—	37.0
Borrower B	Construction	Private-controlled	Large	1,504.1	Loans	0.5%	3.3%	5,319.5	Collaterals, guarantee and pledges	5,891.3	391.7%	27.2
Borrower C	Leasing and commercial services	State-controlled	Small	1,300.0	Loans	0.5%	2.8%	—	Guarantee	—	—	23.2
Borrower D	Construction	State-controlled	Large	1,024.0	Loans	0.4%	2.2%	—	Guarantee	—	—	12.6
Borrower E	Construction	State-controlled	Large	1,000.0	Loans	0.4%	2.2%	236.0	Guarantee	—	—	12.3
Borrower F	Construction	State-controlled	Medium	958.2	Loans	0.3%	2.1%	—	Guarantee	—	—	17.0
Borrower G	Leasing and commercial services	Private-controlled	Large	928.0	Loans	0.3%	2.0%	1,763.0	Pledges, guarantee and custody	4,550.3	502.2%	11.8
Borrower H	Real estate	Private-controlled	Micro	887.0	Loans	0.3%	1.9%	—	Guarantee and pledges	462.6	52.2%	11.9
Borrower I	Wholesale and retail	Private-controlled	Large	813.2	Loans	0.3%	1.8%	—	Collaterals, guarantee and pledges	1,790.0	221.4%	11.2
Borrower J	Wholesale and retail	Private-controlled	Large	798.5	Loans	0.3%	1.7%	2,582.1	Collaterals and guarantee	1,646.4	206.2%	15.9
Total				12,212.8		4.4%	26.5%	11,924.6		14,340.6		180.1

Note:

(1) Calculated in accordance with the requirements of the Capital Administration Measures and based on our financial statements prepared in accordance with PRC GAAP. For a calculation of our net capital as of March 31, 2021, please see “Financial Information — Capital Resources — Capital Adequacy”.

ASSETS AND LIABILITIES

In accordance with applicable PRC banking guidelines, our aggregate loan balance to any single group borrower is subject to a credit limit of 15% of our net capital. The following table sets forth our credit limit to our ten largest group borrowers (all classified as normal) as of the date indicated.

As of March 31, 2021											
Industry	Background	Operational scale	Credit limit	Type of business <i>(in millions of RMB, except percentages)</i>	% of total loans	% of net capital ⁽¹⁾	Amount of off-balance-sheet commitments / guarantees	Underlying securities	Value of underlying securities	Coverage ratio (times)	Impairment
Group A	Construction	State-controlled	5,724.0	Loans	2.1%	12.4%	2,260.0	Guarantee	—	—	74.3
Group B	Wholesale and retail	Private-controlled	4,420.8	Loans	1.6%	9.6%	14,590.5	Guarantee, pledges and collaterals	8,254.7	232.0%	65.8
Group C	Construction	Private-controlled	3,100.1	Loans and letter of guarantee	1.1%	6.7%	19,641.7	Guarantee, pledges and collaterals	11,446.9	377.9%	47.2
Group D	Leasing and commercial services	Private-controlled	2,570.3	Loans and letter of guarantee	0.9%	5.6%	8,245.3	Guarantee, pledges and collaterals	7,811.7	585.4%	35.9
Group E	Leasing and commercial services	Private-controlled	2,286.4	Loans	0.8%	5.0%	5,477.5	Guarantee, pledges and collaterals	3,766.6	130.0%	38.5
Group F	Leasing and commercial services	Private-controlled	2,210.6	Loans and letter of guarantee	0.8%	4.8%	13,128.7	Guarantee, pledges and collaterals	7,135.6	334.3%	30.8
Group G	Leasing and commercial services	State-controlled	2,045.7	Loans	0.7%	4.4%	0.2	Credit and guarantee	—	—	33.2
Group H	Leasing and commercial services	Collective-owned	1,731.2	Loans	0.6%	3.8%	2,242.5	Guarantee	—	—	26.8
Group I	Leasing and commercial services	Private-controlled	1,595.4	Loans	0.6%	3.5%	8,340.0	Guarantee, pledges and collaterals	18,900.6	1,194.0%	24.9
Group J	Wholesale and retail	Private-controlled	1,589.4	Loans	0.6%	3.4%	3,212.6	Guarantee	3,606.1	215.4%	24.6
Total			27,273.9		9.8%	59.2%	77,139.0		60,922.2		402.0

Note:

(1) Calculated in accordance with the requirements of the Capital Administration Measures and based on our financial statements prepared in accordance with PRC GAAP. For a calculation of our net capital as of March 31, 2021, please see "Financial Information — Capital Resources — Capital Adequacy".

ASSETS AND LIABILITIES

Maturity Profile of Loan Portfolio

The following table sets forth our loan products by remaining maturity as of the date indicated.

	As of March 31, 2021					Total
	Due in 3 months or less	Due in over 3 months up to 12 months	Due in 1 to 5 years	Due in more than 5 years	Overdue ⁽¹⁾	
	<i>(in millions of RMB)</i>					
Corporate loans						
Working capital loans	11,572.3	31,696.6	17,015.2	2,053.3	1,120.9	63,458.3
Fixed asset loans	1,131.2	4,000.3	32,500.3	37,810.5	478.4	75,920.7
Others ⁽²⁾	845.9	2,989.1	70.8	1,367.2	8.6	5,281.6
Subtotal	13,549.4	38,686.0	49,586.3	41,231.0	1,607.9	144,660.6
Personal loans						
Personal business loans	1,765.8	7,164.7	12,060.9	6,082.0	530.6	27,604.0
Residential mortgage loans	2.6	18.8	845.8	38,645.7	275.4	39,788.3
Credit card balances ⁽³⁾	2,624.0	548.6	2,856.7	1,414.2	157.7	7,601.2
Personal consumption loans	1,112.1	6,786.5	15,103.3	6,673.3	405.1	30,080.3
Subtotal	5,504.5	14,518.6	30,866.7	52,815.2	1,368.8	105,073.8
Discounted bills						
Bank acceptance bill	11,461.6	14,554.6	—	—	—	26,016.2
Subtotal	11,461.6	14,554.6	—	—	—	26,016.2
Total	30,515.5	67,759.2	80,453.0	94,046.2	2,976.7	275,750.6

Notes:

- (1) Included loans on which principal and interest are overdue. For loans that were repayable in installments, if any portion of the loan was overdue, the total amount of that loan was classified as overdue.
- (2) Consisted primarily of mortgage loans on business premises and mechanical equipment.
- (3) Included credit card loans that were repayable in installments. The maturity profile is the carrying amount as set forth by remaining contractual maturities as of March 31, 2021.

As of March 31, 2021, our corporate loans with remaining maturities of up to one year amounted to RMB52,235.4 million, representing 36.1% of our total corporate loans, consisting primarily of working capital loans with remaining maturities of three to 12 months. Our corporate loans with remaining maturities of more than one year amounted to RMB90,817.3 million as of the same date, representing 62.8% of our total corporate loans, consisting primarily of fixed asset loans with remaining maturities of more than one year. Our personal loans with remaining maturity of up to five years amounted to RMB50,889.8 million as of March 31, 2021, representing 48.4% of our total personal loans, consisting mainly of personal business loans and personal consumption loans with remaining maturities between one to five years while those of our personal loans with remaining maturities of more than five years amounted to RMB52,815.2 million as of the same date, representing 50.3% of our total personal loans, consisting primarily of residential mortgage loans.

Loan Interest Rate Profile

In recent years, PBoC has implemented a series of initiatives to gradually liberalize interest rates and establish a market-based interest rate regime. On July 20, 2013, PBoC removed the floor rates for RMB-denominated loans (except for interest rates on residential mortgage loans) and allowed commercial banks in China to set interest rates based on commercial considerations.

Interest rates on residential mortgage loans have been set at no less than 70% of PBoC benchmark lending rate since October 27, 2008. Interest rates on residential mortgage loans to second-home buyers are

ASSETS AND LIABILITIES

required to be no less than 110% of PBoC benchmark lending rate since April 17, 2010. On August 25, 2019, PBoC issued an announcement (PBoC Notice (2019) No.16) regarding the interest rate for newly extended mortgage loans, which provides that since October 8, 2019, newly extended mortgage loans shall be priced by adding basis points to the latest monthly loan prime rate (the “LPR”) of corresponding maturity; the interest rate of residential mortgage loans for the first residential property shall not be lower than the LPR of corresponding maturity, and that of the second residential property shall not be lower than the LPR of corresponding maturity plus 60 basis points. Further, the interest rates of the loan for commercial properties shall not be lower than the LPRs of corresponding maturities plus 60 basis points, and no adjustments shall be made to the interest rates of housing provident fund for residential properties for the time being. The basis points added should conform to the national and local housing credit policy requirements, reflect the loan risk profile, and remain fixed during the contract period. For details, please see “Supervision and Regulation — Pricing of Products and Services”.

Asset Quality of Our Loan Portfolio

We measured and monitored the asset quality of our loans to customers through our loan classification system. Pursuant to the Guidelines on Risk-based Classification of Loans (《貸款風險分類指引》) published by CBRC on July 3, 2007 (the “**CBRC Guidelines**”), the principal analysis in classifying a loan is the assessment of the repayment ability of the borrower, the intention of the borrower to repay and the assessment of the pledges and collaterals. We classified our loans using a five-category loan classification system, which complies with the CBRC Guidelines. Please see “Supervision and Regulation — Loan Classification, Allowances and Write-Offs — Loan Classification”.

Since early 2020, to counter the adverse effect on the economy caused by the COVID-19 pandemic, China’s central and local governments have promulgated a series of supporting policies to ease burdens, including, among other things, encouraging banks and financial institutions to enhance their credit support to affected enterprises and individuals. For details, please see “Summary — Recent Developments”, “Financial Information — No Material Adverse Change” and “Risk Factors — Risks Relating to our Business — The recent outbreak of the contagious COVID-19 in the PRC and worldwide may have an adverse effect on our business, financial condition and results of operations”.

Loan Classification Criteria

In determining the classification of our loan portfolio, we applied a series of criteria that were derived from the CBRC Guidelines. These criteria were designed to assess the likelihood of repayment by the borrower and the collectability of principal and interest on the loan.

Corporate Loans

Our corporate loan classification criteria focus on a number of factors, to the extent applicable, including (i) the borrower’s ability to repay the loan, based on such factors as the borrower’s cash flows, financial condition, profitability and other non-financial factors affecting the borrower’s repayment ability; (ii) the borrower’s repayment history; (iii) the borrower’s willingness to repay; (iv) the profitability of the project financed by our loans; (v) the net realizable value of any collateral and the prospect for support from any guarantor; and (vi) the enforceability of our claims. The key factors for each loan classification are listed below.

ASSETS AND LIABILITIES

This is not intended to be an exhaustive list of all factors taken into account in classifying our loans. Please see “Risk Management — Credit Risk Management — Credit Risk Management of Corporate Loans”.

Normal. Loans are classified as normal only if the borrower can honor the terms of its loans and there is no sufficient reason to doubt its ability to repay principal and interest in full on a timely basis.

- the borrower pays the principal and interest under the contract;
- the borrower’s operations and business are stable;
- the borrower has a good credit history in our Bank;
- the borrower’s cash flows from the ordinary course of business are stable and sufficient to service the loan; or
- the borrower has strong financing ability and is in a business with good prospect.

Special Mention. Loans should be classified as special mention if the borrower is able to service its loans with its business revenues and, when necessary, through foreclosure on collateral, although repayment may be adversely affected by specific factors, including:

- there are adverse changes on certain key financial indicators of the borrower, such as decreases in cash flow and increases in debts to assets ratio; or such financial indicators are clearly lower than the industry level;
- loans extension, or past due for a certain period, or such extended loans need to be repaid by other financing methods;
- there have been material changes in the borrower’s substantial shareholders, affiliated entities, or parent companies or subsidiaries that may affect the borrower’s repayment ability;
- there have been material changes in the borrower’s senior management that may impact the borrower’s repayment ability;
- our loan document is incomplete and the missing documents may affect our ability to enforce collectability of the loans;
- the borrower has used the loan proceeds for a purpose inconsistent with the intended use of the loan proceeds; or
- there have been adverse changes in the macro-economic environment, industry, market, or laws and regulations that may adversely affect the borrower’s repayment ability.

Substandard. Loans should be classified as substandard if the borrower’s ability to service its loans is in question as it cannot rely entirely on normal business revenues to repay the principal and interest, and losses may ensue even when collateral or guarantees are invoked. Loans are generally classified as substandard if any of the following circumstances arises:

- the principal or any interest payments are overdue for over 90 days;
- the loans require restructuring through amendments to repayment terms as a result of the borrower’s deteriorated financial condition or inability to pay;
- the borrower is disposing of or selling off major fixed assets used for production or business operation; or
- the borrower has encountered continuous financial difficulties, or the underlying project has been significantly delayed resulting in a shortage of cash flows for loan repayment and the borrower’s inability to repay the loan on a timely basis.

ASSETS AND LIABILITIES

Doubtful. Loans should be classified as doubtful if the borrower cannot repay the principal and interest in full and significant losses will need to be recognized even when collateral or guarantees are invoked. Loans in the doubtful category generally demonstrate the following characteristics:

- the borrower is experiencing financial losses, unable to repay the loan and cannot obtain other funding;
- the borrower is unable to make repayment even after receiving funds from the disposal of intangible assets, property, equipment or shares;
- the borrower's production or operations have been suspended or partially suspended, or the infrastructure project financed by our loans has been suspended; or
- the loans are still overdue or the borrower is still unable to repay the loans notwithstanding the loan restructuring.

Loss. Loans should be classified as loss if only a minimal portion or no principal and interest could be recovered after all possible measures have been taken and all legal remedies have been exhausted. Corporate loans in the loss category generally demonstrate the following characteristics:

- legal actions have been brought against the borrower to recover the loan, but even after the enforcement of court's order, we may still incur a significant loss on the loan;
- although the borrower's operations continue, there is no market for its products and the borrower has become insolvent and incurred significant losses, and is on the verge of bankruptcy, and the government has no plan to bail it out, and it has become clear that the borrower cannot honor its repayment obligations;
- the borrower or the guarantor has been declared bankrupt or been dissolved or closed down, and terminated as a legal entity, or had their business licenses revoked, the loans thereof remain unpaid after the pursuit of recovery;
- serious natural disasters or unforeseen events have resulted in significant losses of the borrower without insurance coverage or the loan remains unpaid in full or in part even after payment on insurance claims and our pursuit of recovery;
- the loans remain unpaid even after the conclusion of a judicial proceeding with respect to the borrower and the guarantor, or the enforcement of the guarantee or foreclosure on the collateral; or
- the action brought against the borrower and the guarantor has lapsed with respect to the statute of limitations, or we have lost the important documents evidencing our credit rights, and the loans remain unpaid after our pursuit of recovery.

Loans that need to be restructured should be at least classified as substandard. Restructured loans refer to loans of which we amend the repayment terms under the loan contract due to deterioration of the borrower's financial position or the borrower's inability to repay the loan. The restructured loan should at least be classified as doubtful if it is still overdue after the restructuring, or the borrower is still unable to repay the loan after the restructuring.

Personal Loans

In applying the loan classification criteria to personal loans, we primarily took into account the length of time by which payments of principal or interest were overdue and the type of collateral.

ASSETS AND LIABILITIES

In applying the loan classification criteria to residential mortgage loans, automobile mortgage loans and personal consumption loans, we primarily consider the length of period principal or interest past due and the type of collateral involved. The following table sets forth the classification of our residential mortgage loans, automobile mortgage loans and personal consumption loans by the length of period principal or interest past due and by different types of collateral:

<u>Current</u>	<u>1 – 30 days or overdue for one period (including)</u>	<u>31 – 60 days or overdue for two periods (including)</u>	<u>61 – 90 days or overdue for three periods (including)</u>	<u>91– 180 days or overdue for four to six periods (including)</u>	<u>Overdue for over 180 days or overdue for over seven periods</u>
Normal	Normal	Special mention	Special mention	Substandard	Doubtful

ASSETS AND LIABILITIES

The following table⁽¹⁾ sets forth the classification of our other personal loans by the length of period principal or interest past due and by different types of collateral:

Overdue days	Overdue by																		
	Current		1 – 30 days or one period (inclusive)		31 – 60 days or one to two period(s) (inclusive)		61 – 90 days or two to three periods (inclusive)		91 – 120 days or three to four periods (inclusive)		121 – 180 days or four to six periods (inclusive)		181 – 270 days or six to nine periods (inclusive)		Over 270 days or over nine periods (inclusive)				
	Excellent	Good	General or unclassified	Excellent	Good	General or unclassified	Excellent	Good	General or unclassified	Excellent	Good	General or unclassified	Excellent	Good	General or unclassified	Excellent	Good	General or unclassified	
Collateral quality	N	N	N	N	N	S	S	S	S	S	S	S	S	S	S	S	S	S	S
Pledged loans	N	N	N	N	S	S	S	S	S	S	S	S	S	S	S	S	S	S	S
Collateralized loans	N	N	N	N	S	S	S	S	S	S	S	S	S	S	S	S	S	S	S
Guaranteed loans	N	N	N	N	S	S	S	S	S	S	S	S	S	S	S	S	S	S	S
Unsecured loans	N	N	N	N	S	S	S	S	S	S	S	S	S	S	S	S	S	S	S

Note:

(1) N stands for Normal (正常); S stands for Special mention (關注); SS stands for Substandard (次級); and D stands for Doubtful (可疑).

ASSETS AND LIABILITIES

In addition, loans classified as loss also included (i) credit assets considered satisfied with one of the conditions to be classified as doubtful; or (ii) personal loans of which the borrowers are insolvent and expected loss will be more than 90% of the principal amount even if collaterals are disposed of or payments from guarantors are demanded.

Credit Card Balances

In applying the loan classification criteria to credit card balances, we consider the length of time by which the required minimum repayment is overdue. The following table sets forth the five-category loan classification of credit card balances by time by which the required minimum repayment is overdue.

	Classification
Current	Normal
Required minimum repayment overdue by	
1 to 90 days	Special mention
91 – 120 days	Substandard
121 – 180 days	Doubtful
Over 181 days	Loss

Distribution of Loans to Customers by Loan Classification

The following table sets forth the distribution of our loan portfolio by the five-category loan classification as of the dates indicated. Under our five-category loan classification system, our non-performing loans include those classified as substandard, doubtful or loss.

	As of December 31,				As of March 31,			
	2018		2019		2020		2021	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	<i>(in millions of RMB, except percentages)</i>							
Normal	159,021.1	96.66%	199,761.5	97.05%	254,707.4	97.42%	269,473.2	97.80%
Special mention	3,245.8	1.97%	4,121.1	2.00%	4,710.5	1.80%	4,145.3	1.50%
Subtotal	162,266.9	98.73%	203,882.6	99.06%	259,417.9	99.22%	273,618.5	99.30%
Substandard	246.4	0.15%	374.4	0.18%	732.5	0.28%	676.6	0.20%
Doubtful	1,755.8	1.07%	1,478.7	0.72%	1,205.6	0.46%	1,329.3	0.50%
Loss	83.7	0.05%	91.1	0.04%	94.6	0.04%	126.2	0.00%
Subtotal	2,085.9	1.27%	1,944.2	0.94%	2,032.7	0.78%	2,132.1	0.70%
Total loans to customers ...	<u>164,352.8</u>	<u>100.00%</u>	<u>205,826.8</u>	<u>100.00%</u>	<u>261,450.6</u>	<u>100.00%</u>	<u>275,750.6</u>	<u>100.00%</u>
NPL ratio⁽¹⁾	1.27%		1.00%		0.82%		0.79%	

Note:

(1) Calculated by dividing the amount of NPL (excluding accrued interest) by total amount of loans (excluding accrued interest). For the purpose of NPL ratio calculation, the NPL ratio of Zhanjiang RCB, our subsidiary, was calculated by the original book value of the loans as of December 31, 2019 and 2020 and March 31, 2021, respectively, and not the fair value on the combination date. For the purpose of NPL ratio calculation, the NPL ratio of Chaoyang RCB, our subsidiary, was calculated by the original book value of the loans as of December 31, 2020 and March 31, 2021 and not the fair value on the combination date.

ASSETS AND LIABILITIES

The following table sets forth the distribution of our loans to customers by business line and by the five-category loan classification system as of the dates indicated.

	As of December 31,						As of March 31,	
	2018		2019		2020		2021	
	Amount	% of total ⁽¹⁾	Amount	% of total ⁽¹⁾	Amount	% of total ⁽¹⁾	Amount	% of total ⁽¹⁾
<i>(in millions of RMB, except percentages)</i>								
Corporate loans								
Normal	90,632.4	94.92%	102,476.9	95.17%	131,438.2	96.17%	140,134.5	96.87%
Special mention	3,064.6	3.21%	3,615.8	3.36%	4,038.1	2.95%	3,271.7	2.26%
Substandard	194.3	0.20%	236.6	0.22%	313.8	0.23%	324.5	0.22%
Doubtful	1,568.4	1.64%	1,330.9	1.24%	882.2	0.65%	925.9	0.64%
Loss	20.4	0.02%	22.1	0.02%	1.3	0.00%	4.0	0.00%
Subtotal	95,480.1	100.00%	107,682.3	100.00%	136,673.6	100.00%	144,660.6	100.00%
NPL ratio⁽²⁾	1.87%		1.52%		0.94%		0.89%	
Personal loans								
Normal	49,058.6	99.02%	79,188.4	98.93%	96,508.1	98.45%	103,322.5	98.33%
Special mention	180.3	0.36%	505.3	0.63%	672.4	0.69%	873.6	0.83%
Substandard	52.1	0.11%	137.8	0.17%	418.7	0.43%	352.1	0.34%
Doubtful	187.4	0.38%	147.8	0.18%	323.4	0.33%	403.4	0.38%
Loss	63.3	0.13%	69.0	0.09%	93.3	0.10%	122.2	0.12%
Subtotal	49,541.7	100.00%	80,048.3	100.00%	98,015.9	100.00%	105,073.8	100.00%
NPL ratio⁽²⁾	0.61%		0.53%		0.87%		0.86%	
Discounted and rediscounted bills								
Normal	19,330.1	100.00%	18,096.2	100.00%	26,761.1	100.00%	26,016.2	100.00%
Special mention	0.9	0.00%	—	0.00%	—	0.00%	—	0.00%
Substandard	—	0.00%	—	0.00%	—	0.00%	—	0.00%
Doubtful	—	0.00%	—	0.00%	—	0.00%	—	0.00%
Loss	—	0.00%	—	0.00%	—	0.00%	—	0.00%
Subtotal	19,331.0	100.00%	18,096.2	100.00%	26,761.1	100.00%	26,016.2	100.00%
NPL ratio⁽²⁾	0.00%		0.00%		0.00%		0.00%	
Total loans to customers								
	164,352.8		205,826.8		261,450.6		275,750.6	
NPL ratio⁽³⁾	1.27%		1.00%		0.82%		0.79%	

Notes:

- (1) Calculated by dividing loans in each category by total loans in that category.
- (2) Calculated by dividing NPLs in each business line by loans in that business line.
- (3) Calculated by dividing the amount of NPL (excluding accrued interest) by total amount of loans (excluding accrued interest). For the purpose of NPL ratio calculation, the NPL ratio of Zhanjiang RCB was calculated by the original book value of the loans as of December 31, 2019 and 2020 and March 31, 2021, respectively, and not the fair value on the combination date. For the purpose of NPL ratio calculation, the NPL ratio of Chaoyang RCB was calculated by the original book value of the loans as of December 31, 2020 and March 31, 2021 and not the fair value on the combination date.

Our NPL ratio decreased from 1.27% as of December 31, 2018 to 1.00% as of December 31, 2019, and further decreased to 0.82% as of December 31, 2020. As of March 31, 2021, the NPL ratio decreased to 0.79%,

ASSETS AND LIABILITIES

reflecting our continuous efforts to strengthen our risk management and internal control while expanding our business. The relatively low NPL ratio of our Bank was primarily attributable to our efforts in controlling risks from the initial stage of loan review process by focusing on the primary and secondary repayment sources of customers and selecting collaterals with higher risk mitigation capabilities. In addition, we conduct annual investigation on risk loans, and formulated handling plans for risk and non-performing loans on a case-by-case basis. Assessment plans were also implemented for different subsidiaries, branches and departments to facilitate the solution of non-performing and risk loans.

Loans Classified as Special Mention

As of December 31, 2018, 2019 and 2020 and March 31, 2021, the balance of our customer loans classified as special mention was RMB3,245.8 million, RMB4,121.1 million, RMB4,710.5 million and RMB4,145.3 million, respectively. The percentage of loans classified as special mention to total customer loans decreased from 1.80% as of December 31, 2020 to 1.50% as of March 31, 2021, primarily due to the lower increased amount of new special mention loans as compared to the decreased amount through settlement and upward adjustment of classification of certain special mention loans in the first three months of 2021. The percentage of loans classified as special mention to total customer loans slightly decreased from 2.00% as of December 31, 2019 to 1.80% as of December 31, 2020, primarily due to our efforts in controlling the growth of loans classified as special mention through risk mitigation with the increase in loan amount. The percentage of loans classified as special mention to total customer loans slightly increased from 1.97% as of December 31, 2018 to 2.00% as of December 31, 2019, primarily due to the consolidation of Zhanjiang RCB in 2019.

The following table sets forth the distribution of our loans classified as special mention to customers by collateral as of the dates indicated.

	As of December 31,						As of March 31,	
	2018		2019		2020		2021	
	<u>Amount</u>	<u>% of total</u>	<u>Amount</u>	<u>% of total</u>	<u>Amount</u>	<u>% of total</u>	<u>Amount</u>	<u>% of total</u>
	<i>(in millions of RMB, except percentages)</i>							
Pledged loans ⁽¹⁾⁽²⁾	405.9	12.5%	12.5	0.3%	234.1	5.0%	229.1	5.5%
Collateralized loans ⁽¹⁾⁽³⁾	1,445.3	44.5%	2,150.5	52.2%	2,874.7	61.0%	2,178.7	52.6%
Guaranteed loans	1,336.0	41.2%	1,809.0	43.9%	1,354.8	28.8%	1,417.2	34.2%
Unsecured loans	58.6	1.8%	149.1	3.6%	246.9	5.2%	320.3	7.7%
Total	<u>3,245.8</u>	<u>100.0%</u>	<u>4,121.1</u>	<u>100.0%</u>	<u>4,710.5</u>	<u>100.0%</u>	<u>4,145.3</u>	<u>100.0%</u>

Notes:

- (1) Represented the total amount of loans wholly or partially secured by collateral in each category. If a loan is secured by more than one form of security interest, the classification is based on the primary form of security interest.
- (2) Represented security interests in intangible assets or monetary assets, such as movable assets, certificates of deposit, financial instruments, intellectual properties and interests in future cash flows, by taking possession of, or registering against, such assets.
- (3) Represented security interests in tangible assets other than monetary assets, such as buildings and fixtures, land use rights, machines, equipment and vehicles, without taking possession.

ASSETS AND LIABILITIES

Changes in Asset Quality of Our Loans

The following table sets forth the changes in our NPLs for the periods indicated.

	As of December 31,			As of March 31,
	2018	2019	2020	2021
	<i>(in millions of RMB, except percentages)</i>			
Beginning of the year	1,876.2	2,085.9	1,944.2	2,032.7
Acquisition of subsidiaries	—	0.4	23.5	—
Increase	1,532.0	1,515.6	1,587.6	298.9
Downgrades ⁽¹⁾	1,497.7	1,385.3	1,419.3	298.8
New loans ⁽²⁾	34.2	130.4	168.3	0.1
Decrease	(1,322.3)	(1,657.7)	(1,522.6)	(199.5)
Write-offs ⁽³⁾	(436.9)	(1,144.0)	(786.6)	—
Recoveries	(374.4)	(204.5)	(396.2)	(105.0)
Upgrades ⁽⁴⁾	(60.6)	(76.7)	(232.4)	(62.0)
Transfers ⁽⁵⁾	(441.1)	(211.9)	(87.4)	(26.1)
Loan restructuring ⁽⁶⁾	(6.3)	(20.6)	(20.0)	(6.4)
Payment in kind ⁽⁷⁾	(3.0)	—	—	—
End of the year/period	2,085.9	1,944.2	2,032.7	2,132.1
NPL ratio	1.27%	1.00%	0.82%	0.79%

Notes:

- (1) Refers to downgrades of loans classified as normal or special mention at the end of last year to non-performing.
- (2) Refers to loans newly extended in current year downgraded to non-performing.
- (3) Refers to write-offs of doubtful debt that cannot be recovered.
- (4) Refers to upgrades of NPLs to normal or special mention classifications.
- (5) Refers to NPLs transferred to third parties.
- (6) Refers to NPLs restructured through methods such as asset transfer, merger, acquisition and spin-off.
- (7) Refers to real assets or property rights pledged against debts.

Our Bank undertakes a series of NPL management measures to recover the outstanding loan amount. If we deem an NPL to be un-recoverable after the implementation of all necessary NPL management measures, the relevant outstanding amount may be recognized as allowance of doubtful debts and written off from the financial statements pursuant to the Administrative Measures for Write-off of Doubtful Debts by Financial Institutions (2017 version) (《金融企業呆帳核銷管理辦法 (2017年版)》) promulgated by the MOF or other relevant policies. Our Bank reserves the right to payment collection.

The NPL management measures we generally undertake include but not limited to:

- *Initial collection efforts:* when a loan first became past due, we put the borrower on notice of the default and urge the borrower to make payment due through one or more means of contact, such as collecting in person, making phone calls or issuing collection notice;
- *legal proceedings:* following the initial collection efforts, we may initiate legal proceedings and judiciary measures to enforce our creditor's rights;
- *Bankruptcy or liquidation application:* if a debtor becomes insolvent and the trend of operating losses is irreversible or there is evidence that a debtor has transferred its assets, our Bank may submit to the court a bankruptcy or liquidation application against the debtor to preserve its assets;

ASSETS AND LIABILITIES

- *Loan restructuring*: we may restructure an NPL by extending the repayment period or granting the borrower a roll-over loan if we believe such measure could reduce the credit risk of the NPL through future collection; and
- *Transfer of creditor's rights to third parties*: we may dispose of an NPL and transfer our creditor's rights to such NPL to certain third parties (the "NPL Transfer").

NPL Transfers

NPL Transfers are an effective and expedite type of recovery measure. We have formulated Implementation Rules of Pricing Management for the Disposal of Non-performing Assets (《不良資產處置定價管理實施細則》) to determine the disposal price of credit assets. We make internal assessment or rely on external valuation in price determination and take into account factors such as the repayment capability of debtors and the realizable value of collaterals.

The table below sets forth details of our NPL Transfers during the Track Record Period:

	<u>For the years ended December 31,</u>			<u>For the three months</u>
	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>ended March 31,</u>
	<u>2021</u>			
	<i>(in millions of RMB, except for percentages)</i>			
Aggregate outstanding NPL amount				
Principal amount	441.1	211.9	87.4	26.1
Interest amount	42.1	29.5	4.9	0.7
Legal fee	<0.1	0.6	0.2	0.1
Total	483.2	242.0	92.5	26.9
Aggregate cash received through NPL				
Transfers	456.3	227.2	92.5	26.9
Recovery rate⁽¹⁾	94.4%	93.9%	100.0%	100.0%

Note:

(1) Calculated by dividing the aggregate cash received through NPL Transfers by the aggregate outstanding NPL amount.

In addition, we also evaluate the relationship between the principal amount of NPLs recovered through NPL Transfers and cash recovered through NPL management measures other than NPL Transfers, to reflect our reliance on NPL Transfers as a NPL management measure. We calculate a percentage by dividing (i) the aggregate principal amount of NPLs disposed by us through NPL Transfers, which was RMB441.1 million, RMB211.9 million, RMB87.4 million and RMB26.1 million for the years ended December 31, 2018, 2019 and 2020 and for the three months ended March 31, 2021, respectively, by (ii) aggregate amount of cash we recovered, which in turn is the sum of (a) the aggregate principal amount of cash we collected on NPLs through all NPL management measures other than NPL Transfers, which was RMB374.4 million, RMB204.5 million, RMB396.2 million and RMB105.0 million for the years ended December 31, 2018, 2019 and 2020 and for the three months ended March 31, 2021, respectively and (b) the aggregate principal amount of NPLs disposed by the Group through NPL Transfers. Such percentages were 54.1%, 50.9%, 18.1% and 19.9% for the years ended December 31, 2018, 2019 and 2020 and for the three months ended March 31, 2021, respectively. For the same periods, the expected credit losses at the time of transfers for such Transferred NPLs of the Group are RMB277.5 million, RMB179.1 million, RMB74.9 million and RMB14.9 million, respectively.

ASSETS AND LIABILITIES

During the Track Record Period, we transferred NPLs to the NPL Transferees primarily through public tenders, auctions or biddings, where potential transferee publicly bid for the NPLs, and those with the highest price above the bottomline price became the NPL transferees. NPL transferees generally include, among others, industrial investment companies, investment consultants and other investors permitted under the relevant laws and regulations (the “NPL Transferees”).

We undertake NPL transfer when: (i) it is difficult to collect such NPLs, and the progress of judicial proceedings are relatively slow; or (ii) there are potential prospective buyers, and through the transfer of creditor’s rights, NPLs can be disposed and recovered quickly. Pursuant to the relevant transfer agreements and notices of the relevant public tenders, auctions or biddings, the NPL Transferees will accept the *status quo* of the target on the record date, including but not limited to the defects and risks of the target creditor’s rights, and the NPL Transferees has no recourse against us upon completion of the transfer.

According to the Notice on Issues Related to RMB Loan Interest Rate (Yinfa [2003] No. 251) (《關於人民幣貸款利率有關問題的通知》) issued by PBoC on December 10, 2003, commercial banks may charge 30% to 50% penalty interests in addition to the loan interest provided in the loan facility agreement on the defaulted loans. Pursuant to the loan facility agreements entered into by us and the respective borrowers, we are entitled to accrue and claim interests and penalties for the overdue loans from the overdue date until the final settlement of such transferred NPLs, which usually being the compound interests charged for the defaulted interests and/or the additional 50% of the loan interest rate per day on the outstanding principal amount as penalties for the defaulted principal in accordance with the relevant PBoC regulations (the “Additional Entitlement”). Pursuant to the NPL transfer agreements entered into by us and the NPL Transferees, the creditor’s rights and other ancillary rights entitled to us under the loan facility agreements (including but not limited to the Additional Entitlement) are transferred to the NPL Transferees, including the priority rights of compensation in respect of the proceeds from the auction or sale of the collaterals and/or pledges in the event of default by the borrowers. Borrowers shall repay directly to the respective NPL Transferees without further involvement from us. We are not entitled to any amount paid by the borrower to the respective NPL Transferees, and we cease to enjoy such rights upon completion of the NPL transfers.

The process of transferring NPLs includes: (i) branches or relevant departments investigate and analyze certain factors such as the risk level of NPLs, the progress of litigation collection, the feasibility of transfer, market demand, in order to make a preliminary assessment based on the purchase intention and reaction of potential transferees to judge the feasibility of asset transfer; (ii) the bottomline price of asset transfer shall be determined according to the Detailed Rules for the Implementation of Pricing Management of Non-performing Assets Disposal (《不良資產處置定價管理實施細則》) implemented by our Bank, including the debtor’s solvency and the realized value of collateral, and the transfer bottomline price shall be determined by internal or external evaluation methods. For creditor’s rights assets with effective mortgage or repossessed property, or individual creditor’s rights with loan principal and interest exceeding RMB5.0 million, it shall generally be evaluated by an evaluation agency, and the evaluation results shall serve as a reference for pricing. For loan principal and interest less than RMB5.0 million or if there is no loss of the loan principal in the proposed transfer price, the evaluation can be done internally; (iii) on the basis of investigation and analysis, branches or relevant departments should evaluate the reasonableness of the bottomline price of asset transfer and formulate a non-performing asset transfer plan. The plan should specify the status of the assets to be transferred, pricing method, transfer price (bottomline price), transfer method and reason, specific operating procedures, selection of intermediary institutions, payment method and estimated income, expenses and losses, and submit them to the

ASSETS AND LIABILITIES

head office for approval; (iv) the comprehensive risk management department of the head office reviews the transfer plan and issues review opinions, which are submitted to the non-performing asset disposal pricing group of the head office for review and approval, and then submitted to the Non-performing Asset Management Committee (不良資產管理委員會) and president of the head office for collective review and approval. If it exceeds the authorized authority of the committee, the plan is submitted to the board of directors of the Bank for approval; and (v) after the approval of the transfer plan, the transfer will be publicly announced such as in auction or tender.

During the Track Record Period and up to the Latest Practicable Date, one of the NPL Transferees is a connected person of us, Dongguan Tuoxin Industrial Investment Co., Ltd. (東莞市拓信實業投資有限公司, the “**Dongguan Tuoxin**”). On January 2, 2019, we transferred our NPLs with an aggregate amount, including interest of RMB140.8 million (the “**Relevant NPL**”) to Dongguan Tuoxin for a transfer price of RMB140.8 million. The transfer of the Relevant NPL was conducted through public tender and complied with relevant laws and regulations. Transfer price of the Relevant NPL fully covered total outstanding amount (accrued interest included) of the NPL and we incurred no losses.

To the best knowledge of our Directors, during the Track Record Period, saved as disclosed above and apart from the general banking services such as bank loans, bank acceptance bills, credit and debit cards, wealth management products, savings (collectively known as “**General Banking Services**”) provided to the NPL Transferees, their respective shareholders, directors, senior management or any of their respective associates, none of the NPL Transferees, their respective shareholders, directors, senior management or any of their respective associates has any other past or present shareholding, business, family, trust (financing or otherwise) or employment relationships with our Bank, our subsidiary, Directors, Shareholders or our senior managements.

In addition to transfer our NPLs to third parties, other disposal methods such as restructuring are also the options for us to manage our NPLs. Restructuring is primarily applicable to cases when the value of debt restructuring is higher than the value recovered from liquidation or other disposal ways. In particular, one of the following criteria shall be satisfied, provided that there is no significant deterioration in the conditions of other assets of the debtors: (i) the financial position and solvency of the borrower can be improved through restructuring; (ii) material deficiencies of the legal procedures on the assets can be compensated through restructuring; (iii) terms of guarantees can be supplemented or refined through restructuring; or (iv) bank loans can be partially repaid through restructuring.

The following table sets forth the migration ratios of our loan portfolio, calculated in accordance with the applicable CBIRC requirements for the years indicated.

	Years ended December 31,			Three months
	2018	2019	2020	ended March 31, 2021
Normal and special mention loans ⁽¹⁾	1.5%	1.1%	0.6%	0.1%
Normal loans ⁽²⁾	1.4%	2.0%	1.4%	0.3%
Special mention loans ⁽³⁾	32.4%	30.7%	15.9%	1.3%
Substandard loans ⁽⁴⁾	91.5%	91.8%	51.5%	18.2%
Doubtful loans ⁽⁵⁾	1.4%	0.4%	0.0%	0.7%

ASSETS AND LIABILITIES

Notes:

- (1) Represented migration ratios of loans classified as normal or special mention which were downgraded to other classifications. The migration ratio of normal and special mention loans represented a fraction, the numerator of which equaled the sum of (i) loans classified as normal at the beginning date of the period and downgraded to non-performing classifications at the end of the period, and (ii) loans classified as special mention at the beginning date of the period and downgraded to non-performing classifications at the end of the period, and the denominator of which equaled the sum of (i) the difference between the balance of normal loans at the beginning date of the period and the decrease, in the period, in the loans which were classified as normal at the beginning date of the period, and (ii) the difference between the balance of special mention loans at the beginning date of the period and the decrease in such loans in the period.
- (2) Represented migration ratio of loans classified as normal which were downgraded to other classifications. The normal loan migration ratio represented a fraction, the numerator of which equaled loans classified as normal at the beginning date of the period and downgraded to lower classifications at the end of the period, and the denominator of which equaled the difference between the balance of normal loans at the beginning date of the period and the decrease in such loans in the period.
- (3) Represented migration ratio of loans classified as special mention which were downgraded to non-performing loans. The special mention loan migration ratio represented a fraction, the numerator of which equaled the loans which were classified as special mention at the beginning date of the period and downgraded to non-performing loans at the end of the period, and the denominator of which equaled the difference between the balance of special mention loans at the beginning date of the period and the decrease in such loans in the period.
- (4) Represented migration ratio of loans classified as substandard which were downgraded to doubtful or loss. The substandard loan migration ratio represented a fraction, the numerator of which equaled the loans classified as substandard at the beginning date of the period and downgraded to doubtful or loss at the end of the period, and the denominator of which equaled the difference between the balance of substandard loans at the beginning date of the period and the decrease in such loans in the period.
- (5) Represented migration ratio of loans classified as doubtful which were downgraded to loss at the end of the period. The doubtful loan migration ratio represented a fraction, the numerator of which equaled the loans classified as doubtful at the beginning date of the period and downgraded to loss at the end of the period, and the denominator of which equaled the difference between the balance of doubtful loans at the beginning date of the period and the decrease in such loans in the period.

The migration ratio of our special mention loans decreased from 32.4% for the year ended December 31, 2018 to 30.7% for the year ended December 31, 2019, and further decreased to 15.9% for the year ended December 31, 2020, primarily due to our strengthened risk control measures on the special mentioned loans. The migration ratio of our special mention loans decreased from 15.9% for the year ended December 31, 2020 to 1.3% for the three months ended March 31, 2021, primarily attributable to the relative lower downgrade amount of special mention loans in the first three months of 2021.

The migration ratio of our substandard loans decreased from 51.5% for the year ended December 31, 2020 to 18.2% for the three months ended March 31, 2021, primarily due to the relative lower downgrade amount of substandard loans in the first three months of 2021. The migration ratio of our substandard loans decreased from 91.8% for the year ended December 31, 2019 to 51.5% for the year ended December 31, 2020, primarily due to our increasing efforts in settlement and disposal of substandard loans. The migration ratio of our substandard loans slightly increased from 91.5% for the year ended December 31, 2018 to 91.8% for the year ended December 31, 2019, primarily due to the deterioration in the quality of certain of our substandard loans.

The migration ratio of our doubtful loans decreased from 1.4% for the year ended December 31, 2018 to 0.4% for the year ended December 31, 2019, and further decreased to 0.0% for the year ended December 31, 2020, primarily due to our increasing efforts in settlement and disposal of our doubtful loans. The migration ratio of our doubtful loans increased from 0.0% for the year ended December 31, 2020 to 0.7% for the three months ended March 31, 2021, primarily due to the relative higher downgrade amount of doubtful loans in the first three months of 2021.

ASSETS AND LIABILITIES

Distribution of NPLs by Product Type

The following table sets forth the distribution of our non-performing loans by product type as of the dates indicated.

	As of December 31,						As of March 31,					
	2018		2019		2020		2021					
	Amount	% of total	NPL ratio ⁽¹⁾	Amount	% of total	NPL ratio ⁽¹⁾	Amount	% of total	NPL ratio ⁽¹⁾			
<i>(in millions of RMB, except percentages)</i>												
Corporate loans												
Working capital loans	973.7	46.7%	2.27%	847.9	43.6%	1.89%	737.1	36.3%	1.23%	755.8	35.4%	1.24%
Fixed asset loans	503.3	24.1%	0.98%	734.3	37.8%	1.25%	455.3	22.4%	0.72%	493.9	23.2%	0.65%
Others ⁽²⁾	306.1	14.7%	22.31%	7.4	0.4%	0.80%	4.9	0.2%	0.12%	4.7	0.2%	0.09%
Subtotal	1,783.1	85.5%	1.87%	1,589.6	81.8%	1.52%	1,197.3	58.9%	0.94%	1,254.4	58.8%	0.89%
Personal loans												
Personal business loans . . .	113.1	5.4%	1.16%	124.2	6.4%	1.01%	288.6	14.2%	1.19%	324.8	15.2%	1.25%
Property mortgages	59.4	2.8%	0.25%	63.3	3.3%	0.21%	273.9	13.5%	0.73%	265.3	12.4%	0.67%
Credit card balances	75.5	3.6%	0.69%	92.3	4.7%	0.85%	129.2	6.4%	1.57%	117.6	5.6%	1.55%
Personal consumption loans	54.8	2.7%	1.03%	74.8	3.8%	0.43%	143.7	7.0%	0.55%	170.0	8.0%	0.57%
Subtotal	302.8	14.5%	0.61%	354.6	18.2%	0.52%	835.4	41.1%	0.87%	877.7	41.2%	0.86%
Total non-performing loans	2,085.9	100.0%	1.27%	1,944.2	100.0%	1.00%	2,032.7	100.0%	0.82%	2,132.1	100.0%	0.79%

Notes:

(1) Calculated by dividing the amount of NPL (excluding accrued interest) by total amount of loans (excluding accrued interest). For the purpose of NPL ratio calculation, the NPL ratio of Zhanjiang RCB, our subsidiary, was calculated by the original book value of the loans as of December 31, 2019 and 2020 and March 31, 2021, respectively, and not the fair value on the combination date. For the purpose of NPL ratio calculation, the NPL ratio of Chaoyang RCB was calculated by the original book value of the loans as of December 31, 2020 and March 31, 2021 and not the fair value on the combination date.

(2) Consisted primarily of advances and mortgage loans on mechanical equipment.

The NPL ratio for our corporate loans decreased from 1.87% as of December 31, 2018 to 1.52% as of December 31, 2019 and further decreased to 0.94% as of December 31, 2020, primarily attributable to our strengthened efforts in settlement of our NPL and doubtful debt write-off. The NPL ratio for our corporate loans slightly decreased from 0.94% as of December 31, 2020 to 0.89% as of March 31, 2021, primarily due to the continuous increase in the amount of total corporate loans. The NPL ratio for other corporate loans decreased from 22.31% as of December 31, 2018 to 0.80% as of December 31, 2019, primarily due to the decrease in advances through doubtful debt write-off, and further decreased to 0.12% as of December 31, 2020, as the balance of the NPL of other loans significantly decreased from RMB306.1 million to RMB7.4 million and further decreased to RMB4.9 million as of the respective date, which was a result of the write-off of doubtful debt in respect of the mortgage loans on mechanical equipment.

The NPL ratio for our personal loans was 0.86% as of March 31, 2021, which remains relatively stable as compared with that of 0.87% as of December 31, 2020. The NPL ratio for our personal loans increased from 0.52% as of December 31, 2019 to 0.87% as of December 31, 2020, primarily due to the increase in the amount

ASSETS AND LIABILITIES

of NPLs for personal residential mortgage loans and credit cards caused by the pandemic in 2020. The NPL ratio for our personal loans decreased from 0.61% as of December 31, 2018 to 0.52% as of December 31, 2019. The decreases in the NPL ratio for our personal loans were primarily attributable to our strengthened efforts in settlement and disposal of our NPL.

Distribution of Non-Performing Corporate Loans by Industry

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

	As of December 31,						As of March 31,					
	2018			2019			2020			2021		
	Amount	% of total	NPL ratio ⁽¹⁾	Amount	% of total	NPL ratio ⁽¹⁾	Amount	% of total	NPL ratio ⁽¹⁾	Amount	% of total	NPL ratio ⁽¹⁾
	<i>(in millions of RMB, except percentages)</i>											
Real estate	—	—	—	—	—	—	4.1	0.4%	0.04%	4.3	0.3%	0.03%
Culture, sports and entertainment	—	—	—	—	—	—	1.3	0.1%	2.89%	1.0	0.1%	23.73%
Wholesale and retail	891.9	50.0%	4.36%	547.7	34.5%	2.35%	395.6	33.0%	1.69%	396.4	31.7%	1.56%
Electricity, gas and water production and supply	367.6	20.6%	7.54%	639.5	40.2%	14.21%	333.0	27.8%	6.26%	333.0	26.5%	5.63%
Leasing and commercial services	87.0	4.9%	0.44%	201.8	12.7%	0.89%	202.1	16.9%	0.99%	243.4	19.4%	0.88%
Construction	75.0	4.2%	0.44%	68.7	4.3%	0.48%	171.1	14.3%	0.82%	168.0	13.4%	0.75%
Manufacturing	280.2	15.7%	1.96%	112.7	7.1%	0.67%	60.3	5.0%	0.27%	78.0	6.2%	0.32%
Hotels and catering industries	1.2	0.1%	0.13%	2.4	0.1%	1.42%	22.9	1.9%	1.72%	23.8	1.9%	1.74%
Agriculture, forestry, animal husbandry and fishery	31.6	1.8%	3.92%	7.9	0.5%	2.18%	6.9	0.6%	0.52%	4.2	0.3%	0.28%
Transportation, logistics and postal services	8.9	0.5%	0.43%	8.9	0.6%	0.26%	—	—	—	2.3	0.2%	0.06%
Scientific research and technical services, and geological prospecting	39.7	2.2%	11.40%	—	—	—	—	—	—	—	—	—
Total non-performing corporate loans	1,783.1	100.0%	1.87%	1,589.6	100.0%	1.52%	1,197.3	100.0%	0.94%	1,254.4	100.0%	0.89%

Note:

(1) Calculated by dividing the amount of NPL (excluding accrued interest) by total amount of loans (excluding accrued interest). For the purpose of NPL ratio calculation, the NPL ratio of Zhanjiang RCB, our subsidiary, was calculated by the original book value of the loans as of December 31, 2019 and 2020 and March 31, 2021, respectively, and not the fair value on the combination date. For the purpose of NPL ratio calculation, the NPL ratio of Chaoyang RCB was calculated by the original book value of the loans as of December 31, 2020 and March 31, 2021 and not the fair value on the combination date.

ASSETS AND LIABILITIES

Our non-performing corporate loans consisted primarily of loans to corporate borrowers in the wholesale and retail industry, the leasing and commercial services industry and the electricity, gas and water production and supply industry.

As of December 31, 2018, 2019 and 2020 and March 31, 2021, our NPLs to corporate borrowers in the wholesale and retail industry represented 50.0%, 34.5%, 33.0% and 31.7% of our total non-performing corporate loans, respectively. The NPL ratio for corporate loans to borrowers in the wholesale and retail industry decreased from 4.36% as of December 31, 2018 to 2.35% as of December 31, 2019 and further decreased to 1.69% as of December 31, 2020, primarily due to reduction of NPLs by collecting through legal proceedings, transferring creditor's rights and writing off doubtful debt. Our NPL ratio for corporate loans to borrowers in the wholesale and retail industry decreased from 1.69% as of December 31, 2020 to 1.56% as of March 31, 2021, primarily due to transfer of NPLs in the wholesale and retail industry. For details, please see “— Assets — Asset Quality of Our Loan Portfolio — Changes in Asset Quality of Our Loans.”

As of December 31, 2018, 2019 and 2020 and March 31, 2021, our NPLs to corporate borrowers in the leasing and commercial services industry represented 4.9%, 12.7%, 16.9% and 19.4% of our total non-performing corporate loans, respectively. Our NPL ratio for corporate loans to borrowers in the leasing and commercial services industry decreased from 0.99% as of December 31, 2020 to 0.88% as of March 31, 2021, primarily due to the increase in our total corporate loans to borrowers in such industry. The NPL ratio for corporate loans to borrowers in the leasing and commercial services industry increased from 0.89% as of December 31, 2019 to 0.99% as of December 31, 2020, primarily due to the addition of NPL upon the consolidation of a new subsidiary in respect of the loans of such subsidiary extended to the leasing and commercial service industry. The NPL ratio for corporate loans to borrowers in the leasing and commercial services industry increased from 0.44% as of December 31, 2018 to 0.89% as of December 31, 2019, primarily due to the transformation of consumption model from offline to online had impact on outlets, which caused slowdown in the leasing and commercial services industry in Dongguan.

As of December 31, 2018 and 2019 and 2020 and March 31, 2021, our NPLs to corporate borrowers in the production and supply of power, gas and water industry represented 20.6%, 40.2%, 27.8% and 26.5% of our total non-performing corporate loans, respectively. The NPL ratio for corporate loans to borrowers in the production and supply of power, gas and water industry decreased from 6.26% as of December 31, 2020 to 5.63% as of March 31, 2021, primarily due to the increase in our total corporate loans to borrowers in such industry. The NPL ratio for corporate loans to borrowers in the production and supply of power, gas and water industry decreased from 14.21% as of December 31, 2019 to 6.26% as of December 31, 2020, primarily due to limited growth of the leasing and commercial services industry resulting from the impact of COVID-19 pandemic on the market demand. The NPL ratio for corporate loans to borrowers in the production and supply of power, gas and water industry increased from 7.54% as of December 31, 2018 to 14.21% as of December 31, 2019, primarily due to the loans to certain customers in the power generation industry being classified as NPL in February 2019 following their failure to purchase gas for power generation due to shortage of funds.

ASSETS AND LIABILITIES

Distribution of NPLs by Geographical Region

The following table sets forth the distribution of our NPLs by geographical region as of the dates indicated.

	As of December 31,						As of March 31,					
	2018			2019			2020			2021		
	Amount	% of total	NPL ratio ⁽¹⁾	Amount	% of total	NPL ratio ⁽²⁾	Amount	% of total	NPL ratio ⁽²⁾	Amount	% of total	NPL ratio ⁽²⁾
	<i>(in millions of RMB, except percentages)</i>											
Dongguan	1,778.1	85.2%	1.14%	1,746.0	89.8%	1.03%	1,662.8	81.8%	0.78%	1,805.1	84.7%	0.82%
Other Regions	307.8	14.8%	3.50%	198.2	10.2%	0.83%	369.9	18.2%	1.00%	327.0	15.3%	0.69%
Total non-performing loans	2,085.9	100.0%	1.27%	1,944.2	100.0%	1.00%	2,032.7	100.0%	0.82%	2,132.1	100.0%	0.79%

Notes:

- (1) Calculated by dividing NPLs (excluding accrued interest) by total loans (excluding accrued interest).
- (2) The NPL ratio as of December 31, 2018, 2019 and 2020 and March 31, 2021 was calculated by dividing the amount of NPL in each region (excluding accrued interest) by total amount of loans (excluding accrued interest) in that region. For the purpose of NPL ratio calculation, the NPL ratio of Zhanjiang RCB, our subsidiary, was calculated by the original book value of the loans as of December 31, 2019 and 2020 and March 31, 2021, respectively, and not the fair value on the combination date. For the purpose of NPL ratio calculation, the NPL ratio of Chaoyang RCB, our subsidiary, was calculated by the original book value of the loans as of December 31, 2020 and March 31, 2021 and not the fair value on the combination date.

Our NPLs were primarily originated in Dongguan because most of our loans were originated in Dongguan. For the distribution of loans to customers by geographical region, please see “— Assets — Loans and Advances to Customers — Distribution of Loans to Customers by Geographical Region”.

Distribution of NPLs by Collateral

The following table sets forth the distribution of our NPLs by types of collateral as of the dates indicated.

	As of December 31,						As of March 31,					
	2018			2019			2020			2021		
	Amount	% of total	NPL ratio ⁽¹⁾	Amount	% of total	NPL ratio ⁽⁵⁾	Amount	% of total	NPL ratio ⁽⁵⁾	Amount	% of total	NPL ratio ⁽⁵⁾
	<i>(in millions of RMB, except percentages)</i>											
Pledged loans ⁽²⁾⁽³⁾	351.7	16.8%	1.14%	654.5	33.7%	2.24%	319.0	15.7%	0.82%	318.0	14.9%	0.81%
Collateralized loans ⁽²⁾⁽⁴⁾	1,159.4	55.6%	1.31%	758.3	39.0%	0.75%	961.6	47.3%	0.78%	991.6	46.5%	0.72%
Guaranteed loans	498.0	23.9%	1.58%	404.6	20.8%	1.21%	435.3	21.4%	0.82%	447.1	21.0%	0.79%
Unsecured loans	76.8	3.7%	0.57%	126.8	6.5%	0.45%	316.8	15.6%	0.95%	375.4	17.6%	1.10%
Total non-performing loans	2,085.9	100.0%	1.27%	1,944.2	100.0%	1.00%	2,032.7	100.0%	0.82%	2,132.1	100.0%	0.79%

ASSETS AND LIABILITIES

Notes:

- (1) Calculated by dividing NPLs in each type of collateral by total loans in that type of collateral.
- (2) Represented the total amount of loans wholly or partly secured by collateral in each category.
- (3) Represented security interests in intangible assets or monetary assets, such as movable assets, certificates of deposit, financial instruments, intellectual properties and interests in future cash flows, by taking possession of or registering against such assets.
- (4) Represented security interests in tangible assets other than monetary assets, such as buildings and fixtures, land use rights, machines, equipment and vehicles, without taking possession.
- (5) The NPL ratio was calculated by dividing the amount of NPL (excluding accrued interest) by total amount of loans (excluding accrued interest). For the purpose of NPL ratio calculation, the NPL ratio of Zhanjiang RCB, our subsidiary, was calculated by the original book value of the loans as of December 31, 2020 and March 31, 2021, respectively, and not the fair value on the combination date. For the purpose of NPL ratio calculation, the NPL ratio of Chaoyang RCB, our subsidiary, was calculated by the original book value of the loans as of December 31, 2020 and March 31, 2021 and not the fair value on the combination date.

The NPL ratio of our guaranteed loans decreased from 1.58% as of December 31, 2018 to 1.21% as of December 31, 2019, and further decreased to 0.82% as of December 31, 2020, mainly due our prudent assessment on the financial position of the loan guarantors in respect of such loan application. The NPL ratio of our guaranteed loans decreased from 0.82% as of December 31, 2020 to 0.79% as of March 31, 2021, primarily due to increase in the total amount of guaranteed loans. Generally, we collect financial statement through pre-loan investigation and evaluate the loan guarantors' financial indicators by reviewing various financial data, so as to understand and evaluate their financial position and conduct credit rating for the loan guarantors through our internal rating system. In addition, when assess financial position of the loan guarantors, we will also take into account the qualification requirement and their guarantee ability based on our internal management policies.

Certain of our corporate loans were cross-guaranteed loans. In respect of cross-guarantee, our Bank generally accepts effective pledge and collaterals as main form of guarantee. To lower the risk of credit business, our Bank normally requests the associated companies or connected persons of the borrowers to assume joint guarantee liability. For borrowers which our Bank deems to have sufficient asset and strong repayment ability after due assessment, our Bank may also accept loans that were solely guarantee by connected persons. For businesses with cross-guarantee, our Bank strictly follows the policy of “separate approval after centralized approval (先統一授信再單項授信)”, and credit limits are set for the borrowing groups to lock the risk exposure. During the separate approval procedure, stringent verification of the fixed assets, cash flow and other conditions of the borrowing groups are required. If collaterals are available, the borrowers shall be required to provide collaterals as security to ensure sufficient repayment ability and form of guarantee. Post-loan inspection shall be conducted by the branches according to the prescribed frequency after the provision of loans in order to monitor the operation and repayment conditions of the borrowers. Our Bank proactively takes relevant mitigation measures in respect of businesses with relatively high risks. During the Track Record Period, we had cross-guarantees among our ten largest borrowers. As of December 31, 2019, there were cross-guarantees between two companies among the ten largest borrowers of the Bank: (i) Yan'an Bikang Pharmaceutical Co., Ltd. (the “**Yan'an Bikang**”) guaranteed for a loan of RMB631.8 million to its wholly-owned subsidiary, Shanxi Bikang Pharmaceutical Group Holding Co. Ltd. (the “**Shanxi Bikang**”); and (ii) Shanxi Bikang guaranteed for a loan of RMB799.5 million to Yan'an Bikang. There was no cross-guarantees among our ten largest borrowers in 2018, 2020 and the first three months of 2021.

ASSETS AND LIABILITIES

Ten Largest Non-performing Borrowers

The following table sets forth our borrowers with the ten largest NPLs balances outstanding as of the dates indicated.

As of March 31, 2021					
Industry	Outstanding principal amount	Classification	% of total NPLs	% of net capital	
<i>(in millions of RMB, except percentages)</i>					
Borrower A	Thermal power generation	333.0	Doubtful	15.2%	0.7%
Borrower B	Other unspecified wholesale	83.4	Substandard	3.8%	0.2%
Borrower C	Wholesale of broadcasting and television equipment	72.5	Doubtful	3.3%	0.2%
Borrower D	Wholesale of motorcycles and spare parts	69.3	Doubtful	3.2%	0.2%
Borrower E	Wholesale of building materials	69.3	Doubtful	3.2%	0.2%
Borrower F	Investment and asset management	56.5	Doubtful	2.6%	0.1%
Borrower G	Other unspecified construction	48.7	Doubtful	2.2%	0.1%
Borrower H	Investment and asset management	48.3	Doubtful	2.2%	0.1%
Borrower I	Municipal road engineering construction	43.5	Substandard	2.0%	0.1%
Borrower J	Other real estate construction	42.2	Substandard	1.9%	0.1%
Total		866.7		39.5%	1.9%

ASSETS AND LIABILITIES

Loan Aging Schedule

The following table sets forth our loan aging schedule as of the dates indicated.

	As of December 31,						As of March 31,	
	2018		2019		2020		2021	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	<i>(in millions of RMB, except percentages)</i>							
Current loans	161,135.2	98.0%	202,842.6	98.6%	259,055.3	99.1%	272,773.9	98.9%
Loans past due for	3,217.6	2.0%	2,984.2	1.4%	2,395.3	0.9%	2,976.7	1.1%
Up to 3 months ⁽¹⁾	1,193.9	0.7%	1,283.4	0.6%	846.7	0.3%	1,268.0	0.5%
Over 3 months up to 6 months ⁽¹⁾	190.8	0.1%	146.8	0.1%	342.7	0.1%	299.7	0.1%
Over 6 months up to 1 year ⁽¹⁾	866.7	0.5%	473.4	0.2%	287.4	0.1%	391.1	0.1%
Over 1 year up to 3 years ⁽¹⁾	640.7	0.4%	1,005.3	0.5%	772.7	0.3%	598.1	0.2%
Over 3 years ⁽¹⁾	325.5	0.2%	75.3	0.0%	145.8	0.1%	419.8	0.2%
Total loans to customers	<u>164,352.8</u>	<u>100.0%</u>	<u>205,826.8</u>	<u>100.0%</u>	<u>261,450.6</u>	<u>100.0%</u>	<u>275,750.6</u>	<u>100.0%</u>

Note:

(1) Represented the principal amount of the loans on which principal or interest is overdue. For loans that were repayable in installments, if any portion of the loan was overdue, the total amount of that loan was classified as overdue.

Allowance for Expected Credit Losses on Loans to Customers

We assess our loans for impairment, determine a level of allowance for expected credit losses in accordance with the requirements of IFRS 9 during the Track Record Period. Please see “Financial Information — Critical Accounting Estimates and Judgment” and Note 2 to our historical financial information included in the Accountant’s Report in Appendix I to this prospectus. Our loans are reported net of impairment allowance on our statements of financial position.

During the Track Record Period, under the requirements of IFRS 9, we classified our customer loans using a “three-stage” model: (i) Stage 1 (Normal Credit Quality) refers to customer loans that have not had a significant increase in credit risk and expected credit losses in the next 12 months will be recognized; (ii) Stage 2 (Significant Increase in Credit Risk) refers to customer loans that have had a significant increase in credit risk and for which the expected credit losses lifetime will be recognized; (iii) Stage 3 (Credit-impaired) refers to customer loans that have objective evidence of impairment and for which the expected credit losses lifetime will be recognized. We have developed a new expected credit loss impairment model in accordance with IFRS 9 to

ASSETS AND LIABILITIES

measure the expected credit losses, taking into account various factors such as macroscopic index, macroeconomic indicators and macro-financial scenario analysis.

An expected credit loss is recognized through profits or losses when there is objective evidence that loans are impaired, and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the loans' original effective interest rate. The calculation of the present value of the estimated future cash flows of a collateralized/pledged financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral or pledges. We made full provision for impairment allowance for loans classified as "loss". For loans classified as "substandard" and "doubtful", we generally do not make full provision for impairment allowance and measure impairment allowance as the difference between the carrying amounts and the estimated recoverable amounts of the loans. The estimated recoverable amounts are the present value of the estimated future recoverable cash flows of the loans, including the recoverable value of the collateral or pledges. We believe the measurement of our impairment allowance complies with the Guidelines of Risk-based Classification of Loans (《貸款風險分類指引》) and the requirements under IFRS 9.

For further discussion on expected credit losses on our customer loans, please see "Financial Information — Results of Operations for the Three Months Ended March 31, 2020 and 2021 — Expected Credit Losses and Asset Losses", "Financial Information — Results of Operations for the Years Ended December 31, 2019 and 2020 — Expected Credit Losses and Asset Losses", "Financial Information — Results of Operations for the Years Ended December 31, 2018 and 2019 — Expected Credit Losses and Asset Losses" and Note 12 to our historical financial information included in the Accountant's Report in Appendix I to this prospectus.

Distribution of Allowance for Expected Credit Losses by Loan Classification

The following table sets forth the allocation of our allowance for expected credit losses by loan classification category as of the dates indicated.

	As of December 31,						As of March 31,					
	2018			2019			2020			2021		
	Amount	% of total	Allowance to loans ⁽¹⁾	Amount	% of total	Allowance to loans ⁽¹⁾	Amount	% of total	Allowance to loans ⁽¹⁾	Amount	% of total	Allowance to loans ⁽¹⁾
<i>(in millions of RMB, except percentages)</i>												
Normal	3,310.7	45.9%	2.1%	3,376.4	46.3%	1.9%	3,618.1	49.3%	1.4%	3,834.2	50.2%	1.5%
Special												
mention	1,943.6	27.0%	59.9%	2,180.7	29.9%	54.0%	2,022.0	27.5%	52.8%	1,954.9	25.5%	50.5%
Substandard	227.3	3.1%	92.3%	306.4	4.2%	84.7%	519.0	7.1%	74.0%	495.3	6.5%	74.4%
Doubtful	1,624.7	22.5%	92.5%	1,316.4	18.0%	89.3%	1,061.9	14.5%	88.2%	1,212.5	15.8%	91.4%
Loss	105.4	1.5%	126.0%	114.6	1.6%	125.6%	119.8	1.6%	126.5%	155.7	2.0%	123.1%
Total allowance												
on loans	7,211.7	100.0%	4.4%	7,294.5	100.0%	3.9%	7,340.8	100.0%	3.1%	7,652.6	100.0%	3.0%

Note:

(1) Calculated by dividing the allowance for expected credit losses on loans (including accrued interest) in each category by the total loans (excluding accrued interest) in that category.

ASSETS AND LIABILITIES

The following table sets forth the allocation of our allowance for expected credit losses by business line and by loan classification category as of the dates indicated.

	As of December 31,						As of March 31,					
	2018			2019			2020			2021		
	Amount	% of total	Allowance to loans ⁽¹⁾	Amount	% of total	Allowance to loans ⁽¹⁾	Amount	% of total	Allowance to loans ⁽¹⁾	Amount	% of total	Allowance to loans ⁽¹⁾
<i>(in millions of RMB, except percentages)</i>												
Corporate loans												
Normal	2,497.1	34.6%	2.8%	2,271.2	31.1%	2.3%	2,831.4	38.6%	2.2%	3,174.0	41.5%	2.3%
Special mention	1,812.3	25.1%	59.1%	2,034.4	27.9%	57.0%	1,826.3	24.9%	49.4%	1,624.0	21.2%	53.5%
Substandard	184.8	2.6%	95.1%	198.4	2.7%	86.2%	230.8	3.1%	78.5%	261.9	3.4%	82.1%
Doubtful	1,445.9	20.0%	92.2%	1,192.3	16.3%	89.6%	789.7	10.8%	89.7%	861.3	11.2%	93.1%
Loss	21.0	0.3%	103.3%	22.1	0.4%	100.0%	1.3	0.0%	100.0%	4.2	0.1%	100.6%
Subtotal	5,961.1	82.6%	6.2%	5,718.4	78.4%	5.5%	5,679.5	77.4%	4.6%	5,925.4	77.4%	4.4%
Personal loans												
Normal	813.2	11.3%	1.7%	1,104.6	15.1%	1.9%	780.6	10.6%	1.0%	654.5	8.6%	0.8%
Special mention	131.3	1.8%	72.8%	146.3	2.0%	33.4%	195.8	2.7%	30.4%	330.9	4.3%	38.6%
Substandard	42.5	0.6%	81.6%	108.0	1.5%	82.2%	288.2	3.9%	69.7%	233.4	3.1%	67.0%
Doubtful	178.9	2.5%	95.4%	124.1	1.7%	87.4%	272.2	3.7%	84.7%	351.2	4.6%	87.6%
Loss	84.3	1.2%	133.3%	92.5	1.3%	133.7%	118.5	1.6%	126.9%	151.5	1.9%	123.9%
Subtotal	1,250.2	17.4%	2.5%	1,575.5	21.6%	2.6%	1,655.3	22.5%	1.9%	1,721.5	22.5%	1.8%
Discounted bills												
Normal	0.2	—	—	0.6	—	—	6.0	0.1%	0.0%	5.7	0.1%	0.0%
Special mention	0.2	—	0.8%	—	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—	—	—	—	—
Doubtful	—	—	—	—	—	—	—	—	—	—	—	—
Loss	—	—	—	—	—	—	—	—	—	—	—	—
Subtotal	0.4	—	—	0.6	0.0%	0.0%	6.0	0.1%	0.0%	5.7	0.1%	0.0%
Total allowance												
on loans	7,211.7	100.0%	4.4%	7,294.5	100.0%	3.9%	7,340.8	100.0%	3.1%	7,652.6	100.0%	3.0%

Note:

(1) Calculated by dividing the allowance for expected credit losses on loans in each category by gross loans in that category.

Changes to Allowance for Expected Credit Losses and Asset Losses

We report net provisions for expected credit losses on loans to customers on our income statement. Please see “Financial Information — Results of Operations for the Three Months Ended March 31, 2020 and 2021 — Expected Credit Losses and Asset Losses”, “Financial Information — Results of Operations for the Years Ended December 31, 2019 and 2020 — Expected Credit Losses and Asset Losses” and “Financial Information — Results of Operations for the Years Ended December 31, 2018 and 2019 — Expected Credit Losses and Asset Losses”.

ASSETS AND LIABILITIES

The following table sets forth the changes to the allowance for expected credit losses on loans to customers as of the dates and for the years/period indicated.

	Amount
	<i>(in millions of RMB)</i>
As of December 31, 2018	7,211.7
Newly added for the year	2,160.1
Derecognition or settlement for the year	(2,012.1)
Write-off for the year	(1,144.0)
Remeasurement	1,078.8
As of December 31, 2019	7,294.5
Newly added for the year	1,821.7
Derecognition or settlement for the year	(3,022.9)
Write-off for the year	(786.6)
Remeasurement	2,034.1
As of December 31, 2020	7,340.8
Newly added for the period	568.8
Derecognition or settlement for the period	(1,241.0)
Write-off for the period	—
Remeasurement	984.0
As of March 31, 2021	7,652.6

As of December 31, 2019 and 2020 and March 31, 2021, our allowance for expected credit losses on loans to customers amounted to RMB7,294.5 million, RMB7,340.8 million and RMB7,652.6 million, respectively. Our allowance for expected credit losses on loans to customers increased from RMB7,211.7 million as of December 31, 2018 to RMB7,294.5 million as of December 31, 2019 and further increased to RMB7,340.8 million and RMB7,652.6 million as of December 31, 2020 and March 31, 2021, respectively, primarily due to the increase in the balances of loans, in addition to a more proactive risk management strategy implemented by us.

Our allowance to loans ratio decreased from 4.4% as of December 31, 2018 to 3.9% as of December 31, 2019 and further decreased to 3.1% as December 31, 2020. Our allowance to loans ratio decreased to 3.0% as of March 31, 2021. Such continuous decrease was primarily due to the decrease in NPL ratios as of the same dates.

ASSETS AND LIABILITIES

Distribution of Allowance for Expected Credit Losses by Product Type

The following table sets forth, the distribution of our allowance for expected credit losses on loans to customers by product type as of the dates indicated.

	As of December 31,			As of March 31,		
	2018	2019		2020		2021
	Amount	Allowance to gross loans ⁽¹⁾	Amount	Allowance to gross loans ⁽¹⁾	Amount	Allowance to gross loans ⁽¹⁾
	total	to gross loans ⁽¹⁾	total	to gross loans ⁽¹⁾	total	to gross loans ⁽¹⁾
	<i>(in millions of RMB, except percentages)</i>					
Corporate loans						
Working capital loans	2,875.8	39.9%	2,616.9	35.9%	2,071.5	28.2%
Fixed asset loans	2,792.8	38.7%	3,025.8	41.5%	3,573.0	48.7%
Others	292.5	4.1%	72.7	1.0%	35.0	0.5%
Subtotal	5,961.1	82.7%	5,715.4	78.4%	5,679.5	77.4%
Personal loans						
Personal business loans	421.2	5.8%	360.6	4.9%	438.6	6.0%
Residential mortgage	233.6	3.2%	313.3	4.3%	488.3	6.7%
Credit card balances	389.7	5.4%	371.2	5.1%	189.8	2.6%
Personal consumption loans	205.7	2.9%	530.4	7.3%	538.6	7.2%
Subtotal	1,250.2	17.3%	1,575.5	21.6%	1,655.3	22.5%
Discounted bills						
Bank acceptance bill	0.4	0.0%	3.6	0.0%	6.0	0.1%
Subtotal	0.4	0.0%	3.6	0.0%	6.0	0.1%
Total allowance on loans	7,211.7	100.0%	7,294.5	100.0%	7,340.8	100.0%
					3.1%	7,652.6
						100.0%
						3.0%

Note:

(1) Calculated by dividing the allowance for expected credit losses on loans in each category by the total loans and advances in that category.

ASSETS AND LIABILITIES

Distribution of Allowance for Expected Credit Losses on Corporate Loans by Industry

The following table sets forth the allowance for expected credit losses on corporate loans by industry as of the dates indicated.

	As of December 31,				As of March 31,							
	2018		2019		2020		2021					
	Amount	% of total	Allowance to gross loans ⁽¹⁾	Amount	% of total	Allowance to gross loans ⁽¹⁾	Amount	% of total	Allowance to gross loans ⁽¹⁾			
	<i>(in millions of RMB, except percentages)</i>											
Wholesale and retail	1,808.5	30.3%	8.8%	1,428.0	25.0%	6.4%	827.7	14.6%	3.7%	1,128.3	19.1%	4.5%
Leasing and commercial services	1,191.4	20.0%	6.1%	1,414.0	24.7%	6.3%	1,757.2	30.9%	7.5%	1,890.7	31.9%	7.1%
Construction	863.4	14.5%	5.1%	797.8	14.0%	4.7%	602.5	10.6%	3.0%	675.0	11.4%	3.0%
Manufacturing	664.1	11.1%	4.6%	504.5	8.8%	3.2%	584.0	10.3%	2.8%	683.7	11.5%	3.1%
Real estate	216.8	3.6%	2.6%	385.3	6.7%	4.3%	603.0	10.6%	5.8%	505.7	8.5%	4.2%
Production and supply of electricity, gas and water	640.7	10.7%	13.1%	666.8	11.7%	14.9%	380.6	6.7%	7.2%	431.0	7.3%	7.3%
Transportation, logistics and postal services	68.7	1.2%	3.3%	97.5	1.7%	2.9%	167.7	3.0%	4.2%	104.0	1.8%	2.7%
Water, environment and public utilities management	53.3	0.9%	2.6%	44.8	0.8%	2.5%	171.3	3.0%	9.2%	209.1	3.5%	10.0%
Health, social security, and welfare	34.9	0.6%	2.4%	40.9	0.7%	2.1%	36.7	0.6%	1.5%	35.2	0.6%	1.4%
Education	22.5	0.4%	2.3%	32.7	0.6%	2.2%	38.2	0.7%	1.9%	38.0	0.6%	1.7%
Information transmission, software and IT services	43.1	0.7%	4.7%	21.2	0.4%	3.0%	12.2	0.2%	1.5%	17.4	0.3%	1.6%
Hotels and catering industries	187.1	3.1%	20.3%	189.8	3.3%	16.9%	39.5	0.7%	3.3%	34.2	0.6%	3.2%
Agriculture, forestry, animal husbandry and fishery	57.1	1.0%	7.1%	37.9	0.7%	7.8%	55.7	1.0%	4.4%	84.3	1.4%	5.6%
Resident services and other services	21.2	0.4%	2.8%	13.8	0.2%	2.4%	5.9	0.1%	1.7%	6.4	0.1%	1.9%
Culture, sports and entertainment	17.5	0.3%	3.2%	34.7	0.6%	6.9%	289.1	5.1%	67.0%	0.6	0.0%	22.8%
Scientific research and technical services, and geological prospecting	70.4	1.2%	20.2%	5.5	0.1%	2.0%	4.3	0.1%	1.7%	4.0	0.1%	0.9%
Mining	0.2	0.0%	1.4%	0.1	0.0%	1.5%	0.1	0.0%	0.0%	0.0	0.0%	0.0%
Public management and social organizations	0.2	0.0%	1.9%	0.1	0.0%	1.7%	0.2	0.0%	1.3%	0.3	0.0%	1.4%
Finance	—	—	—	—	—	—	103.6	1.8%	1.4%	77.5	1.3%	1.4%
Total allowance on corporate loans	5,961.1	100.0%	6.2%	5,715.4	100.0%	5.5%	5,679.5	100.0%	4.6%	5,925.4	100.0%	4.4%

Note:

(1) Calculated by dividing the allowance for expected credit losses on loans in each category by the total loans and advances in that category.

ASSETS AND LIABILITIES

Distribution of Allowance for Expected Credit Losses by Geographical Region

The following table sets forth the allocation of our allowance for expected credit losses by geographical region as of the dates indicated.

	As of December 31,				As of March 31,							
	2018		2019		2020		2021					
	Amount	% of total	Allowance to total loan ratio ⁽¹⁾	Amount	% of total	Allowance to total loan ratio ⁽¹⁾	Amount	% of total	Allowance to total loan ratio ⁽¹⁾			
Dongguan	6,546.1	90.8%	4.2%	6,807.1	93.3%	3.6%	6,583.6	89.7%	3.1%	6,736.6	88.0%	3.1%
Other regions	665.6	9.2%	7.6%	487.4	6.7%	6.5%	757.2	10.3%	3.0%	916.0	12.0%	2.7%
Total allowance on loans ...	7,211.7	100.0%	4.4%	7,294.5	100.0%	3.9%	7,340.8	100.0%	3.1%	7,652.6	100.0%	3.0%

(in millions of RMB, except percentages)

Note:

(1) Calculated by dividing the allowance for expected credit losses on loans in each category by the total loans and advances in that category. The balance of loans and allowance on loans of Zhanjiang RCB, our subsidiary, as of December 31, 2019 and 2020 and March 31, 2021, respectively, used in calculation was the original book value and not the fair value on the combination date. The balance of loans and allowance on loans of Chaoyang RCB, our subsidiary, as of December 31, 2020 and March 31, 2021 used in calculation was the original book value and not the fair value on the combination date. Accordingly, the balances used in calculation differ from the balances set out in this table and the balances set out in the section "Loans and Advances to Customers" in "Assets and Liabilities".

ASSETS AND LIABILITIES

Distribution of Allowance for Expected Credit Losses by Assessment Methodology

We adopt IFRS 9 during the Track Record Period. Pursuant to this accounting policy, neither collective nor individual assessment methodologies will be used to assess the allowance for expected credit losses on loans to customers. As of December 31, 2018, 2019 and 2020 and March 31, 2021, our allowance for expected credit losses on loans amounted to RMB7,211.7 million, RMB7,294.5 million, RMB7,340.8 million and RMB7,652.6 million, respectively, with the allowance to total loan ratio of 4.4%, 3.9%, 3.1% and 3.0%, respectively, as of the same dates.

For the years ended December 31, 2018, 2019 and 2020 and for the three months ended March 31, 2021, our allowance to total loan ratio was 4.39%, 3.88%, 3.06% and 2.99%, respectively. The annual decreases in allowance to total loan ratio was attributed to the gradual decreases in our non-performing loans rate from 1.27% on December 31, 2018 to 0.82% on December 31, 2020 and to 0.79% on March 31, 2021, and the continuous optimization of assets quality as a result of our prudent risk prevention and control measures as well as disposal of non-performing loans through comprehensive means such as collection, transfer and write-off.

Financial Assets Held Under Resale Agreements and Deposits and Placements with Banks and Other Financial Institutions

Our financial assets held under resale agreements and deposits and placements with banks and other financial institutions include (i) financial assets held under resale agreements, and (ii) deposits and placements with banks and other financial institutions. Financial assets held under resale agreements consist of businesses in which banks, securities, funds, and other counterparties provide us with bonds or bills as pledges, while we provide financial support to them and require them to repay at an agreed time, which is a common financing method. Interbank placement is a short-term financing business conducted by commercial banks through China Foreign Exchange Trading Center and National Interbank Funding Center, which is an online business. Interbank deposits are commercial banks' deposits with and from other banks and non-bank financial institutions, which can generally be categorized as current or fixed deposits. In general, interbank deposits are an offline business where contract terms are agreed by both parties and contracts are signed by both parties.

Our financial assets held under resale agreements and deposits and placements with banks and other financial institutions are assets generated from the financing of our Bank. Such assets usually have maturities within one year, such as one day, seven days or one month as the primary transaction purpose is short-term financing. Other financial assets are mainly assets with fixed income and are mainly held for investment purposes such as trading or held to maturity. Therefore, we categorized our financial assets held under resale agreements and deposits and placements with banks and other financial institutions separately.

Our financial assets held under resale agreements decreased by 44.4% from RMB9,558.0 million as of December 31, 2018 to RMB5,317.7 million as of December 31, 2019. Our financial assets held under resale agreements remained relatively stable as of December 31, 2020, and increased to RMB7,672.1 million as of March 31, 2021, primarily due to increase in our deposits in the first three months of 2021, which enables us to allocate more fund for investment in debt securities held under resale agreements. Our deposits and placements with banks and other financial institutions increased by 190.7% from RMB5,484.2 million as of December 31, 2018 to RMB15,942.1 million as of December 31, 2019 primarily due to our interbank borrowing and lending business with quality financial leasing companies. Such financial assets decreased to RMB13,197.7 million as

ASSETS AND LIABILITIES

of December 31, 2020 because we reduced investment in interbank borrowing as it was categorized as non-standard financial assets pursuant to the Regulation on the Recognition of Standard Debt Securities (《標準化債權類資產認定規則》) issued in July 2020. Our deposits and placements with banks and other financial institutions further decreased to RMB11,719.6 million as of March 31, 2021, mainly due to the Bank's disbursement of Internet loans through deposits with interbank and other financial institutions, which lead to the changes in balance.

The following table sets forth a breakdown of our financial assets held under resale agreements and deposits and placements with banks and other financial institutions by the type of counterparties as of the dates indicated.

	As of December 31,						As of March 31,	
	2018		2019		2020		2021	
	<u>Amount</u>	<u>% of total</u>	<u>Amount</u>	<u>% of total</u>	<u>Amount</u>	<u>% of total</u>	<u>Amount</u>	<u>% of total</u>
	<i>(in millions of RMB, except percentages)</i>							
Large commercial banks	2,273.4	15.1%	1,098.7	5.2%	2,068.4	11.0%	447.2	2.3%
Joint stock commercial banks	1,186.6	7.9%	5,401.1	25.4%	4,752.3	25.4%	2,112.6	10.9%
City commercial banks	4,473.6	29.7%	4,942.1	23.2%	479.3	2.6%	1,426.0	7.4%
Rural commercial banks	1,740.1	11.6%	3,093.7	14.6%	1,069.1	5.7%	659.8	3.4%
Other banks ⁽¹⁾	3,745.0	24.9%	4,524.1	21.3%	7,846.0	41.9%	7,702.7	39.7%
Non-banking financial institutions ⁽²⁾	<u>1,623.6</u>	<u>10.8%</u>	<u>2,200.1</u>	<u>10.3%</u>	<u>2,525.5</u>	<u>13.4%</u>	<u>7,043.3</u>	<u>36.3%</u>
Sub-total	<u>15,042.3</u>	<u>100.0%</u>	<u>21,259.8</u>	<u>100.0%</u>	<u>18,740.6</u>	<u>100.0%</u>	<u>19,391.7</u>	<u>100.0%</u>
Interest accruals	21.1		80.7		15.0		10.7	
Impairment loss allowance	<u>(29.8)</u>		<u>(40.8)</u>		<u>(48.2)</u>		<u>(63.5)</u>	
Total	<u>15,033.6</u>		<u>21,299.7</u>		<u>18,707.4</u>		<u>19,338.9</u>	

Notes:

(1) Other banks consist of banks such as foreign banks, rural cooperatives, and county banks.

(2) Non-banking institutions refer to institutions other than banks, generally including funds, securities, and financial leasing companies.

The financial assets held under resale agreements, with which our counterparties were other banks, and deposits and placements with other bank amounted to RMB3,745.0 million, RMB4,524.1 million, RMB7,846.0 million and RMB7,702.7 million as of December 31, 2018, 2019 and 2020 and March 31, 2021, representing 24.9%, 21.3%, 41.9% and 39.7% of the total financial assets held under resale agreements and deposits and placements with banks and other financial institutions as of the same dates. The significant increase in 2020 was due to the increase of interbank foreign currency deposits with foreign banks, which was in turn due to (i) the

ASSETS AND LIABILITIES

transfer of interbank borrowing to interbank deposit as interest rate of foreign currencies, particularly U.S. dollars, decreased since March 2020 and (ii) the increase in export proceeds resulted from the recovery of China's foreign trade in the second half of 2020.

The following table sets forth a breakdown of our financial assets held under resale agreements and deposits and placements with banks and other financial institutions as of the dates indicated by credit rating of counterparties.

	As of December 31,						As of March 31,	
	2018		2019		2020		2021	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
<i>(in millions of RMB, except percentage)</i>								
AA to								
AAA	9,377.6	62.3%	15,880.4	74.7%	12,756.2	68.1%	9,201.2	47.5%
CCC+ to								
AA -	2,491.4	16.6%	886.6	4.2%	1,797.0	9.6%	2,002.6	10.3%
CCC and below	—	—	—	—	—	—	—	—
Unrated ⁽¹⁾	3,173.3	21.1%	4,492.8	21.1%	4,187.4	22.3%	8,187.9	42.2%
Sub-total	<u>15,042.3</u>	<u>100.0%</u>	<u>21,259.8</u>	<u>100.0%</u>	<u>18,740.6</u>	<u>100.0%</u>	<u>19,391.7</u>	<u>100.0%</u>
Interest								
accruals	21.1		80.7		15.0		10.7	
Impairment								
loss								
allowance	(29.8)		(40.8)		(48.2)		(63.5)	
Total	<u>15,033.6</u>		<u>21,299.7</u>		<u>18,707.4</u>		<u>19,338.9</u>	

Note:

(1) The unrated counterparts of our financial assets held under resale agreements and deposits and placements with banks and other financial institutions are mainly investment funds. Investment funds do not issue debt securities and no external credit rating is required. The risks of financial assets held under resale agreements and deposits and placements with banks and other financial institutions traded with investment funds are similar to that of the financial assets held under resale agreements and deposits and placements with banks and other financial institutions traded with other financial institutions.

Financial Assets

Financial assets represented 46.4%, 42.4%, 41.6% and 40.9% of our total assets as of December 31, 2018, 2019 and 2020 and March 31, 2021, respectively.

Distribution by Business Model and Cashflow Characteristics

In accordance with IFRS 9 which we adopted during the Track Record Period, we classify our financial assets by business model and cashflow characteristics of financial assets into the following categories:

(i) financial investments at amortized cost. A financial asset is at amortized cost if it meets both of the following conditions and is not designated as at financial assets at fair value through profit or loss: (a) it is held

ASSETS AND LIABILITIES

within a business model whose objective is to hold assets to collect contractual cash flows; and (b) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Our financial assets at amortized cost primarily comprise debt securities and investment in rights to earnings on credit assets.

(ii) financial assets at fair value through other comprehensive income. A debt investment is at fair value through other comprehensive income if it meets both of the following conditions and is not designated as at financial assets at fair value through profit or loss: (a) it is held within a business model whose objective is set for both collecting contractual cash flows and selling such financial assets; and (b) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Our financial investments at fair value through other comprehensive income primarily comprised debt securities, rights on earning on credit assets, wealth management products for direct financing and unlisted equity investments.

(iii) financial assets at fair value through profit or loss. All financial assets not classified as at amortized cost or financial assets at fair value through other comprehensive income as described above are financial assets at fair value through profit or loss. Our financial assets at fair value through profit or loss primarily comprise debt securities and investment in fund investments, wealth management products issued by other financial institutions and rights to earnings on credit assets.

ASSETS AND LIABILITIES

The following table sets forth the distribution of our financial assets by business model and cashflow characteristics and credit rating of the counterparties as of the dates indicated. For further details on the components of each category of our financial assets, please see Note 18 of the Accountant's Report in Appendix I to this prospectus.

	As of December 31,						As of March 31,	
	2018		2019		2020		2021	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
<i>(in millions of RMB, except percentage)</i>								
Financial investments at amortized cost								
cost	67,979.6	36.0%	86,869.6	44.4%	111,667.9	49.0%	109,770.4	47.5%
—AA to AAA	19,206.7	10.2%	41,067.6	21.0%	42,210.3	18.5%	43,015.7	18.6%
—CCC+ to AA-	—	—	—	—	241.6	0.1%	39.9	0.0%
—CCC and below	—	—	—	—	—	—	—	—
—Unrated ⁽¹⁾	48,772.9	25.8%	45,802.0	23.4%	69,216.0	30.4%	66,714.8	28.9%
Financial investments at fair value through other comprehensive income	86,043.1	45.5%	78,350.9	40.1%	79,943.6	35.1%	84,139.0	36.4%
—AA to AAA	34,158.6	18.1%	26,363.2	13.5%	19,065.5	8.4%	18,862.7	8.2%
—CCC+ to AA-	209.6	0.1%	132.3	0.1%	94.4	0.0%	94.6	0.0%
—CCC and below	27.7	0.0%	26.7	0.0%	92.3	0.0%	90.0	0.0%
—Unrated ⁽¹⁾	51,647.2	27.3%	51,828.7	26.5%	60,691.4	26.7%	65,091.7	28.2%
Financial assets at fair value through profit or loss	34,974.7	18.5%	30,254.8	15.5%	36,101.6	15.9%	37,097.2	16.1%
—AA to AAA	8,906.0	4.7%	7,636.4	3.9%	4,885.7	2.2%	4,580.9	2.0%
—CCC+ to AA-	340.1	0.2%	20.7	0.0%	198.4	0.1%	347.0	0.2%
—CCC and below	6.3	0.0%	23.2	0.0%	1.4	0.0%	1.4	0.0%
—Unrated ⁽¹⁾	25,722.3	13.6%	22,574.5	11.6%	31,016.1	13.6%	32,167.9	13.9%
Financial assets, net	<u>188,997.4</u>	<u>100.0%</u>	<u>195,475.3</u>	<u>100.0%</u>	<u>227,713.1</u>	<u>100.0%</u>	<u>231,006.6</u>	<u>100.0%</u>

Note:

(1) Comprise mainly of treasury bonds and local government bonds, financial bonds issued by policy banks, commercial bank bonds, non-bank financial institutions bonds and rights of earnings on credit assets. Such unrated assets are mainly issued by the treasury department of PRC central and local governments and policy banks with relatively lower credit risk.

Our financial investments at amortized cost comprised primarily debt securities and rights to earnings on credit assets. Our financial investments at amortized costs increased from RMB67,979.6 million as of December 31, 2018, to RMB86,869.6 million as of December 31, 2019, primarily due to our increased investments in the debt securities issued by PRC central and local governments and large state-owned enterprises. Our financial investments at amortized costs further increased from RMB86,869.6 million as of December 31, 2019 to RMB111,667.9 million as of December 31, 2020, primarily due to the addition of financial investments at amortized cost upon the consolidation of Chaoyang RCB in 2020. Our financial investments at amortized costs decreased from RMB111,667.9 million as of December 31, 2020 to RMB109,770.4 million as of March 31, 2021, primarily due to the decrease in financial investments at amortized cost of Chaoyang RCB.

Our financial investments at fair value through other comprehensive income primarily comprised debt securities, rights on earning on credit assets, wealth management products for direct financing and unlisted equity investments. Our financial investments at fair value through other comprehensive income decreased from

ASSETS AND LIABILITIES

RMB86,043.1 million as of December 31, 2018 to RMB78,350.9 million as of December 31, 2019, primarily due to maturity of certain investments in debt securities and rights to earnings on credit assets. Our financial investments at fair value through other comprehensive income slightly increased to RMB79,943.6 million as of December 31, 2020, and further increased to RMB84,139.0 million as of March 31, 2021, which was primarily a result of our increased investment in debt securities issued by PRC Government and other financial institutions in alignment with our strategy to improve liquidity management and asset quality. Our financial investments at fair value through other comprehensive income increased from RMB79,943.6 million as of December 31, 2020 to RMB84,139.0 million as of March 31, 2021, primarily due to the increase in investment of debt securities issued by policy banks.

Our financial assets at fair value through profit or loss primarily comprised debt securities, fund investments, wealth management products issued by other financial institutions and rights on earning on credit assets. Our financial assets at fair value through profit or loss amounted to RMB34,974.7 million as of December 31, 2018, primarily a result of our increased investments in certificate of interbank deposits, short-term debt securities issued by PRC corporate issuers and debt securities issued by PRC financial institutions. Our financial assets at fair value through profit or loss decreased to RMB30,254.8 million as of December 31, 2019, primarily due to the maturity of certain investment with relatively short term, and the subsequent reinvestment in financial assets classified under other categories. Our financial assets at fair value through profit or loss increased to RMB36,101.6 million as of December 31, 2020, and further increased to RMB37,097.2 million as of March 31, 2021, primarily due to the increase of investment in public funds, which were publicly raised from public investors. Public funds generally offer flexibility in purchase and/or redemption and can be employed as a form of liquidity management instrument. As such, increase of our investment in public funds when we are in a sound liquidity position is in line with our policy to strengthen management of liquidity.

For details relating to our risk management in connection with our financial assets, please see “Risk Management — Credit Risk Management — Credit Risk Management for Treasury Business”.

ASSETS AND LIABILITIES

Distribution of Investment Securities and Other Financial Assets by Remaining Maturities

The table below sets forth the distribution of our financial assets by remaining maturities as of the date indicated.

	As of March 31, 2021							
	Due within	Due in less than 3 months	Due in less than 3 months up to 12 months	Due in over 3 months up to 5 years	Due in over 1 year up to 5 years	Due in more than 5 years	Undated	Total
	Overdue	1 month	months	months	5 years	than 5 years	Undated	Total
	<i>(in millions of RMB, except percentages)</i>							
Financial investments at amortized cost	—	2,928.6	7,871.3	16,671.8	66,828.6	15,470.1	—	109,770.4
Financial assets at fair value through other comprehensive income	372.8	1,310.5	2,734.7	15,032.0	39,337.9	24,775.9	575.2	84,139.0
Financial assets at fair value through profit or loss	1.4	735.9	1,280.0	3,842.7	6,264.5	2,584.9	22,387.8	37,097.2
Total	<u>374.2</u>	<u>4,975.0</u>	<u>11,886.0</u>	<u>35,546.5</u>	<u>112,431.0</u>	<u>42,830.9</u>	<u>22,963.0</u>	<u>231,006.6</u>

ASSETS AND LIABILITIES

Distribution of Financial Assets by Type of Counterparties

The following table sets forth a breakdown of our financial assets by the type of counterparties as of the dates indicated.

	As of December 31,						As of March 31,	
	2018		2019		2020		2021	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
<i>(in millions of RMB, except percentages)</i>								
Government								
authorities and								
state-owned								
enterprises	156,641.1	84.3%	165,933.2	86.3%	194,842.0	86.9%	193,974.1	85.4%
Private enterprises . . .	14,814.1	8.0%	7,020.8	3.7%	4,337.2	1.9%	4,235.6	1.9%
Public enterprises . . .	9,579.2	5.1%	13,439.9	7.0%	13,994.6	6.3%	16,819.1	7.4%
Three kind foreign-								
funded								
enterprises ⁽¹⁾ and								
overseas								
enterprises	4,575.6	2.5%	5,755.5	3.0%	10,884.8	4.9%	11,779.8	5.2%
Other enterprises	176.1	0.1%	48.0	0.0%	66.4	0.0%	329.1	0.1%
Sub-total	<u>185,786.1</u>	<u>100.0%</u>	<u>192,197.4</u>	<u>100.0%</u>	<u>224,125.0</u>	<u>100.0%</u>	<u>227,137.7</u>	<u>100.0%</u>
Accrued interest	2,713.5		2,840.7		3,142.4		3,405.3	
Unlisted equity								
rights	612.0		563.2		566.7		575.2	
Total financial								
assets, gross	189,111.6		195,601.3		227,834.1		231,118.2	
Less: Allowance for								
expected credit								
losses	(114.2)		(126.0)		(121.0)		(111.6)	
Total financial								
assets, net	<u>188,997.4</u>		<u>195,475.3</u>		<u>227,713.1</u>		<u>231,006.6</u>	

Note:

(1) Consists of sino-foreign joint venture enterprise, sino-foreign cooperative enterprise and wholly foreign-owned enterprise that established in the PRC.

ASSETS AND LIABILITIES

Distribution of Financial Assets by Product Type

Our financial assets consisted primarily of debt securities, rights to earnings on credit assets, fund investments, wealth management instruments for direct financing and certain other types of financial assets. The following table sets forth the components of our financial assets as of the dates indicated.

	As of December 31,			As of March 31,		
	2018	2019		2020		2021
	Amount	Average rate of return ⁽¹⁾	% of total return ⁽¹⁾	Amount	Average rate of return ⁽¹⁾	% of total return ⁽¹⁾
<i>(in millions of RMB, except percentages)</i>						
Standard Credit Assets						
Debt securities	167,140.6	89.8%	90.1%	198,595.1	88.4%	87.9%
Trust loans	200.0	0.1%	0.1%	—	N/A	—
Circulated credit asset items	10,976.6	5.9%	3.8%	—	N/A	—
Rights to earnings on trusts	300.0	0.2%	0.0%	—	N/A	—
Fund investment	6,423.5	3.4%	5.3%	20,496.9	9.1%	9.8%
Wealth management instruments for direct financing ⁽²⁾	625.2	0.3%	0.3%	—	N/A	—
Others ⁽³⁾	30.0	0.0%	0.0%	—	N/A	—
Non-standard Credit Assets⁽⁴⁾						
Trust loans	—	—	—	147.9	0.1%	0.1%
Circulated credit asset items	90.2	0.0%	0.0%	3,938.9	1.8%	1.6%
Rights to earnings on trusts	—	—	—	264.0	0.1%	0.1%
Pledge-style stock repurchase transaction	—	—	—	432.9	0.2%	0.1%
Wealth management instruments for direct financing ⁽²⁾	—	—	—	—	—	—
Others ⁽³⁾	—	—	—	222.0	0.1%	0.1%
Subtotal	185,786.1	99.7%	99.7%	224,125.0	99.7%	99.7%
Accrued interest	2,713.5	—	—	3,142.4	—	—
Unlisted equity rights	612.0	0.3%	0.3%	566.7	0.3%	0.3%
Total financial assets, gross	189,111.6	100.0%	100.0%	227,834.1	100.0%	100.0%
Less: Allowance for expected credit losses	(114.2)	—	—	(121.0)	—	—
Total financial assets, net	188,997.4			227,713.1		

Notes:

- (1) Calculated by weighted average of yield to maturity of each category.
- (2) Refers to debt investment instruments of wealth management products, which are launched and managed by commercial banks and other banking financial institutions, and directly invest in the financing needs of enterprises.
- (3) Refers to the “Jinmeihua Phase VII Joint Investment Project” managed by Bank of Nanjing Co., Ltd. (“Nanjing Jinmeihua Phase VII”), which was invested by our Bank and other investors, from July 2013 with the maturity period of 10 years and redeemable for every six months. The underlying assets of Nanjing Jinmeihua Phase VII are bonds, interbank deposits and others, and our investment represents 1.1% of the total issuance of Nanjing Jinmeihua Phase VII.
- (4) Our Bank’s non-standard credit assets mainly consist of trust loans, circulated credit asset items, rights to earnings on trusts and pledge-style stock repurchase transaction. Most of our Bank’s non-standard credit assets were invested in the finance industry.

ASSETS AND LIABILITIES

Our non-standard credit assets increased significantly from RMB33.9 million as of December 31, 2019 to RMB5,033.0 million as of December 31, 2020 and slightly decreased to RMB4,613.5 million as of March 31, 2021, primarily due to the implementation of the Regulation on the Recognition of Standardized Debt Assets (《標準化債權類資產認定規則》) issued by the PBoC, CBIRC, CSRC and SAFE on July 3, 2020, which categorized certain credit assets and rights to earnings of credit assets that previously deemed to be standard credit assets to be non-standard credit assets. The rights to earnings on credit assets we purchased in Chaoyang RCB acquisition in December 2020 as well as our investments in trust loans, circulated credit asset items, rights to earnings on trusts, pledge-style stock repurchase transaction and credit financing plans were categorized as non-standard credit assets pursuant to the Recognition of Standardized Debt Assets.

ASSETS AND LIABILITIES

Debt Securities

Debt securities was the largest component of our financial investments, representing 89.8%, 90.1%, 88.4% 87.9% of our total gross financial assets as of December 31, 2018, 2019 and 2020 and March 31, 2021, respectively. We invest in debt securities issued by the central and local governments, financial institutions and corporate issuers in the PRC and interbank certificates of deposits issued by commercial banks in the PRC. We make investments in debt securities through asset management plans offered by third parties, which amounted to RMB12,638.2 million, RMB3,717.9 million, RMB553.8 million and RMB189.1 million as of December 31, 2018, 2019 and 2020 and March 31, 2021, respectively, representing 7.6%, 2.1%, 0.3% and 0.1% of our total debt securities amount as of the same dates. For most of the investments in debt securities through asset management plans, our Bank, as the major investor, is able to identify the underlying assets of the asset management plans so that each of the debt securities under such plans are accounted and managed separately. All of the investments in debt securities we held as of December 31, 2018, 2019 and 2020 and March 31, 2021 were denominated in Renminbi. The following table sets forth the components of our debt securities investment classified by issuer as of the dates indicated.

	As of December 31,				As of March 31,			
	2018		2019		2020		2021	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
<i>(in millions of RMB, except percentages)</i>								
Debt securities issued by the PRC								
central government	36,075.3	21.6%	37,168.8	21.4%	58,374.8	29.4%	52,269.7	26.1%
Debt securities issued by the local								
government	34,301.3	20.5%	55,790.2	32.1%	66,941.8	33.7%	70,458.1	35.2%
Debt securities issued by policy								
banks ⁽¹⁾	8,105.5	4.8%	17,658.1	10.3%	28,409.3	14.4%	31,389.3	15.9%
Debt securities issued by								
commercial banks	1,834.3	1.1%	1,918.3	1.0%	4,775.5	2.4%	9,713.9	4.7%
Debt securities issued by securities								
companies	40.9	0.0%	283.4	0.2%	38.0	0.0%	98.0	0.0%
Debt securities issued by financial								
leasing companies	10,380.1	6.2%	5,735.7	3.3%	2,140.1	1.1%	1,662.8	0.8%
Debt securities issued by other								
financial institutions	6,419.1	3.8%	1,794.2	1.0%	1,129.7	0.6%	1,003.9	0.5%
Debt securities issued by the PRC								
corporate issuers	63,108.3	37.8%	44,479.8	25.6%	27,232.2	13.7%	24,099.7	12.0%
Interbank certificates of deposits . . .	6,875.7	4.1%	8,826.2	5.1%	9,553.7	4.8%	9,470.3	4.8%
Total debt securities⁽²⁾	167,140.6	100.0%	173,654.7	100.0%	198,595.1	100.0%	200,165.7	100.0%

Notes:

- (1) Policy banks refer to China Development Bank, Export and Import Bank of China and Agricultural Development Bank of China.
- (2) Including debt securities investments through asset management plans.

Our holding of investment in debt securities increased by 3.9% from RMB167,140.6 million as of December 31, 2018 to RMB173,654.7 million as of December 31, 2019, and further increased by 14.4% to

ASSETS AND LIABILITIES

RMB198,595.1 million as of December 31, 2020 primarily due to available funds for investment in debt securities increased as deposits from customers increased. Our holding of investment in debt securities remained relatively stable of RMB200,165.7 million as of March 31, 2021 as compared with that of RMB198,595.1 million as of December 31, 2020, and the slight increase was in line with our business expansion.

During the Track Record Period, investment in debt securities issued by the PRC central and local government were the largest component of our debt securities investment portfolio, representing 42.1%, 53.5%, 63.1% and 61.3% of our total debt securities investment portfolio as of December 31, 2018, 2019 and 2020 and March 31, 2021, respectively. Our holding of debt securities issued by the PRC central and local government increased by 32.1% from RMB70,376.6 million as of December 31, 2018 to RMB92,959.0 million as of December 31, 2019 and further increased by 34.8% to RMB125,316.6 million as of December 31, 2020, primarily due to our increased investments in debt securities issued by the PRC central and local government which generally have good liquidity and low risks that is in line with our strict liquidity risk management policies and prudent investment policies. Our debt securities issued by the PRC central and local government decreased by 2.1% from RMB125,316.6 million as of December 31, 2020 to RMB122,727.8 million as of March 31, 2021, primarily due to maturity of such debt securities.

Debt securities issued by the PRC corporate issuers decreased by 29.5% from RMB63,108.3 million as of December 31, 2018 to RMB44,479.8 million as of December 31, 2019 and further decreased by 38.8% to RMB27,232.2 million as of December 31, 2020. Our debt securities issued by the PRC corporate issuers decreased to RMB24,099.7 million as of March 31, 2021. Such continuous decrease is primarily because our Bank implemented more stringent policies on credit risk management, reduced investments in non-financial corporate bonds and sold non-financial corporate bonds as appropriate.

Debt securities issued by financial institutions amounted to RMB27,389.7 million as of December 31, 2019 and was relatively stable when compared with that of December 31, 2018, and increased by 33.2% to RMB36,492.6 million as of December 31, 2020, which further increased by 20.2% to RMB43,867.9 million as of March 31, 2021. Such increase was primarily a result of more investments in debt securities issued by policy banks and good rating commercial banks so as to manage credit risk as well as maintain investment return. Debt securities issued by policy banks amounted to RMB8,105.5 million, RMB17,658.1 million, RMB28,409.3 million and RMB31,389.3 million as of December 31, 2018, 2019 and 2020 and March 31, 2021, respectively. Policy banks are non-profit financial institutions founded by the government, and our debt securities issued by policy banks mainly include debt securities issued by China Development Bank, Export and Import Bank of China and Agricultural Development Bank of China.

ASSETS AND LIABILITIES

The following table sets forth the distribution of our debt securities investment by nature and facility rating as of the date indicated.

	As of December 31,						As of March 31,	
	2018		2019		2020		2021	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	<i>(in million of RMB, except percentage)</i>							
AA to AAA	61,323.1	36.7%	59,427.5	34.2%	63,643.5	32.1%	90,946.7	45.5%
CCC+ to AA-	543.7	0.3%	114.8	0.1%	539.3	0.3%	1,069.2	0.5%
CCC and below	21.8	0.0%	40.2	0.0%	74.3	0.0%	76.8	0.0%
Unrated ⁽¹⁾	105,252.0	63.0%	114,072.2	65.7%	134,338.0	67.6%	108,073.0	54.0%
Total debt securities, gross	167,140.6	100.0%	173,654.7	100.0%	198,595.1	100.0%	200,165.7	100.0%

Note:

(1) Comprise mainly of treasury bonds and local government bonds, financial bonds issued by policy banks, commercial bank bonds, non-bank financial institutions bonds and rights of earnings on credit assets. Such unrated assets are mainly issued by the treasury department of PRC central and local governments and policy banks with relatively lower credit risk.

The following table sets forth the balance of our debt securities portfolio by remaining maturity as of March 31, 2021.

	As of March 31, 2021				
	Due within 3 months	Due in 3 months up to 12 months	Due in over 1 year up to 5 years	Due in more than 5 years	Total
	<i>(in millions of RMB)</i>				
Debt securities issued by PRC central and local government	9,544.8	18,038.1	65,027.5	30,117.4	122,727.8
Debt securities issued by commercial banks and other financial institutions	554.3	2,177.5	32,827.6	8,308.5	43,867.9
Debt securities issued by PRC corporate issuers	2,953.9	6,529.8	14,307.2	308.8	24,099.7
Interbank certificates of deposits	3,895.0	3,835.0	1,740.3	—	9,470.3
Total debt securities, gross	16,948.0	30,580.4	113,902.6	38,734.7	200,165.7

The following table sets forth breakdown of our debt securities between fixed interest rates and floating interest rates as of the dates indicated.

	As of December 31,						As of March 31,	
	2018		2019		2020		2021	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	<i>(in millions of RMB, except percentages)</i>							
Fixed interest rate	147,032.7	88.0%	160,466.0	92.4%	192,454.6	96.9%	196,077.4	98.0%
Floating interest rate	20,107.9	12.0%	13,188.7	7.6%	6,140.5	3.1%	4,088.3	2.0%
Total debt securities	167,140.6	100.0%	173,654.7	100.0%	198,595.1	100.0%	200,165.7	100.0%

ASSETS AND LIABILITIES

For debt securities investment, the investment targets of our Bank normally include treasury bonds, policy financial bonds and bonds without sovereign credit ratings. Non-sovereign bonds refer to marketable securities issued by financial and non-financial enterprises and institutions other than the central governments, central banks and policy banks. For local government bonds, we mainly consider the GNP, treasury income and permanent residents of the relevant regions, external credit ratings and credit events of the local governments and other relevant factors. For other non-sovereign bonds, we will consider various factors including the operating condition of the issuer, development prospect of the industry in which the issuer operates and the regional economic condition to evaluate the credit risk of the issuer and review the internal credit limits for the bondholders.

Rights to Earnings on Credit Assets

The following table sets forth the distribution of our rights to earnings on credit assets by nature as of the dates indicated.

	As of December 31,						As of March 31,	
	2018		2019		2020		2021	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	<i>(in millions of RMB, except percentage)</i>							
Financial investments at amortized cost	6,384.9	55.2%	3,969.6	51.6%	902.6	18.9%	654.5	15.1%
Financial assets measured fair value through other comprehensive income	936.4	8.1%	594.3	7.7%	446.3	9.3%	272.6	6.2%
Financial assets at fair value through profit or loss	4,245.5	36.7%	3,130.3	40.7%	3,434.8	71.8%	3,435.1	78.7%
Total rights to earnings on credit assets	11,566.8	100.0%	7,694.2	100.0%	4,783.7	100.0%	4,362.2	100.0%

During the Track Record Period, rights to earnings on credit assets we invested mainly consisted of circulated credit asset products (信貸資產流轉產品), of which the assigning party entrusts the trust companies as the trustee of the investment and transfers the underlying assets to investors directly or through the China Credit Asset Registry and Exchange Co., Ltd., Guangdong Financial Assets Exchange and other platforms. Underlying basic assets in such rights to earnings on credit assets primarily include leasing assets, personal consumption loans, automobile loans and credit loans. Our holding in rights to earnings on credit assets represented 6.2%, 4.0%, 2.1% and 1.9% of our total financial assets as of December 31, 2018, 2019 and 2020 and March 31, 2021, respectively. Our holding of rights to earnings on credit assets decreased by 33.5% from RMB11,566.8 million as of December 31, 2018 to RMB7,694.2 million as of December 31, 2019, primarily due to the fact that certain of our rights to earnings on credit assets have matured and we have raised the qualification criteria of this product. Our holding of rights to earnings on credit assets further decreased by 37.8% to RMB4,783.7 million as of December 31, 2020, which was primarily because we adjusted investment portfolio and reduced investment in rights to earnings on credit asset in accordance with our investment strategy, risk appetite, risk management and the regulatory policies such as Regulation on the Recognition of Standard Debt Securities (《標準化債權類資產認定規則》) issued in July 2020, which classified rights to earnings on credit assets as non-standard assets. Our holding of rights to earnings on credit assets decreased by 8.8% to RMB4,362.2 million as of March 31, 2021, primarily due to maturity of certain rights to earnings on credit assets.

For investment in rights to earnings on credit assets, we mainly consider the financial positions and qualifications of transferors, and guarantors for shortfall payment, distribution of industries and regions of assets underlying the projects and the asset maturity profile of the asset pools of the projects. The initial

ASSETS AND LIABILITIES

beneficiary, also known as promoter, refers to the assigning party of assets, including but not limited to banks, financial leasing companies, securities companies, financial companies and other financial institutions. The initial beneficiary entrusts assets to the trustee who will establish rights on earnings on credit assets. The initial beneficiary undertakes its committed obligations and responsibilities under relevant contracts and legal documents. The guarantor for shortfall payment refers to the credit enhancer, including but not limited to the initial beneficiary, controlling shareholders of the initial beneficiary, insurance institutions and others. The guarantor for shortfall payment irrevocably and unconditionally undertakes to the trustee to cover the shortfall of the asset-backed product projects for payment of the corresponding taxes, trust fees and the expected income and outstanding principal balance of each period of the senior asset-backed products. Unless shortfall payment was guaranteed by the initial beneficiary, our Bank does not have recourse to the initial beneficiary in the event that the borrower defaults. During the Track Record Period, no borrower defaults incurred for our rights to earnings on credit assets for the years ended December 31, 2018 and 2019, while the balance of our rights to earnings on credit assets that sustained borrower defaults was RMB446.2 million and RMB272.6 million as of December 31, 2020 and March 31, 2021, respectively. As of the same dates, we have made impairment allowances for such rights to earnings on credit assets of RMB294.7 million and RMB463.7 million, respectively. Our Bank continuously monitors the credit risk of the products and may make disposal decision through our internal risk management procedures.

Fund Investments

As of December 31, 2018, December 31, 2019, December 31, 2020 and March 31, 2021, our fund investments amounted to RMB6,423.5 million, RMB10,215.3 million, RMB20,496.9 million and RMB22,358.5 million, respectively. Our holding of funds represented 3.4%, 5.3%, 9.1% and 9.8% of our total financial assets as of December 31, 2018, 2019 and 2020 and March 31, 2021, respectively.

For fund investment we mainly consider the size of assets under management, operation, market position and other factors of the relevant companies.

ASSETS AND LIABILITIES

Investment Concentration

The table below sets forth the our ten largest holdings of financial investments as of the date indicated.

As of March 31, 2021						
Type of financial investment	Principal place	Carrying value	% of total financial investments	% of total shareholders' equity	% of net capital	
<i>(in millions of RMB, except percentages)</i>						
Issuer A	Debt securities	Beijing	52,269.7	22.6%	129.6%	113.2%
Issuer B	Debt securities	Beijing	19,398.2	8.4%	48.1%	42.0%
Issuer C	Debt securities	Guangdong	10,680.2	4.6%	26.5%	23.1%
Issuer D	Fund	Guangdong	6,592.6	2.9%	16.4%	14.3%
Issuer E	Debt securities	Shandong	6,016.7	2.6%	14.9%	13.0%
Issuer F	Debt securities	Beijing	6,341.2	2.7%	15.7%	13.7%
Issuer G	Debt securities	Hubei	3,723.4	1.6%	9.2%	8.1%
Issuer H	Debt securities	Beijing	5,700.8	2.5%	14.1%	12.4%
Issuer I	Debt securities	Yunnan	3,519.6	1.5%	8.7%	7.6%
Issuer J	Debt securities	Guizhou	3,260.2	1.4%	8.1%	7.1%
Total			117,502.6	50.8%	291.3%	254.5%

Concentration of Investment in Rights to Earnings on Credit Assets

As of December 31, 2018, 2019 and 2020 and March 31, 2021, the five largest rights to earnings on credit assets accounted for 59.7%, 66.2%, 78.1% and 85.0% of our total investment in rights to earnings on credit assets, respectively.

The following table sets forth our five largest promoters of rights to earnings on credit assets as of each date indicated.

As of December 31, 2018					
Nature	Principal operation place	Total assets ⁽¹⁾	Amount	% of investment in rights to earnings on credit assets	
<i>(in millions of RMB, except percentages)</i>					
Rights to earnings on credit assets promoter A	City commercial bank	Zhejiang	1,116,423.4	2,736.2	23.7%
Rights to earnings on credit assets promoter B	Other bank	Zhejiang	95,864.1	1,556.7	13.5%
Rights to earnings on credit assets promoter C	Joint-stock bank	Guangdong	6,745,729.0	1,045.5	9.0%
Rights to earnings on credit assets promoter D	Joint-stock bank	Beijing	6,066,714.0	869.1	7.5%
Rights to earnings on credit assets promoter E	City commercial bank	Zhejiang	168,561.6	696.8	6.0%
Total				6,904.3	59.7%

Note:

(1) Source: annual report for the year ended December 31, 2018.

ASSETS AND LIABILITIES

As of December 31, 2019					
Nature	Principal operation place	Total assets ⁽²⁾	Amount	% of investment in rights to earnings on credit assets	
<i>(in millions of RMB, except percentages)</i>					
Rights to earnings on credit assets promoter B . . .	Other bank	Zhejiang	139,552.8	1,521.5	19.8%
Rights to earnings on credit assets promoter A . . .	City commercial bank	Zhejiang	1,317,717.1	1,356.3	17.6%
Rights to earnings on credit assets promoter F . . .	Other bank	Guangdong	291,235.6	886.4	11.5%
Rights to earnings on credit assets promoter E . . .	City commercial bank	Zhejiang	207,775.5	778.1	10.1%
Rights to earnings on credit assets promoter G . . .	Joint-stock bank	Beijing	4,733,431.0	555.9	7.2%
Total				5,098.2	66.2%

Note:

(2) Source: annual report for the year ended December 31, 2019.

As of December 31, 2020					
Nature	Principal operation place	Total assets newly disclosed ⁽³⁾	Amount	% of investment in rights to earnings on credit assets	
<i>(in millions of RMB, except percentages)</i>					
Rights to earnings on credit assets promoter H . . .	RCB	Guangdong	20,415.6	1,545.4	32.3%
Rights to earnings on credit assets promoter B . . .	Other bank	Zhejiang	295,080.0	1,010.9	21.1%
Rights to earnings on credit assets promoter I	Non-bank financial institution	Guangdong	11,241.0	770.3	16.1%
Rights to earnings on credit assets promoter F . . .	Other bank	Guangdong	291,235.6	223.9	4.7%
Rights to earnings on credit assets promoter E . . .	City commercial bank	Zhejiang	224,283.5	188.1	3.9%
Total				3,738.6	78.1%

Note:

(3) Source: annual report for the year ended December 31, 2020.

As of March 31, 2021					
Nature	Principal operation place	Total assets newly disclosed ⁽⁴⁾	Amount	% of investment in rights to earnings on credit assets	
<i>(in millions of RMB, except percentages)</i>					
Rights to earnings on credit assets promoter H . . .	RCB	Guangdong	20,415.6	1,574.7	36.1%
Rights to earnings on credit assets promoter B . . .	Other bank	Zhejiang	311,256.0	1,020.0	23.4%
Rights to earnings on credit assets promoter I	Non-bank financial institution	Guangdong	11,241.0	770.3	17.7%
Rights to earnings on credit assets promoter F . . .	Other bank	Guangdong	346,430.0	191.6	4.4%
Rights to earnings on credit assets promoter S . . .	State-owned enterprise	Nanjing	43,877.9	147.9	3.4%
Total				3,704.5	85.0%

Note:

(4) Source: the latest quarterly reports or annual reports of initial beneficiaries.

ASSETS AND LIABILITIES

Concentration of Fund Investments

The following table sets forth our five largest managers of the funds invested by us as of each date indicated.

As of December 31, 2018						
Incorporation date	Asset under management	Ranking ⁽¹⁾	Total assets ⁽¹⁾	Investment amount	% of investment in fund investments	
<i>(in millions of RMB, except percentages)</i>						
Fund manager A	July 13, 1998		6	6,713.0	3,367.2	52.4%
Fund manager B	December 25, 2002		46	883.0	2,550.1	39.7%
Fund manager C	August 5, 2003		7	7,778.5	506.2	7.9%
Total				6,423.5	100.0%	

Note:

(1) Source: ranking of fund managers by Wind in terms of assets under management as of December 31, 2018.

As of December 31, 2019						
Incorporation date	Asset under management	Ranking ⁽¹⁾	Total assets ⁽¹⁾	Investment amount	% of investment in fund investments	
<i>(in millions of RMB, except percentages)</i>						
Fund manager A	July 13, 1998		4	7,396.4	3,795.8	37.2%
Fund manager D	December 22, 1998		12	4,224.8	1,102.5	10.8%
Fund manager E	March 25, 1999		8	N/A	1,002.5	9.8%
Fund manager F	April 17, 2001		2	14,675.4	922.0	9.0%
Fund manager G	May 28, 2001		18	3,907.4	660.7	6.5%
Total				7,483.6	73.3%	

Note:

(1) Source: ranking of fund managers by Wind in terms of assets under management as of December 31, 2019.

As of December 31, 2020						
Incorporation date	Asset under management	Ranking ⁽¹⁾	Total assets ⁽¹⁾	Investment amount	% of investment in fund investments	
<i>(in millions of RMB, except percentages)</i>						
Fund manager A	July 13, 1998		7	8,859.2	6,532.5	31.9%
Fund manager H	June 13, 2002		43	N/A	1,757.1	8.6%
Fund manager I	July 9, 2014		70	1,314.0	990.5	4.8%
Fund manager J	August 12, 2004		21	5,184.0	906.0	4.4%
Fund manager K	August 4, 2005		22	6,018.0	804.5	3.9%
Total				10,990.6	53.6%	

Note:

(1) Source: ranking of fund managers by Wind in terms of assets under management as of December 31, 2020.

ASSETS AND LIABILITIES

As of March 31, 2021

Incorporation date	Asset under management	Ranking ⁽¹⁾	Total assets ⁽¹⁾	Investment amount	% of investment in fund investments	
<i>(in millions of RMB, except percentages)</i>						
Fund manager A	July 13, 1998	850,271.75	7	8,859.2	6,592.6	29.5%
Fund manager H	June 13, 2002	109,822.02	44	N/A	1,519.6	6.8%
Fund manager E	March 25, 1999	762,144.98	8	N/A	1,315.7	5.9%
Fund manager L	April 9, 1998	860,551.37	6	13,694.6	1,256.0	5.6%
Fund manager C	August 5, 2003	956,074.34	3	12,520.4	1,160.3	5.2%
Total					11,844.2	53.0%

Note:

(1) Source: ranking of fund managers by Wind in terms of assets under management as of March 31, 2021.

Concentration of Wealth Management Instruments for Direct Financing

The following table sets forth our five largest issuers of the wealth management instruments for direct financing invested by us as of each date indicated.

As of December 31, 2018

Principal operation place	Total asset ⁽¹⁾	Net asset ⁽¹⁾	Investment amount	% of investment in wealth management instruments for direct financing	
<i>(in millions of RMB, except percentages)</i>					
Issuer A	Beijing	25,414.4	9,214.7	200.1	32.0%
Issuer B	Henan	37,042.4	18,020.2	190.0	30.4%
Issuer C	Jiangsu	36,902.3	12,564.8	70.0	11.2%
Issuer D	Zhejiang	67,865.2	25,687.8	50.0	8.0%
Issuer E	Tianjin	39,384.3	14,213.0	50.0	8.0%

As of December 31, 2019

Principal operation place	Total asset ⁽²⁾	Net asset ⁽²⁾	Investment amount	% of investment in wealth management instruments for direct financing	
<i>(in millions of RMB, except percentages)</i>					
Issuer F	Tianjin	199,366.0	80,347.5	102.2	16.9%
Issuer G	Hunan	74,191.4	15,629.3	82.0	13.6%
Issuer H	Jiangsu	41,482.2	14,495.6	80.1	13.3%
Issuer I	Sichuan	128,637.4	47,420.7	72.2	12.0%
Issuer J	Jiangsu	37,190.0	8,879.4	62.7	10.4%

As of December 31, 2020

Principal operation place	Total asset ⁽³⁾	Net asset ⁽³⁾	Investment amount	% of investment in wealth management instruments for direct financing	
<i>(in millions of RMB, except percentages)</i>					
Issuer K	Jiangxi	100,920.3	35,772.2	120.0	54.1%
Issuer L	Shandong	83,626.6	25,963.7	82.0	36.9%
Issuer M	Henan	74,022.9	24,087.8	20.0	9.0%

ASSETS AND LIABILITIES

As of March 31, 2021					
	Principal operation place	Total asset ⁽⁴⁾	Net asset ⁽⁴⁾	Investment amount	% of investment in wealth management instruments for direct financing
<i>(in millions of RMB, except percentages)</i>					
Issuer K	Jiangxi	103,494.3	36,086.7	121.0	54.2%
Issuer L	Shandong	88,962.2	27,723.8	82.5	36.9%
Issuer M	Henan	75,832.6	24,307.8	19.9	8.9%

Notes:

- (1) Source: annual report for the year ended December 31, 2018 published by the issuer.
- (2) Source: annual report for the year ended December 31, 2019 published by the issuer.
- (3) Source: annual report for the year ended December 31, 2020 published by the issuer.
- (4) Source: the latest quarterly report or annual report published by the issuer.

Other Components of Our Assets

Other components of our assets consisted primarily of (i) cash and balances with central banks, (ii) deferred tax assets, (iii) fixed assets, and (iv) other assets.

Cash and balances with central banks consisted primarily of cash, statutory deposit reserves and surplus deposit reserves. Statutory deposit reserves represented the minimum level of cash deposits that we are required to maintain with PBoC. The minimum level was determined as a percentage of our deposits from customers. For details of changes in statutory deposit reserve ratio, please see “Supervision and Regulation — Statutory Deposit Reserve”. Surplus deposit reserves are deposits with PBoC in excess of statutory deposit reserves which we maintain for clearing purposes. Our cash and deposits with central banks decreased by 1.8% from RMB40,296.9 million as of December 31, 2018 to RMB39,557.2 million as of December 31, 2019, and further decreased by 2.5% to RMB38,576.5 million as of December 31, 2020. As of March 31, 2021, our cash and deposits with central bank decreased to RMB36,955.9 million. Such decrease was in line with the decrease in our statutory deposit reserves as a result of the decreases in statutory reserve ratio.

As of December 31, 2018, our deferred tax asset decreased to RMB1,683.8 million, mainly due to the increase in fair value of financial instrument. As of December 31, 2019, our deferred tax asset increased by 19.9% to RMB2,018.1 million, mainly due to higher deferred tax asset as a result of the increase in the provision for expected credit losses of debt securities. As of December 31, 2020, our deferred tax asset increased by 51.3% to RMB3,054.2 million, mainly due to temporary differences arising from fair value change of financial assets at fair value through profit or loss in 2020. As of March 31, 2021, our deferred tax asset remained relatively stable as compared with that as of December 31, 2020.

Our property and equipment increased by 1.4% from RMB2,432.8 million as of December 31, 2020 to RMB2,466.7 million as of March 31, 2021, which is in line with our business expansion. Our property and equipment increased by 54.2% from RMB1,577.6 million as of December 31, 2019 to RMB2,432.8 million as of December 31, 2020, mainly due to the consolidation of Chaoyang RCB in 2020. Our property and equipment increased by 13.0% from RMB1,396.1 million as of December 31, 2018 to RMB1,577.6 million as of December 31, 2019, mainly due to the consolidation of financial results of Zhanjiang RCB in 2019.

Our other assets mainly include prepayment for equity investment, long-term deferred expenses and R&D expenditures. Our other assets decreased by 15.4% from RMB1,710.5 million as of December 31, 2020 to

ASSETS AND LIABILITIES

RMB1,446.7 million as of March 31, 2021, mainly due to the decrease in the amount pending settlement at the end of the period. Our other assets increased by 57.7% from RMB1,084.7 million as of December 31, 2019 to RMB1,710.5 million as of December 31, 2020, mainly due to (i) an increase in online loan business resulted in an increase in the amount pending settlement at the end of the period; and (ii) the consolidation of Chaoyang RCB resulted in an increased in foreclosed assets. Our other assets decreased by 49.6% from RMB2,153.6 million as of December 31, 2018 to RMB1,084.7 million as of December 31, 2019, mainly due to decrease in prepayment for equity investment after the establishment of Zhanjiang RCB.

LIABILITIES AND SOURCES OF FUNDS

Our total liabilities increased by 12.6% from RMB378,070.1 million as of December 31, 2018 to RMB425,737.0 million as of December 31, 2019, and further increased by 19.7% to RMB509,759.1 million as of December 31, 2020. As of March 31, 2021, our total liabilities increased by 2.8% to RMB524,241.4 million.

The following table sets forth the components of our total liabilities as of the dates indicated.

	As of December 31,						As of March 31,	
	2018		2019		2020		2021	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	<i>(in millions of RMB, except percentages)</i>							
Deposits from customers	265,004.9	70.1%	314,217.0	73.8%	377,548.9	74.1%	389,641.3	74.3%
Debt securities issued	55,676.7	14.7%	58,271.7	13.7%	50,249.2	9.9%	54,780.9	10.5%
Financial assets sold under repurchase agreements and deposits and placements from banks and other financial institutions . . .	53,204.4	14.1%	46,373.2	10.9%	43,482.2	8.5%	45,590.8	8.7%
Borrowings from central bank . .	644.5	0.2%	2,601.2	0.6%	30,653.4	6.0%	29,870.6	5.7%
Taxes payable . . .	536.4	0.1%	913.8	0.2%	822.7	0.2%	1,060.8	0.2%
Lease liabilities	500.0	0.1%	456.4	0.1%	450.9	0.1%	433.1	0.1%
Financial liabilities at fair value through profit or loss	24.5	0.0%	132.4	0.0%	238.8	0.0%	230.2	0.0%
Other liabilities ⁽¹⁾ . . .	2,478.7	0.7%	2,771.3	0.7%	6,313.0	1.2%	2,633.7	0.5%
Total liabilities	<u>378,070.1</u>	<u>100.0%</u>	<u>425,737.0</u>	<u>100.0%</u>	<u>509,759.1</u>	<u>100.0%</u>	<u>524,241.4</u>	<u>100.0%</u>

Note:

(1) Consisted primarily of salaries payable.

ASSETS AND LIABILITIES

Deposits from Customers

Deposits from customers were our primary source of fund during the Track Record Period, representing 70.1%, 73.8%, 74.1% and 74.3% of our total liabilities as of December 31, 2018, 2019 and 2020 and March 31, 2021, respectively. We provide demand and time deposit products to corporate and retail customers. The following table sets forth our deposits from corporate and retail customers by product type as of the dates indicated.

	As of December 31,						As of March 31,	
	2018		2019		2020		2021	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	<i>(in millions of RMB, except percentages)</i>							
Corporate deposits								
Demand	61,001.2	23.0%	70,437.9	22.5%	86,787.1	23.0%	84,524.6	21.7%
Time	46,552.8	17.6%	56,061.6	17.8%	61,514.8	16.3%	70,112.4	18.0%
Subtotal	107,554.0	40.6%	126,499.5	40.3%	148,301.9	39.3%	154,637.0	39.7%
Personal deposits								
Demand	79,817.1	30.1%	91,456.5	29.1%	102,798.2	27.2%	101,253.8	26.0%
Time	71,629.9	27.0%	88,953.5	28.3%	118,593.6	31.4%	125,826.0	32.3%
Subtotal	151,447.0	57.1%	180,410.0	57.4%	221,391.8	58.6%	227,079.8	58.3%
Others ⁽¹⁾	2,508.6	0.9%	3,009.0	1.0%	2,896.1	0.8%	3,184.0	0.9%
Accrued interest	3,495.3	1.4%	4,298.5	1.3%	4,959.1	1.3%	4,740.5	1.1%
Total deposits from customers	265,004.9	100.0%	314,217.0	100.0%	377,548.9	100.0%	389,641.3	100.0%

Note:

(1) Consisted of remittance outstanding and margin deposit.

Our total deposits from customers increased by 18.6% from RMB265,004.9 million as of December 31, 2018 to RMB314,217.0 million as of December 31, 2019, which increased by 20.2% to RMB377,548.9 million as of December 31, 2020, and slightly increased 3.2% to RMB389,641.3 million as of March 31, 2021, primarily as a result of the consolidation of Zhanjiang RCB and Chaoyang RCB in 2019 and 2020, respectively, and increases in both corporate and personal deposits which was in line with our business expansion.

Our corporate deposits increased by 17.6% from RMB107,554.0 million as of December 31, 2018 to RMB126,499.5 million as of December 31, 2019, which increased by 17.2% to RMB148,301.9 million as of December 31, 2020. Our corporate deposits further increased by 4.3% to RMB154,637.0 million as of March 31, 2021. The increases in our corporate deposits resulted primarily from the expansion of our deposit business by enriching our deposit products and enhancing marketing efforts through our “1+3+N” grid management system.

Our personal deposits increased by 19.1% from RMB151,447.0 million as of December 31, 2018 to RMB180,410.0 million as of December 31, 2019, which increased by 22.7% to RMB221,391.8 million as of December 31, 2020. Our personal deposits further increased by 2.6% to RMB227,079.8 million as of March 31, 2021. The increase in our personal deposits resulted primarily from the rapid and steady growth of our personal certificates of deposit and structured deposits since 2018 with its competitive interest rate and quality services for local villagers.

ASSETS AND LIABILITIES

Distribution of Deposits by Geographical Region

We classified the geographic distribution of deposits (excluding accrued interest) based on the location of the branch taking the deposits. The following table sets forth the distribution of our deposits from customers by geographic region as of the dates indicated.

	As of December 31,						As of March 31,	
	2018		2019		2020		2021	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	<i>(in millions of RMB, except percentages)</i>							
Dongguan	258,478.5	98.8%	307,176.7	99.1%	316,307.0	84.9%	325,646.3	84.6%
Other regions	3,031.1	1.2%	2,741.8	0.9%	56,282.8	15.1%	59,254.5	15.4%
Total deposits from customers	261,509.6	100.0%	309,918.5	100.0%	372,589.8	100.0%	384,900.8	100.0%

Distribution of Deposits by Remaining Maturity

The following table sets forth the distribution of our deposits (excluding accrued interest) from customers by remaining maturity as of March 31, 2021.

	Repayable on demand		Due in less than 1 month		Due in over 1 month up to 3 months		Due in over 3 months up to 12 months		Due in over 1 year up to 5 years		Total	% of total deposits
	% of total		% of total		% of total		% of total		% of total			
	Amount	deposits	Amount	deposits	Amount	deposits	Amount	deposits	Amount	deposits		
Corporate deposits	79,183.4	42.4%	11,421.8	49.8%	7,784.6	37.0%	23,324.3	31.7%	32,922.9	40.7%	154,637.0	40.2%
Retail deposits	106,524.7	57.1%	11,263.1	49.1%	12,600.3	60.0%	49,053.5	66.7%	47,638.2	58.9%	227,079.8	59.0%
Margin deposits	725.5	0.4%	254.9	1.1%	628.3	3.0%	1,145.4	1.6%	259.7	0.4%	3,013.8	0.8%
Other deposits ⁽¹⁾	165.4	0.1%	0.3	0.0%	0.5	0.0%	2.0	0.0%	2.0	0.0%	170.2	0.0%
Total deposits from customers	186,599.0	100.0%	22,940.1	100.0%	21,013.7	100.0%	73,525.20	100.0%	80,822.8	100.0%	384,900.8	100.0%

Note:

(1) Consisted of remittance outstanding.

ASSETS AND LIABILITIES

Distribution of Corporate Deposits by Size

The following table sets forth the distribution of our corporate deposits, in terms of total balance of deposits from a single corporate customer, by size of the deposits as of the dates indicated.

	As of December 31,						As of March 31,	
	2018		2019		2020		2021	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	<i>(in millions of RMB, except percentages)</i>							
Over RMB500 million	28,744.0	26.7%	30,427.5	24.1%	40,541.2	27.3%	41,525.5	26.9%
Between								
RMB100 million and								
RMB500 million								
(inclusive)	18,261.7	17.0%	23,374.9	18.5%	26,323.0	17.7%	29,829.5	19.3%
Between RMB50 million								
and RMB100 million								
(inclusive)	11,169.6	10.4%	14,890.8	11.8%	15,233.7	10.3%	16,049.5	10.4%
Less than								
RMB50 million								
(inclusive)	49,378.7	45.9%	57,806.3	45.6%	66,204.0	44.7%	67,232.5	43.4%
Total corporate deposits	107,554.0	100.0%	126,499.5	100.0%	148,301.9	100.0%	154,637.0	100.0%

Distribution of Personal Deposits by Size

The following table sets forth the distribution of our personal deposits, in terms of total balance of deposits from a single retail customer, by size of the deposits as of the dates indicated.

	As of December 31,						As of March 31,	
	2018		2019		2020		2021	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	<i>(in millions of RMB, except percentages)</i>							
Over RMB5 million	8,936.6	5.9%	11,140.5	6.2%	15,110.2	6.8%	15,911.1	7.0%
Between RMB1 million								
and RMB5 million								
(inclusive)	23,312.8	15.4%	28,177.2	15.6%	37,495.2	16.9%	38,678.3	17.0%
Between RMB100,000 and								
RMB1 million								
(inclusive)	79,486.7	52.5%	96,575.3	53.5%	120,179.2	54.3%	123,450.3	54.4%
Less than RMB100,000								
(inclusive)	39,710.9	26.2%	44,517.0	24.7%	48,607.2	22.0%	49,040.1	21.6%
Total personal deposits	151,447.0	100.0%	180,410.0	100.0%	221,391.8	100.0%	227,079.8	100.0%

Other Components of Our Liabilities

Other components of our liabilities consisted primarily of (i) financial assets sold under repurchase agreements and deposits and placements from banks and other financial institutions, (ii) debt securities issued, (iii) borrowings from central bank, (iv) lease liabilities and (v) other liabilities.

ASSETS AND LIABILITIES

Our financial assets sold under repurchase agreements and deposits and placements from banks and other financial institutions amounted to RMB53,204.4 million, RMB46,373.2 million, RMB43,482.2 million and RMB45,590.8 million as of December 31, 2018, 2019 and 2020 and March 31, 2021, respectively. Decreases in our financial assets sold under repurchase agreements and deposits and placements from banks and other financial institutions in 2019 were primarily due to our decision to gradually increase the size of our interbank certificates of deposits. Decreases in our financial assets sold under repurchase agreements and deposits and placements from banks and other financial institutions in 2020 were primarily due to our adjustment of the size of short-term liabilities in light of liquidity needs in late 2020. Increase in our financial assets sold under repurchase agreements and deposits and placements from banks and other financial institutions in the first three months of 2021 were primarily due to the lower interest rate for interbank deposits in the first three months of 2021 driven us to invest in long-term and cost-efficient interbank deposits.

Debt securities we issued consisted primarily of interbank certificates of deposit, tier-two capital bonds, green financial bonds, SME financial bonds and Sannong financial bonds. For details of our debt securities issued, please see “Financial Information — Capital Resources — Debt — Debt Securities Issued”. During the Track Record Period, customers subscribed for our debts securities and certificates of interbank deposits mainly consisted of banks, funds, securities, trust companies and asset management companies. The aggregated customer number was 487, 481, 634 and 212 for the years ended December 31, 2018, 2019 and 2020 and for the three months ended March 31, 2021, respectively. Our debt securities issued amounted to RMB55,676.7 million, RMB58,271.7 million, RMB50,249.2 million and RMB54,780.9 million as of December 31, 2018, 2019 and 2020 and March 31, 2021, respectively. The table below sets forth the outstanding balances by type of our debt securities as of the dates indicated.

	<u>As of December 31,</u>			<u>As of March 31,</u>
	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
	<i>(in millions of RMB)</i>			
Interbank certificates of deposit	51,571.4	52,101.6	39,293.9	41,171.5
Tier-two capital bonds	3,994.1	3,994.8	3,995.5	3,995.7
Green financial bonds	—	1,998.6	2,842.8	2,841.4
SME financial bonds	—	—	1,948.8	4,618.7
Sannong financial bonds	—	—	1,918.7	1,918.5
Sub-total	<u>55,565.5</u>	<u>58,095.0</u>	<u>49,999.7</u>	<u>54,545.8</u>
Interest accrual	111.2	176.7	249.5	235.1
Total	<u>55,676.7</u>	<u>58,271.7</u>	<u>50,249.2</u>	<u>54,780.9</u>

The outstanding balances of interbank certificates of deposit decreased by 24.6% from RMB52,101.6 million as of December 31, 2019 to RMB39,293.9 million as of December 31, 2020, primarily due to the decrease in issuance of interbank certificates of deposit as we bid for MLF issued by PBoC in 2020. The outstanding balances of interbank certificates of deposit increased by 4.8% from RMB39,293.9 million as of December 31, 2020 to RMB41,171.5 million as of March 31, 2021, primarily due to the increase in issuance scale of our interbank certificates of deposits under the relaxation of financing in the first three months of 2021.