



东莞农村商业银行  
DRC Bank

東莞農村商業銀行股份有限公司  
Dongguan Rural Commercial Bank Co., Ltd.

(A joint stock company incorporated in the People's Republic of China with limited liability)  
Stock Code: 9889



# 2021 INTERIM REPORT

# Contents

|  |    |
|--|----|
| <b>Important Notice</b>  | 2  |
| <b>Definitions</b>   | 4  |
| <b>Chapter I Profile and Business Overview</b>   | 7  |
| <b>Chapter II Highlights of Accounting Data and Financial Indicators</b>               | 11 |
| <b>Chapter III Management Discussion and Analysis</b>                                  | 18 |
| <b>Chapter IV Changes in Share Capital and Information on Shareholders</b>             | 64 |
| <b>Chapter V Directors, Supervisors, Senior Management, Employees and Institutions</b> | 73 |
| <b>Chapter VI Corporate Governance</b>   | 82 |
| <b>Chapter VII Significant Events</b>  | 88 |
| <b>Chapter VIII Financial Report</b>   | 99 |

\* This report is prepared in both Chinese and English. If there are any discrepancies between the Chinese and English versions, the Chinese version shall prevail.

# IMPORTANT NOTICE



The Board of Directors, the Board of Supervisors and the Directors, Supervisors and senior management of the Bank hereby warrant the truthfulness, accuracy and completeness of the contents of this interim report and that there are no false representations, misleading statements or material omissions, and jointly and severally assume liability for the information hereof.

On September 6, 2021, the 35th meeting of the fourth session of the Board of Directors of the Bank considered and approved the content of 2021 Interim Report (the “**Report**”) of Dongguan Rural Commercial Bank Co., Ltd.. 17 Directors were eligible for attending the meeting and 16 Directors attended the meeting in person. Certain Supervisors of the Bank attended the meeting. The convening of the meeting is in compliance with relevant requirements of the Company Law of the People’s Republic of China and the Articles of Association of Dongguan Rural Commercial Bank Co., Ltd..

Unless otherwise specified, the financial information set out in this Report represents data from the consolidated statement of the Bank and its subsidiaries, namely Huizhou Zhongkai Dongying County Bank Company Limited, Yunfu Xinxing Dongying County Bank Company Limited, Dongguan Dalang Dongying County Bank Company Limited, Hezhou Babu Dongying County Bank Company Limited, Zhanjiang Rural Commercial Bank Co., Ltd. and Guangdong Chaoyang Rural Commercial Bank Co., Ltd..

The 2021 interim financial report prepared in accordance with the International Financial Reporting Standards by the Bank was unaudited, but has been reviewed by PricewaterhouseCoopers in accordance with the International Standard on Review Engagements.

Mr. Wang Yaoqiu, the legal representative and chairman of the Bank, Mr. Fu Qiang, the president, Mr. Chen Wei, the person-in-charge of accounting and Ms. Zhong Xuemei, the head of the accounting department, hereby declare and warrant the truthfulness, accuracy, and completeness of the financial reports in this Report.

Upon consideration and approval at the Shareholders’ general meeting on April 23, 2021, the Bank distributed cash dividend of RMB2.6 (tax inclusive) per ten shares for the year ended December 31, 2020, with a total amount of RMB1.493 billion (tax inclusive). The Bank did not made profit distribution or conversion of capital reserve for the interim period of 2021.

Forward-looking statements such as future plans mentioned in the Report do not constitute actual commitments of the Bank to investors. Investors and parties concerned should be fully aware of the risks, and understand the differences among plans, estimates and commitments.

During the Reporting Period, the Bank was not aware of any material risk that would adversely affect its future development strategies and business targets. The details of the major risks to which the Bank was exposed in its operations and management and the corresponding measures adopted by the Bank are described in this Report. For details, please refer to the information in the section headed “Risks and Risk Management during the Reporting Period” in the chapter headed “Management Discussion and Analysis” of this Report.

# Definitions



In this Report, unless the context otherwise requires, the following terms shall have the meanings set forth below:

|  |  |
|--|--|
| “Articles of Association” or “Articles”                  | The articles of association of the Bank as revised, supplemented or otherwise modified from time to time   |
| “Bank” or “our Bank” or “Dongguan Rural Commercial Bank” | Dongguan Rural Commercial Bank Co., Ltd. (東莞農村商業銀行股份有限公司), a joint stock company established on December 22, 2009 through restructuring in the PRC with limited liability, and includes its predecessor, branches and sub-branches but, for the avoidance of doubt, excluding its subsidiaries |
| “Board of Directors”                                     | the board of Directors of our Bank   |
| “Board of Supervisors”                                   | the board of Supervisors of our Bank   |
| “CBIRC”  | the China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會)  |
| “Chaoyang RCB”   | Guangdong Chaoyang Rural Commercial Bank Co., Ltd. (廣東潮陽農村商業銀行股份有限公司), a joint stock company incorporated on December 27, 2020 in the PRC with limited liability and a non-wholly owned subsidiary of our Bank   |
| “Corporate Governance Code”                              | the Corporate Governance Code set out in Appendix 14 to the Listing Rules  |
| “Director(s)”  | the director(s) of our Bank  |
| “Domestic Share(s)”                                      | ordinary share(s) issued by our Bank in the PRC  |
| “Domestic Shareholder(s)”                                | holder(s) of Domestic Share(s)   |
| “Dongguan Dalang Dongying County Bank”                   | Dongguan Dalang Dongying County Bank Company Limited (東莞大朗東盈村鎮銀行股份有限公司), a company incorporated on June 25, 2012 in the PRC with limited liability and a non-wholly owned subsidiary of our Bank   |
| “Former CBRC”  | the former China Banking Regulatory Commission (原中國銀行業監督管理委員會)   |
| “Group” or “we” or “us”                                  | the Bank and its subsidiaries  |
| “Hezhou Babu Dongying County Bank”                       | Hezhou Babu Dongying County Bank Company Limited (賀州八步東盈村鎮銀行股份有限公司), a company incorporated on August 8, 2012 in the PRC with limited liability and a non-wholly owned subsidiary of our Bank  |
| “H Share(s)”   | ordinary share(s) issued by our Bank outside the PRC   |
| “H Shareholder(s)”                                       | holder(s) of H Share(s)  |
| “HK\$” or “HKD” or “Hong Kong Dollars”                   | Hong Kong Dollars, the lawful currency of Hong Kong  |
| “Hong Kong” or “HK”                                      | the Hong Kong Special Administrative Region of the People’s Republic of China  |

## Definitions

|   |   |
|---|---|
| “Hong Kong Stock Exchange”              | The Stock Exchange of Hong Kong Limited   |
| “Huizhou Zhongkai Dongying County Bank” | Huizhou Zhongkai Dongying County Bank Company Limited (惠州仲愷東盈村鎮銀行股份有限公司), a joint stock company incorporated on December 13, 2010 in the PRC with limited liability and a non-wholly owned subsidiary of our Bank |
| “Latest Practicable Date”               | September 23, 2021, being the latest practicable date for the purpose of ascertaining certain information contained in this Interim Report prior to its publication   |
| “Listing”                               | the listing of the H shares of the Bank on the Main Board of the Hong Kong Stock Exchange   |
| “Listing Date”                          | the date on which the dealing in the H Shares of the Bank first commences on the Main Board of the Hong Kong Stock Exchange, being September 29, 2021   |
| “Listing Rules”                         | the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time  |
| “Model Code”                            | the Model Code for Securities Transaction by Directors of Listed Issuers issued by the Hong Kong Stock Exchange   |
| “PBoC”                                  | The People’s Bank of China, the central bank of the PRC   |
| “Prospectus”                            | the prospectus issued by the Bank for the Listing on September 16, 2021   |
| “Reporting Period”                      | the six months ended June 30, 2021  |
| “RMB” or “Renminbi”                     | Renminbi, the lawful currency of the PRC  |
| “SFO”                                   | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time   |
| “Share(s)”                              | ordinary share(s) in our share capital, including Domestic Share(s) and H Share(s)  |
| “Shareholder(s)”                        | holder(s) of Share(s), including Domestic Shareholder(s) and H Shareholder(s)   |
| “Supervisor(s)”                         | the supervisor(s) of our Bank   |
| “Yunfu Xinxing Dongying County Bank”    | Yunfu Xinxing Dongying County Bank Company Limited (雲浮新興東盈村鎮銀行股份有限公司), a joint stock company incorporated on December 23, 2011 in the PRC with limited liability and a non-wholly owned subsidiary of our Bank    |
| “Zhanjiang RCB”                         | Zhanjiang Rural Commercial Bank Co., Ltd. (湛江農村商業銀行股份有限公司), a joint stock company incorporated on October 26, 2019 in the PRC with limited liability and a non-wholly owned subsidiary of our Bank                |

\* *The Bank is not an authorized institution within the meaning of the Banking Ordinance (Chapter 155 of the Laws of Hong Kong), not subject to the supervision of the Hong Kong Monetary Authority, and not authorized to carry on banking and/or deposit-taking business in Hong Kong*

# Chapter I Profile and Business Overview



## I. CORPORATE INFORMATION

|                            |   |
|----------------------------|---|
| Legal name in Chinese      | 東莞農村商業銀行股份有限公司 (Abbreviation: “東莞農商銀行”)                                       |
| Legal name in English      | Dongguan Rural Commercial Bank Co., Ltd. (Abbreviation: “DRC Bank” or “DRCB”) |
| Legal representative       | Wang Yaoqiu   |
| Authorized representatives | Ye Jianguang, Wong Wai Chiu   |
| Board Secretary            | Ye Jianguang  |
| Joint company secretaries  | Ye Jianguang, Wong Wai Chiu   |

## II. GENERAL INFORMATION

|  |  |
|--|--|
| Registered address                               | No.2, Hongfu East Road, Dongcheng District, Dongguan City, Guangdong Province, the PRC             |
| Postal code                                      | 523123   |
| Website of the Bank                              | www.drcbank.com  |
| Customer service hotline                         | (86) 0769-961122   |
| Principal place of business in Hong Kong         | 40/F, Dah Sing Financial Centre, 248 Queen’s Road East, Wanchai, Hong Kong                         |
| Place of listing, stock abbreviations and code   | Hong Kong Stock Exchange, DRC Bank, 9889.HK  |
| H Shares Registrar                               | Computershare Hong Kong Investor Services Limited  |
| Domestic Shares trustee agency                   | China Securities Depository and Clearing Corporation Limited                                       |
| International accounting firm                    | PricewaterhouseCoopers   |
| PRC domestic legal advisor                       | C&T Partners   |
| Hong Kong legal advisor                          | King & Wood Mallesons  |
| Compliance advisor                               | ICBC International Capital Limited   |
| Designated information disclosure websites       | Website of the Hong Kong Stock Exchange (www.hkex.com.hk)<br>Website of the Bank (www.drcbank.com) |
| Place for inspection of information disclosure   | Office of the Board of Directors of the Bank   |
| Date of establishment of the joint stock company | December 22, 2009  |
| Registered capital <sup>(1)</sup>                | RMB5,740,454,510   |
| Unified Social Credit Code:                      | 914419007829859746   |
| Financial licence number:                        | B1054H244190001  |

Note:

(1) Data as at the Latest Practicable Date.

### III. COMPANY PROFILE

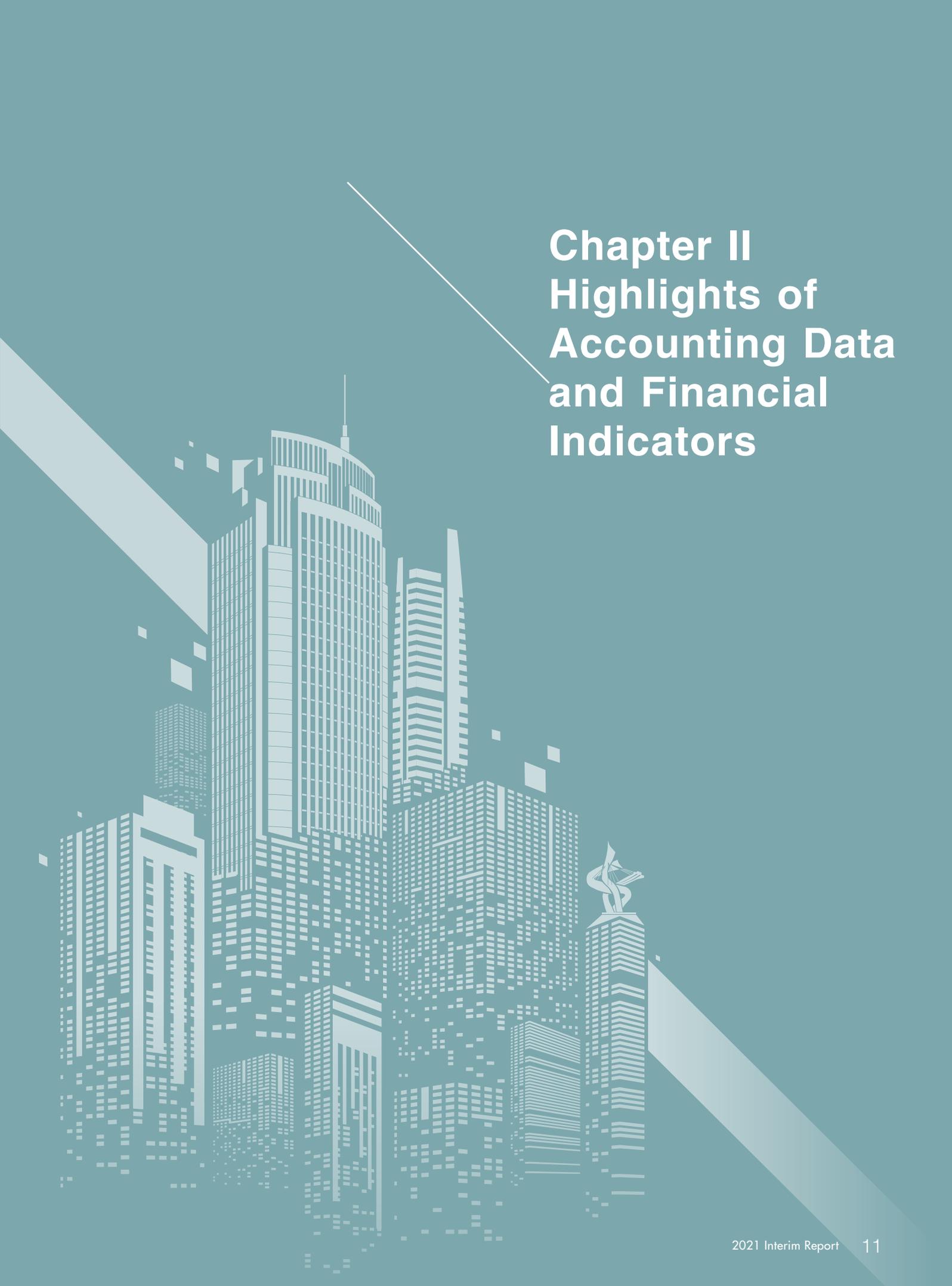
The Bank is a joint-stock commercial bank approved by the Former CBRC and established in December 2009 by the Dongguan Rural Credit Cooperatives Union through restructuring. On September 29, 2021, the Bank's H shares were successfully listed on the Main Board of the Hong Kong Stock Exchange, becoming the 13th listed rural commercial bank in the PRC and the fourth rural commercial bank listed on the H-share market.

As of the Latest Practicable Date, the Bank had a total of 505 business outlets, of which 501 were located in Dongguan, and has established four off-site branches in Guangzhou, Zhuhai, Huizhou, and Qingyuan, Guangdong Province. In addition, the Bank established four non-wholly-owned rural bank subsidiaries jointly with third parties in Dongguan, Huizhou, Yunfu, Guangdong Province, and Hezhou, Guangxi Zhuang Autonomous Region, respectively. The Bank also established two non-wholly-owned rural commercial bank subsidiaries with third parties in Zhanjiang City and Shantou City, Guangdong Province, namely Zhanjiang Rural Commercial Bank and Chaoyang Rural Commercial Bank, respectively. The Bank has formed a group operation pattern with roots in Dongguan, based in the Guangdong-Hong Kong-Macao Greater Bay Area, and covering Guangdong region, and with eastern and western Guangdong as its two wings. The Bank is moving steadily towards the strategic goal of building a "regional modern rural commercial bank group".

### IV. IMPORTANT HONORS AND AWARDS DURING THE REPORTING PERIOD

| No. | Name of honor/award   | Awarding/granting authority  | Date          |
|-----|---|--|---------------|
| 1   | "Top 100 Clearing Companies – Excellent Proprietary Institution (「結算100強—優秀自營商」)" in the "2020 Comprehensive Evaluation of China Bond Members (2020年度中債成員綜合評定)" | China Central Depository & Clearing Co., Ltd.  | January 2021  |
| 2   | Active traders of the inter-bank RMB market in 2020 (2020年度銀行間本幣市場活躍交易商)  | National Interbank Funding Center  | January 2021  |
| 3   | Top 20 Enterprises in Dongguan by Principle Operating Income in 2020 (2020年度東莞市主營業務收入前20名企業)  | CPC Dongguan Committee, the People's Government of Dongguan  | February 2021 |
| 4   | Dongguan City Benefit Contribution Award 2020 (2020年度東莞市效益貢獻獎)  | CPC Dongguan Committee, the People's Government of Dongguan  | February 2021 |
| 5   | Outstanding Contribution Award of Private Enterprise Service Industry in 2020 (2020年度民營企業服務業突出貢獻獎)  | CPC Dongguan Dongcheng Street Working Committee (中國共產黨東莞市東城街道工作委員會), Dongguan Dongcheng Street Office (東莞市東城街道辦事處) | February 2021 |

| No. | Name of honor/award   | Awarding/granting authority   | Date       |
|-----|---|---|------------|
| 6   | Veterans Volunteering Service Caring Unit of Guangdong Province (廣東省退役軍人志願服務愛心奉獻單位)   | Guangdong Department of Veterans Affairs  | April 2021 |
| 7   | 2020 Dongguan Head Office Enterprises (2020年批次東莞市總部企業)  | Dongguan Head Office Economic Development Work Leadship Team Office (東莞市總部經濟發展工作領導小組辦公室)                | April 2021 |
| 8   | Outstanding Contribution Award of Dongguan City Mobile Payment Project of 2020 (2020年東莞市移動支付便民工程突出貢獻獎)                              | PBoC Dongguan Center Branch, China UnionPay   | April 2021 |
| 9   | Model Enterprise in Consumer Financial Rights and Interests Protection Work of Dongguan in 2020 (2020年東莞市金融消費權益保護工作先進單位)            | PBoC Dongguan Center Branch, Dongguan Association of Consumer Financial Rights and Interests Protection | May 2021   |
| 10  | First prize of Guangdong Rural Credit Network Finance Business Marketing Competition in Business Scale (2020年廣東農信網絡金融業務營銷競賽業務規模一等獎) | Guangdong Province Rural Credit Cooperatives Union (廣東省農村信用社聯合社)  | May 2021   |



## Chapter II Highlights of Accounting Data and Financial Indicators

## I. MAJOR ACCOUNTING DATA AND FINANCIAL INDICATORS

(Unit: RMB'000)

| Operating results                                       | For the six months ended June 30, |           |   |
|---|-----------------------------------|-----------|---|
|   | 2021                              | 2020      | Increase/<br>(decrease)<br>percentage<br>for the<br>Reporting<br>Period as<br>compared to<br>the same<br>period of the<br>previous year |
| Operating income  | <b>6,487,923</b>                  | 6,172,778 | 5.11  |
| Profit before tax                                       | <b>3,470,478</b>                  | 3,257,006 | 6.55  |
| Net profit  | <b>3,226,495</b>                  | 2,865,997 | 12.58   |
| Net profit attributable to the shareholders of the Bank | <b>3,142,240</b>                  | 2,820,264 | 11.42   |
| Net cash flows from operating activities                | <b>10,077,499</b>                 | 2,222,152 | 353.50  |

(Unit: RMB/share)

| Per share   | For the six months ended June 30, |      |  |
|---|-----------------------------------|------|--|
|   | 2021                              | 2020 | Increase/<br>(decrease)<br>percentage<br>for the<br>Reporting<br>Period as<br>compared to<br>the same<br>period of the<br>previous year<br>(%) |
| Net asset per share attributable to the shareholders of the Bank        | <b>6.58</b>                       | 6.12 | 7.52   |
| Basic earnings per share attributable to the shareholders of the Bank   | <b>0.55</b>                       | 0.49 | 12.24  |
| Diluted earnings per share attributable to the shareholders of the Bank | <b>0.55</b>                       | 0.49 | 12.24  |
| Net cash flows per share from operating activities                      | <b>1.76</b>                       | 0.39 | 351.28   |

(Unit: %)

| Profitability indicators                                   | For the six months ended June 30, |       |   |
|--|-----------------------------------|-------|---|
|  | 2021                              | 2020  | Increase/<br>(decrease)<br>percentage<br>for the<br>Reporting<br>Period as<br>compared to<br>the end of<br>the previous<br>year |
| Return on average total assets (annualized) <sup>(1)</sup> | <b>1.14</b>                       | 1.21  | (0.07)  |
| Return on average equity (annualized) <sup>(2)</sup>       | <b>15.70</b>                      | 15.27 | 0.43  |
| Net interest spread (annualized) <sup>(3)</sup>            | <b>1.92</b>                       | 2.24  | (0.32)  |
| Net interest margin (annualized) <sup>(4)</sup>            | <b>1.98</b>                       | 2.32  | (0.34)  |
| Cost-to-income ratio <sup>(5)</sup>                        | <b>31.99</b>                      | 32.54 | (0.55)  |

*Notes:*

- (1) Annualized rate of return was calculated by dividing the annualized net profit for the period by the average balance of total assets at the beginning and the ending of the period.
- (2) Annualized rate of return was calculated by dividing the annualized net profit for the period by the average balance of total shareholders' equity at the beginning and the ending of the period (i.e. the annualized balance of net profit for the period).
- (3) Calculated as the difference between the average yield on total interest-earning assets and the average cost ratio of interest-bearing liabilities.
- (4) Calculated by dividing the annualized net interest income for the period by the average balance of total interest-earning assets at the beginning and the ending of the period.
- (5) Calculated by dividing the total operating expenses (excluding tax and surcharges) by total operating income.

Chapter II  
Highlights of Accounting Data and Financial Indicators

(Unit: RMB'000)

| Scale indicators  | As at June<br>30, 2021 | As at<br>December<br>31, 2020 | Increase/<br>(decrease)<br>percentage<br>for the<br>Reporting<br>Period as<br>compared to<br>the end of<br>the previous<br>year (%) |
|---|------------------------|-------------------------------|---|
| Total assets  | <b>583,357,479</b>     | 548,401,956                   | 6.37  |
| Gross loans and advances to customers (excluding accrued interest)                | <b>280,393,049</b>     | 261,450,611                   | 7.25  |
| Provision for impairment losses on loans and advances to customers <sup>(1)</sup> | <b>8,332,790</b>       | 7,358,778                     | 13.24   |
| Total liabilities   | <b>543,016,062</b>     | 509,759,142                   | 6.52  |
| Total deposits from customers (excluding accrued interest)                        | <b>403,045,271</b>     | 372,589,791                   | 8.17  |
| Share capital   | <b>5,740,455</b>       | 5,740,455                     | 0.00  |
| Shareholders' equity  | <b>40,341,417</b>      | 38,642,814                    | 4.40  |
| Net capital   | <b>46,345,251</b>      | 44,267,152                    | 4.69  |
| Including: Core tier-one capital  | <b>38,824,184</b>      | 37,017,880                    | 4.88  |
| Other tier-one capital  | <b>137,695</b>         | 116,300                       | 18.40   |
| Tier-two capital  | <b>7,933,569</b>       | 7,676,173                     | 3.35  |
| Total risk-weighted assets  | <b>331,959,890</b>     | 316,197,405                   | 4.99  |

Notes:

- (1) Including the provision for impairment losses on the loans and advances to customers measured at amortized costs and the provision for impairment of loans and advances to customers at fair value through other comprehensive income.

(Unit: %)

| Capital adequacy indicators                         | As at June<br>30, 2021 | As at<br>December<br>31, 2020 | Increase/<br>(decrease)<br>percentage<br>for the<br>Reporting<br>Period as<br>compared to<br>the end of<br>the previous<br>year |
|---|------------------------|-------------------------------|---|
| Core tier-one capital adequacy ratio <sup>(1)</sup> | <b>11.53</b>           | 11.54                         | (0.01)  |
| Tier-one capital adequacy ratio <sup>(2)</sup>      | <b>11.57</b>           | 11.57                         | 0.00  |
| Capital adequacy ratio <sup>(3)</sup>               | <b>13.96</b>           | 14.00                         | (0.04)  |

*Notes:*

- (1) Calculated by dividing core tier-one capital, net of core tier one capital deductions, by total risk-weighted assets.
- (2) Calculated by dividing tier-one capital, net of tier one capital deductions, by total risk-weighted assets.
- (3) Calculated by dividing total capital, net of capital deductions, by total risk-weighted assets.

(Unit: %)

| Asset quality indicators                     | As at June<br>30, 2021 | As at<br>December<br>31, 2020 | Increase/<br>(decrease)<br>percentage<br>for the<br>Reporting<br>Period as<br>compared to<br>the end of<br>the previous<br>year |
|--|------------------------|-------------------------------|---|
| Non-performing loan ratio <sup>(1)</sup>     | <b>0.83</b>            | 0.82                          | 0.01  |
| Allowance coverage ratio <sup>(2)</sup>      | <b>384.42</b>          | 375.13                        | 9.29  |
| Allowance to total loan ratio <sup>(3)</sup> | <b>3.20</b>            | 3.06                          | 0.14  |

Notes:

- (1) Calculated by dividing the amount of NPL (excluding accrued interest) by total amount of loans (excluding accrued interest). The loans of Zhanjiang RCB and Chaoyang RCB, our subsidiaries, were calculated by the book value but not the purchase price (e.g. fair value on the combination date).
- (2) Calculated by dividing the balance of loan impairment provision by total non-performing loans (excluding accrued interest), of which the balance of loan impairment provision does not include the balance of loan impairment provision recorded under loans in other comprehensive income. The loans of Zhanjiang RCB and Chaoyang RCB, our subsidiaries, were calculated by the original book value but not the purchase price (i.e. the fair value on the combination date).
- (3) Calculated by dividing the balance of loan impairment provision by total loans (excluding accrued interest), of which the the balance of loan impairment provision does not include impairment allowances recorded under loans in other comprehensive income. The loans of Zhanjiang RCB and Chaoyang RCB, our subsidiaries, were calculated by the original book value but not the purchase price (i.e. the fair value on the combination date).

(Unit: %)

| Concentration indicators <sup>(1)</sup>         | As at June<br>30, 2021 | As at<br>December<br>31, 2020 | Increase/<br>(decrease)<br>percentage<br>for the<br>Reporting<br>Period as<br>compared to<br>the end of<br>the previous<br>year |
|---|------------------------|-------------------------------|---|
| Credit concentration to a single customer       | <b>6.42</b>            | 6.65                          | (0.23)  |
| Credit concentration to a single group customer | <b>12.23</b>           | 12.63                         | (0.40)  |
| Loan ratio of top ten customers                 | <b>27.25</b>           | 31.45                         | (4.20)  |

Notes:

- (1) The concentration indicators and liquidity ratio referred in the table are based on off-site supervision statement of the Group of the CBIRC.

(Unit: %)

| Regulatory indicators                | As at June<br>30, 2021 | As at<br>December<br>31, 2020 | Increase/<br>(decrease)<br>percentage<br>for the<br>Reporting<br>Period as<br>compared to<br>the end of<br>the previous<br>year |
|--------------------------------------|------------------------|-------------------------------|---|
| Liquidity ratio <sup>(1)</sup>       | <b>69.27</b>           | 71.62                         | (2.35)  |
| Loan-to-deposit ratio <sup>(2)</sup> | <b>69.74</b>           | 70.36                         | (0.62)  |

Notes:

- (1) The concentration indicators and liquidity ratio referred in the table are based on off-site supervision statement of the Group of the CBIRC.
- (2) Calculated by dividing total loans to customers (excluding accrued interest) by total deposits (excluding accrued interest). The loan to deposit ratios of Zhanjiang RCB and Chaoyang RCB, our subsidiaries, were calculated by the original book value of the loans but not the fair value on the combination date.

# Chapter III Management Discussion and Analysis



## I. MAJOR OPERATION RESULTS DURING THE REPORTING PERIOD

### (I) Operation Overview

In the first half of 2021, faced with the persistent global epidemic, changes in the international political and economic situation and complex and severe external risks and challenges, the Bank steadily promoted and orderly implemented the development blueprint regarding the “12348” new three-year development plan, realized the sustainable and coordinated development of efficiency, quality and scale, thereby laying a solid foundation for achieving the first-year goal of the new three-year development plan.

**Steady growth of business scale.** As of the end of the Reporting Period, the total assets of the Group amounted to RMB583.357 billion, representing an increase of RMB34.956 billion or 6.37% over the beginning of the Reporting Period. The balance of deposits (excluding accrued interest) was RMB403.045 billion, representing an increase of RMB30.455 billion or 8.17% over the beginning of the Reporting Period; the balance of loans (excluding accrued interest and allowance for expected credit losses) was RMB280.393 billion, representing an increase of RMB18.942 billion or 7.25% over the beginning of the Reporting Period. The Bank has achieved steady growth in its scale of assets and liabilities.

**Continual improvement in asset quality.** As of the end of the Reporting Period, the non-performing loan ratio of the Group was 0.83%, which was generally the same as that at the beginning of the Reporting Period. In the first half of 2021, the Bank resolved non-performing loans of RMB420 million, including cash collection of RMB272 million, debt transfer of RMB26 million, debt restructuring of RMB7 million, write-off of bad debts of RMB31 million and quality upward adjustment of RMB83 million. The provision coverage ratio was 384.42%, and the risk resistibility continued to improve. The capital adequacy ratio meets the requirements of regulatory indicators.

**Increase in business efficiency.** As of the end of the Reporting Period, the Group achieved net profit of RMB3.226 billion, representing a year-on-year increase of RMB360 million and 12.58%. The return on average total assets and return on average equity were 1.14% and 15.70%, respectively; the net assets per share attributable to the shareholders of the Bank was RMB6.58, representing an increase of RMB0.46 over the end of the same period of the previous year; earnings per share attributable to the shareholders of the Bank was RMB0.55; the cost-to-income ratio was 31.99%, representing a decrease of 0.55 percentage points over the end of the same period of the previous year; and the profitability ranked in the forefront of the national mainstream commercial banks and the national rural credit system.

**Strengthening of brand image.** In the first half of 2021, the Bank won numerous awards and honors including the “Dongguan City Benefit Contribution Award 2020”. According to the statistics of the British journal “The Banker” in 2021, the Bank ranked 261th among commercial banks globally, up six places from 2020. It ranked 43rd in the list of “Top 100 Banks in China of 2021” released by China Banking Association and 6th among the rural commercial banks in the PRC. The Bank has proactively fulfilled its social responsibilities and took the mission and initiative in the fields of epidemic prevention and control, coupling support, education of public welfare and care dedication with its work results being recognized by governments at all levels and the public. Its brand influence and industry popularity recording a higher level.

## **(II) Business Operation during the Reporting Period**

### **1. Retail financial business**

As of the end of the Reporting Period, the balance of personal deposits (including principal-guaranteed wealth management products) of the Group amounted to RMB232.763 billion. The total number of cards issued of the consumer finance and credit card business was 533,200, and the asset scale of the consumer finance and credit card business was RMB26.334 billion, representing an increase of 5.85% over the beginning of the period. By virtue of technology empowerment, we promoted the innovative development of wealth management business and pushed ahead the net worth transformation of wealth management business in an orderly manner. The total scale of wealth management of the Bank was RMB44.874 billion, of which individual wealth management accounted for 88.32%.

### **2. Industrial financial business**

During the Reporting Period, the Group advanced the overall development of the Bank's businesses by focusing on the development of industrial finance, with the balance of corporate deposits (including principal-guaranteed wealth management products) achieving RMB166.855 billion and the balance of corporate loans (including direct discounted and rediscounted bills) achieving RMB173.263 billion. Through adopting an innovative "1+3+N" grid-based service model, we focused on building an online industrial financial service platform and upgrading industrial financial services with technology empowerment. As of the end of the Reporting Period, the balance of loans to the top ten industries under industrial finance was RMB52.496 billion. We proactively developed the "commercial bank + investment banking" model, with the balance of investment banking business being RMB11.427 billion, the settlement of international business was US\$4.807 billion, the balance of trade financing was RMB4.493 billion, and the comprehensive financial services was perfecting. In addition, we have established the rural revitalization financial service center to strengthen the support for "Modern Sannong". As of the end of the Reporting Period, the balance of loans for supporting "Modern Sannong" customers was RMB53.347 billion, and the balance of agriculture related loans was RMB31.969 billion.

### 3. Small and micro finance business

During the Reporting Period, the Group implemented the business strategy of “Full Services for All SMEs”, continuously improved the overall efficiency of SME financial services centering on the theme of high-quality development of SMEs, and made great efforts to significantly improve the financial supply scale, quality, efficiency and benefits of SMEs. As of the end of the Reporting Period, the Group’s loan balance to SMEs (full caliber of the CBIRC) was RMB119.542 billion, among which, the balance of inclusive loans to SMEs of not more than RMB10 million each (excluding discounted bills) was RMB28.264 billion, representing an increase of 20.04% over the beginning of the year. During the period, the weighted interest rate of inclusive SME loans was 5.74%, representing a decrease of 0.13 percentage points compared to that of the previous year; the non-performing ratio of inclusive SME loans was 1.17%, which was controlled within 3 percentage points of the non-performing loan ratio of the Group. The Group has steadily promoted the “transactional volume increment and business expansion, quality improvement and cost reduction” of SME financial services.

### 4. Interbank financial business

During the Reporting Period, the Group adhered to the general strategy of “seeking progress while maintaining stability” for the inter-bank financial business, proactively adaptive to the new normal of the market, deepened strategic research and risk control, kept abreast of the trend of interest rate, optimized asset structure, refined liability management, increased the contribution of intermediate business income by expanding customer base, and further improved its operating efficiency. In the first half of 2021, the Bank was approved to join the underwriting syndicate of Guangdong governmental bonds for 2021-2023 and the banking syndicate of central treasury cash time deposits, thereby effectively enriching the Bank’s business qualifications. The Bank successfully issued RMB3 billion of special financial bonds for SME loans, effectively reduced the cost of capital and helped tilt credit resources to SMEs. Meanwhile, the Bank comprehensively utilized pledge-style bond repurchase, credit lending and bond trading, and other tools to improve the benefits of the financial market business. As of the end of the Reporting Period, the online business transaction volume was RMB3.42 trillion, and the market transaction was active.

### 5. Digital financial business

During the Reporting Period, the Group adhered to the goal of digital transformation and the strategy of “small steps but faster pace”, accelerated the building of “smart digital bank”, further promoted the integration and upgrading of E-banking channels and advanced the improvement of digital financial services. On the one hand, the Group accelerated the switch between old and new mobile banking, launched the migration and integration of D+Bank and Wallet Community, and uniformly deepened the construction of online customer operation platform by accelerating the entrance of online APP. On the other hand, the Group gradually optimized the customer experience, improved the E-banking business system and made every effort to lay a solid foundation for the construction of online channel ecology through the revision of mobile banking, the upgrading of SMS banking, the reconstruction of WeChat banking, the optimization of payment card bundling, the exploration of payment scenarios and the expansion of participating merchants. As of the end of the Reporting Period, the total number of users of personal mobile banking of the Bank reached 3,195,000, representing an increase of 164,600 over the end of the previous year.

### **(III) Distribution Channels**

#### **1. Physical distribution channel**

As of the Latest Practicable Date, the Bank has 505 branches (excluding the head office), including 501 in the Dongguan and four branches in other cities in the province. The number of branches of the Bank in Dongguan ranks first in terms of the number of branches of banks in Dongguan. The Bank has two off-site branches in Guangzhou and Zhuhai, and two off-site sub-branches in Huizhou and Qingyuan.

In addition, we established four rural banks jointly with third parties in Dongguan, Huizhou, Yunfu, Guangdong Province, and Hezhou, Guangxi Zhuang Autonomous Region, and these four rural banks have 13 branches in total. We also established two rural commercial banks with third parties in Zhanjiang City and Shantou City, Guangdong Province, and these two rural commercial banks have 182 branches in total.

#### **2. Self-service banking channel**

As of the end of the Reporting Period, the Group had 2,267 self-service teller machines, self-service inquiry terminals, self-service card issuing terminals and intelligent service terminals; among them, there are 1,404 self-service teller machines, 549 self-service query terminals, 129 self-service card issuing terminals and 185 intelligent service terminals.

#### **3. E-banking channel**

During the Reporting Period, the Bank continued to improve the E-banking channel and further improved the operation efficiency. As of the end of the Reporting Period, the Bank's comprehensive counter replacement rate of electronic channels was 96.64%.

(1) Mobile banking

As of the end of the Reporting Period, the total number of users of personal mobile banking reached 3,195,000, representing an increase of 164,600 over the end of the previous year. During the Reporting Period, the number of transactions via mobile banking was 9,565,800, representing a year-on-year increase of 21.28%, and the transaction amount was RMB178.296 billion, representing a year-on-year increase of 24.11%.

(2) Online banking

As of the end of the Reporting Period, the total number of users of online banking reached 669,000. During the Reporting Period, the number of transactions via online banking was 6,035,000 and the transaction amount was RMB462.785 billion.

(3) Direct banking

As of the end of the Reporting Period, the total number of users of D+Bank platform reached 415,400, representing an increase of 85,000 over the end of the previous year; among them, the number of users with cards bundling reached 229,300, representing an increase of 43,200 over the end of the previous year.

(4) WeChat banking

As of the end of the Reporting Period, the total number of followers of WeChat banking reached 1,359,900, representing an increase of 168,400 over the end of the previous year; and the number of cards bundling with WeChat banking reached 864,000, representing an increase of 146,700 over the end of the previous year.

(5) Telephone banking

As of the end of the Reporting Period, the number of telephone connections was 362,800, representing a year-on-year increase of 3.51%; and the online customer service volume was 436,800 times, representing a year-on-year increase of 23.33%.

#### **(IV) Technological Investment in Innovative Research and Application**

The Group continued to strengthen innovative research on financial technology and promoted the application of emerging technologies in business scenarios. In the first half of 2021, a total of RMB80.83 million of technological investment was made for innovative research and application. The Bank continued to strengthen the building of the financial technology talent team and to create its financial science and technology innovation capacity. As of the end of the Reporting Period, the Group had 280 scientific and technological personnel, accounting for 3.50% of its labour force.

## II. MAJOR OPERATING DATA FOR THE REPORTING PERIOD

### (I) Income Statement Analysis

During the Reporting Period, the Group achieved operating income of RMB6.488 billion, representing an increase of 5.11% over the same period last year, and realized a net profit of RMB3.226 billion, representing an increase of RMB360 million from the same period last year, being an increase of 12.58%, mainly due to the steady growth in the scale of net interest income and the influence of market interest rate trends. During the Reporting Period, the gain from changes in the fair value of financial investment assets showed an increase over the same period of the previous year. The Group also sold bond assets in accordance with market interest rates to obtain investment spread income, which resulted in a significant increase in net income from trading activities and net income from financial investments. The main items and changes in the Group's income statement are shown in the following table:

(Unit: RMB'000)

|  | For the six months<br>ended June 30, |           | Amount of<br>increase/<br>(decrease) | Increase/<br>(decrease)<br>percentage<br>(%) |
|--|--------------------------------------|-----------|--------------------------------------|--|
|  | 2021                                 | 2020      |                                      |  |
| <b>Operating income</b>  | <b>6,487,923</b>                     | 6,172,778 | 315,145                              | 5.11   |
| Including: net interest income                                   | <b>5,202,933</b>                     | 5,098,093 | 104,840                              | 2.06   |
| Non-interest income  | <b>1,284,990</b>                     | 1,074,685 | 210,305                              | 19.57  |
| Less: Operating expense  | <b>2,132,868</b>                     | 2,067,632 | 65,236                               | 3.16   |
| Less: Expected credit losses                                     | <b>912,223</b>                       | 866,017   | 46,206                               | 5.34   |
| Operating profit   | <b>3,442,832</b>                     | 3,239,129 | 203,703                              | 6.29   |
| Share of investment profits accounted<br>under the equity method | <b>27,646</b>                        | 17,877    | 9,769                                | 54.65  |
| <b>Profit before tax</b>   | <b>3,470,478</b>                     | 3,257,006 | 213,472                              | 6.55   |
| Less: Income tax expense   | <b>243,983</b>                       | 391,009   | (147,026)                            | (37.60)                                      |
| <b>Net profit</b>  | <b>3,226,495</b>                     | 2,865,997 | 360,498                              | 12.58  |
| Net profit attributable to shareholders<br>of the Bank           | <b>3,142,240</b>                     | 2,820,264 | 321,976                              | 11.42  |
| Net profit attributable to non-controlling<br>interests          | <b>84,255</b>                        | 45,733    | 38,522                               | 84.23  |

### 1. Net interest income

During the Reporting Period, the net interest income of the Bank amounted to RMB5.203 billion, representing a year-on-year increase of RMB105 million, or 2.06%, mainly due to the growth of scale of interest-earning assets.

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

(Unit: RMB'000)

| Item                | For the six months ended June 30, |             |                                |                                     |
|---------------------|-----------------------------------|-------------|--------------------------------|-------------------------------------|
|                     | 2021                              | 2020        | Amount of increase/ (decrease) | Increase/ (decrease) percentage (%) |
| Interest income     | <b>10,753,461</b>                 | 9,563,685   | 1,189,776                      | 12.44                               |
| Interest expense    | <b>(5,550,528)</b>                | (4,465,592) | (1,084,936)                    | 24.30                               |
| Net interest income | <b>5,202,933</b>                  | 5,098,093   | 104,840                        | 2.06                                |

#### (1) Net interest margin and net interest yield

During the Reporting Period, the Group's net interest margin was 1.92%, representing a year-on-year decrease of 0.32 percentage points; the net interest yield was 1.98%, representing a year-on-year decrease of 0.34 percentage points.

## Chapter III Management Discussion and Analysis

The following table sets forth the average balances of our interest-earning assets and interest-bearing liabilities, the related interest income or expense and the related average yields on assets or related average costs of liabilities for the periods indicated:

(Unit: RMB'000)

| Item  | For the six months ended June 30, |                         |                                       |                    |                         |                                       |
|---|-----------------------------------|-------------------------|---------------------------------------|--------------------|-------------------------|---------------------------------------|
|   | 2021                              |                         |                                       | 2020               |                         |                                       |
|   | Average balance                   | Interest income/expense | Average yield/cost <sup>(1)</sup> (%) | Average balance    | Interest income/expense | Average yield/cost <sup>(1)</sup> (%) |
| <b>Interest-earning assets</b>  |                                   |                         |                                       |                    |                         |                                       |
| Loans and advances to customers   | 273,188,756                       | 7,093,206               | 5.19                                  | 218,745,199        | 6,141,327               | 5.62                                  |
| Financial investments   | 192,820,994                       | 3,244,332               | 3.37                                  | 167,070,430        | 3,003,569               | 3.60                                  |
| Deposits with central bank  | 33,415,005                        | 239,240                 | 1.43                                  | 28,771,971         | 216,326                 | 1.50                                  |
| Financial assets held under resale agreements and deposits and placements with banks and other financial institutions     | 26,730,845                        | 176,683                 | 1.32                                  | 24,995,316         | 202,463                 | 1.62                                  |
| <b>Total interest-earning assets</b>  | <b>526,155,600</b>                | <b>10,753,461</b>       | <b>4.09</b>                           | <b>439,582,916</b> | <b>9,563,685</b>        | <b>4.35</b>                           |
| <b>Interest-bearing liabilities</b>   |                                   |                         |                                       |                    |                         |                                       |
| Deposits from customers   | 376,964,934                       | 3,646,199               | 1.93                                  | 307,310,400        | 2,960,448               | 1.93                                  |
| Debt securities issued  | 55,287,769                        | 871,139                 | 3.15                                  | 63,066,110         | 926,110                 | 2.94                                  |
| Financial assets sold under repurchase agreements and deposits and placements from banks and other financial institutions | 49,008,026                        | 594,386                 | 2.43                                  | 47,381,640         | 507,189                 | 2.14                                  |
| Borrowings from central banks   | 29,458,366                        | 429,809                 | 2.92                                  | 4,696,590          | 63,014                  | 2.68                                  |
| Leasing liability   | 433,013                           | 8,995                   | 4.15                                  | 443,192            | 8,831                   | 3.99                                  |
| <b>Total interest-bearing liabilities</b>   | <b>511,152,108</b>                | <b>5,550,528</b>        | <b>2.17</b>                           | <b>422,897,932</b> | <b>4,465,592</b>        | <b>2.11</b>                           |
| <b>Net interest income</b>  |                                   | <b>5,202,933</b>        |                                       |                    | <b>5,098,093</b>        |                                       |
| <b>Net interest spread<sup>(2)</sup></b>  |                                   |                         | <b>1.92</b>                           |                    |                         | <b>2.24</b>                           |
| <b>Net interest margin<sup>(3)</sup></b>  |                                   |                         | <b>1.98</b>                           |                    |                         | <b>2.32</b>                           |

Notes:

- (1) Calculated by the dividing annual interest income/(expense) for the period by the average balance.
- (2) Calculated as the difference between the average yield on total interest-earning assets and the average cost of total interest-bearing liabilities.
- (3) Calculated by dividing the annualized net interest income for the period by the average balance of total interest-earning assets for the beginning and the end of the period.

The following table sets forth the year-on-year changes in the Group's interest income and interest expenses due to changes in scale and interest rates:

(Unit: RMB'000)

| Item  | For the six months ended June 30,                         |                     |   |
|---|---|---------------------|---|
|   | 2021 vs 2020  |                     |   |
|   | Increase/(decrease)<br>due to the changes<br>as following |                     | Net<br>increase/<br>(decrease) <sup>(3)</sup> |
|   | Volume <sup>(1)</sup>                                     | Rate <sup>(2)</sup> |   |
| <b>Interest-earning assets</b>  |   |                     |   |
| Deposits with central bank <sup>(4)</sup>   | 34,909  | (11,995)            | 22,914  |
| Financial assets held under resale agreements and deposits and placements with banks and other financial institutions     | 14,058  | (39,838)            | (25,780)                                      |
| Loans and advances to customers   | 1,528,517   | (576,638)           | 951,879                                       |
| Financial investments <sup>(5)</sup>  | 462,940   | (222,177)           | 240,763                                       |
| <b>Changes in interest income</b>   | <b>2,040,424</b>  | <b>(850,648)</b>    | <b>1,189,776</b>                              |
| <b>Interest-bearing liabilities</b>   |   |                     |   |
| Borrowing from central bank   | 332,228   | 34,567              | 366,795                                       |
| Financial assets sold under repurchase agreements and deposits and placements from banks and other financial institutions | 17,409  | 69,788              | 87,197  |
| Deposits from customers   | 671,011   | 14,740              | 685,751                                       |
| Debt securities issued <sup>(6)</sup>   | (114,223)   | 59,252              | (54,971)                                      |
| Lease liabilities   | (203)   | 367                 | 164   |
| <b>Changes in interest expense</b>  | <b>906,222</b>  | <b>178,714</b>      | <b>1,084,936</b>                              |
| <b>Changes in net interest income</b>   | <b>1,134,202</b>  | <b>(1,029,362)</b>  | <b>104,840</b>                                |

Notes:

- (1) Represents the average balance for the period minus the average balance for the previous period, multiplied by the average yield/(cost) of the previous period.
- (2) Represents the average yield/(cost) for the period minus the average yield/(cost) for the previous period, multiplied by the average balance for the period.
- (3) Represents interest income/(expense) for the period minus interest income/(expense) for the previous period.
- (4) Consisted primarily of statutory deposit reserves and surplus deposit reserves.
- (5) Consisted primarily of interest-earning financial investments at amortized costs and financial investments at fair value through other comprehensive income.
- (6) Consisted primarily of interbank certificates of deposits, tier-two capital debt securities, green financial debt securities, Sannong financial bonds and SME financial bonds.

(2) Interest income

During the Reporting Period, interest income amounted to RMB10.753 billion, representing a year-on-year increase of RMB1.190 billion or 12.44%. The following table sets forth the composition, proportion and average rate of return of the Group's interest income during the indicated periods:

(Unit: RMB'000)

| Item  | For the six month ended June 30, |                |                   |           |                |                   |
|---|----------------------------------|----------------|-------------------|-----------|----------------|-------------------|
|   | 2021                             |                |                   | 2020      |                |                   |
|   | Amount                           | % of total (%) | Average yield (%) | Amount    | % of total (%) | Average yield (%) |
| <b>Interest income from</b>   |                                  |                |                   |           |                |                   |
| Loans and advances to customers   | <b>7,093,206</b>                 | <b>65.96</b>   | <b>5.19</b>       | 6,141,327 | 64.22          | 5.62              |
| Financial investments   | <b>3,244,332</b>                 | <b>30.18</b>   | <b>3.37</b>       | 3,003,569 | 31.40          | 3.60              |
| Deposits with central bank  | <b>239,240</b>                   | <b>2.22</b>    | <b>1.43</b>       | 216,326   | 2.26           | 1.50              |
| Financial assets held under resale agreements and deposits and placements with banks and other financial institutions | <b>176,683</b>                   | <b>1.64</b>    | <b>1.32</b>       | 202,463   | 2.12           | 1.62              |
| <b>Total interest income</b>  | <b>10,753,461</b>                | <b>100.00</b>  | <b>4.09</b>       | 9,563,685 | 100.00         | 4.35              |

(i) Interest income from loans and advances to customers

Interest income from loans and advances to customers accounted for 64.22% and 65.96% of our interest income for the six months ended June 30, 2020 and 2021, respectively. The following table sets forth the daily average balance, interest income and average yield for each component of our loans and advances to customers for the periods indicated:

(Unit: RMB'000)

| Item                         | For the six months ended June 30, |                  |                   |                 |                 |                   |
|------------------------------|-----------------------------------|------------------|-------------------|-----------------|-----------------|-------------------|
|                              | 2021                              |                  |                   | 2020            |                 |                   |
|                              | Average balance                   | Interest income  | Average yield (%) | Average balance | Interest income | Average yield (%) |
| Corporate loans and advances | <b>164,483,576</b>                | <b>4,459,439</b> | <b>5.42</b>       | 125,761,526     | 3,861,070       | 6.14              |
| Personal loans and advances  | <b>83,318,339</b>                 | <b>2,285,046</b> | <b>5.49</b>       | 74,843,026      | 2,036,287       | 5.44              |
| Discounted bills             | <b>25,386,841</b>                 | <b>348,721</b>   | <b>2.75</b>       | 18,140,647      | 243,970         | 2.69              |
| <b>Total</b>                 | <b>273,188,756</b>                | <b>7,093,206</b> | <b>5.19</b>       | 218,745,199     | 6,141,327       | 5.62              |

During the Reporting Period, interest income from loans and advances to customers amounted to RMB7.093 billion, representing an increase of RMB952 million or 15.50% over the same period last year. The increase in interest income was due to the scale growth effect of business development but was offset by the decline in yields caused by the continuous reform of the quotation interest rate mechanism in the loan market and the response to the relevant policies to support enterprises.

(ii) Financial investments

For the six months ended June 30, 2020 and 2021, financial investment interest income accounted for 31.40% and 30.18% of total interest income, respectively. The majority of interest income from financial investments is derived from interest income from bond investments.

During the Reporting Period, the Group achieved interest income from financial investments of RMB3.244 billion, representing an increase of RMB241 million from the same period of the previous year, representing an increase of 8.02%. The increase in scale was mainly due to the increase in interest income. The average balance of financial investment interest increased by RMB25.751 billion from the same period of the previous year, mainly due to the consolidation of its subsidiary Chaoyang Rural Commercial Bank since December 2020.

(3) Interest expense

During the Reporting Period, interest expense of the Group amounted to RMB5.551 billion, representing a year-on-year increase of RMB1.085 billion or 24.30%. The following table sets forth the composition, proportion and average cost rate of the Group's interest expenses during the indicated periods:

(Unit: RMB'000)

| Item  | For the six months ended June 30, |                |                       |                  |                |                       |
|---|-----------------------------------|----------------|-----------------------|------------------|----------------|-----------------------|
|   | 2021                              |                |                       | 2020             |                |                       |
|   | Amount                            | Percentage (%) | Average cost rate (%) | Amount           | Percentage (%) | Average cost rate (%) |
| Deposits from customers   | 3,646,199                         | 65.69          | 1.93                  | 2,960,448        | 66.29          | 1.93                  |
| Debt securities issued  | 871,139                           | 15.69          | 3.15                  | 926,110          | 20.74          | 2.94                  |
| Financial assets sold under repurchase agreements and deposits and placements from banks and other financial institutions | 594,386                           | 10.71          | 2.43                  | 507,189          | 11.36          | 2.14                  |
| Borrowing from the central bank   | 429,809                           | 7.74           | 2.92                  | 63,014           | 1.41           | 2.68                  |
| Lease liabilities   | 8,995                             | 0.17           | 4.15                  | 8,831            | 0.20           | 3.99                  |
| <b>Total</b>  | <b>5,550,528</b>                  | <b>100.00</b>  | <b>2.17</b>           | <b>4,465,592</b> | <b>100.00</b>  | <b>2.11</b>           |

(i) Interest expense on customer deposits

For the six months ended June 30, 2020 and 2021, interest expenses on customer deposits accounted for 66.29% and 65.69% of total interest expenses, respectively.

The following table sets forth the average balance, interest expense and average cost rate of each component of the Group's customer deposits during the indicated period:

(Unit: RMB'000)

| Item                      | For the six months ended June 30, |                  |                       |                    |                  |                       |
|---------------------------|-----------------------------------|------------------|-----------------------|--------------------|------------------|-----------------------|
|                           | 2021                              |                  |                       | 2020               |                  |                       |
|                           | Average balance                   | Interest expense | Average cost rate (%) | Average balance    | Interest expense | Average cost rate (%) |
| <b>Corporate deposits</b> |                                   |                  |                       |                    |                  |                       |
| Demand                    | 86,888,378                        | 319,871          | 0.74                  | 67,014,994         | 263,576          | 0.79                  |
| Time                      | 67,003,659                        | 1,266,068        | 3.78                  | 56,133,332         | 1,079,874        | 3.85                  |
| Subtotal                  | 153,892,037                       | 1,585,939        | 2.06                  | 123,148,326        | 1,343,450        | 2.18                  |
| <b>Personal deposits</b>  |                                   |                  |                       |                    |                  |                       |
| Demand                    | 104,288,639                       | 294,226          | 0.56                  | 94,284,617         | 281,109          | 0.60                  |
| Time                      | 118,784,258                       | 1,766,034        | 2.97                  | 89,877,457         | 1,335,889        | 2.97                  |
| Subtotal                  | 223,072,897                       | 2,060,260        | 1.85                  | 184,162,074        | 1,616,998        | 1.76                  |
| <b>Total</b>              | <b>376,964,934</b>                | <b>3,646,199</b> | <b>1.93</b>           | <b>307,310,400</b> | <b>2,960,448</b> | <b>1.93</b>           |

During the Reporting Period, the Group's interest expense on customer deposits was RMB3.646 billion, representing an increase of RMB686 million or 23.16% year-on-year. The increase in interest expense on customer deposits was mainly due to the increase in the scale of deposits, followed by the consolidation of its subsidiary Chaoyang Rural Commercial Bank since December 2020.

(ii) Interest expense on borrowing from the central bank

During the Reporting Period, the Group's interest expense on loans from the central bank amounted to RMB430 million, representing an increase of RMB367 million or 582.08% year-on-year, mainly due to the increased scale of medium-term borrowing facilities compared with the same period of the previous year.

## 2. Net non-interest income

During the Reporting Period, net non-interest income amounted to RMB1.285 billion, representing a year-on-year increase of RMB210 million or 19.57%. The following table sets forth the composition and proportion of net non-interest income of the Group during the indicated periods:

(Unit: RMB'000)

| Item                                  | For the six months ended June 30, |                |           |                |
|---------------------------------------|-----------------------------------|----------------|-----------|----------------|
|                                       | 2021                              |                | 2020      |                |
|                                       | Amount                            | Percentage (%) | Amount    | Percentage (%) |
| Net fee and commission income         | <b>340,892</b>                    | <b>26.53</b>   | 419,862   | 39.07          |
| Including: Fee and commission income  | <b>417,526</b>                    | –              | 463,270   | –              |
| Fee and commission expense            | <b>(76,634)</b>                   | –              | (43,408)  | –              |
| Net trading gains                     | <b>576,203</b>                    | <b>44.84</b>   | 442,592   | 41.18          |
| Net income from financial investments | <b>344,675</b>                    | <b>26.82</b>   | 165,950   | 15.44          |
| Other operating income                | <b>23,220</b>                     | <b>1.81</b>    | 46,281    | 4.31           |
| <b>Total</b>                          | <b>1,284,990</b>                  | <b>100.00</b>  | 1,074,685 | 100.00         |

### (1) Net fee and commission income

(Unit: RMB'000)

| Item   | For the six months ended June 30, |                |          |                |
|--|-----------------------------------|----------------|----------|----------------|
|  | 2021                              |                | 2020     |                |
|  | Amount                            | Percentage (%) | Amount   | Percentage (%) |
| Fee and commission income                      | <b>417,526</b>                    | <b>100.00</b>  | 463,270  | 100.00         |
| Including: Fee income from settlement business | <b>28,543</b>                     | <b>6.84</b>    | 18,329   | 3.96           |
| Bank card fee income                           | <b>135,108</b>                    | <b>32.36</b>   | 186,788  | 40.32          |
| Fee income from other entrusted business       | <b>125,253</b>                    | <b>30.00</b>   | 92,832   | 20.04          |
| Income from wealth management business         | <b>87,086</b>                     | <b>20.86</b>   | 133,881  | 28.90          |
| Income from other businesses                   | <b>41,536</b>                     | <b>9.94</b>    | 31,440   | 6.78           |
| Fee and commission expense                     | <b>(76,634)</b>                   | –              | (43,408) | –              |
| Net fee and commission income                  | <b>340,892</b>                    | –              | 419,862  | –              |

During the Reporting Period, the Group's net fee and commission income amounted to RMB341 million, representing a year-on-year decrease of RMB79 million, mainly due to the decrease in bank card fee income and wealth management business income.

(2) Other net non-interest income

(Unit: RMB'000)

| Item                                 | For the six months ended June 30, |         |                                |                                     |
|--------------------------------------|-----------------------------------|---------|--------------------------------|-------------------------------------|
|                                      | 2021                              | 2020    | Amount of increase/ (decrease) | Increase/ (decrease) percentage (%) |
| Net income from the transaction      | <b>576,203</b>                    | 442,592 | 133,611                        | 30.19                               |
| Net income from financial investment | <b>344,675</b>                    | 165,950 | 178,725                        | 107.70                              |
| Other operating income               | <b>23,220</b>                     | 46,281  | (23,061)                       | (49.83)                             |
| <b>Total</b>                         | <b>944,098</b>                    | 654,823 | 289,275                        | 44.18                               |

During the Reporting Period, the Group's other net non-interest income amounted to RMB944 million, representing an increase of RMB289 million or 44.18% from the same period of the previous year.

### 3. Operating expense

During the Reporting Period, the Group's operating expenses amounted to RMB2.133 billion, representing an increase of RMB65 million or 3.16% year-on-year. The following table sets out the main components of the Group's operating expenses during the indicated periods:

(Unit: RMB'000)

| Item   | For the six months ended June 30, |                |           |                |
|--|-----------------------------------|----------------|-----------|----------------|
|  | 2021                              |                | 2020      |                |
|  | Amount                            | Percentage (%) | Amount    | Percentage (%) |
| Staff costs  | <b>1,487,739</b>                  | <b>69.75</b>   | 1,509,968 | 73.03          |
| Including: Salaries, bonuses, allowances and subsidies | <b>1,113,150</b>                  | <b>52.19</b>   | 1,195,731 | 57.83          |
| Pension and other social benefits                      | <b>274,767</b>                    | <b>12.88</b>   | 210,012   | 10.16          |
| Enterprise annuity scheme                              | <b>63,356</b>                     | <b>2.97</b>    | 70,459    | 3.41           |
| Others   | <b>36,466</b>                     | <b>1.71</b>    | 33,766    | 1.63           |
| Taxes and surcharges                                   | <b>57,503</b>                     | <b>2.70</b>    | 59,134    | 2.86           |
| General and administrative expenses                    | <b>318,266</b>                    | <b>14.92</b>   | 321,743   | 15.56          |
| Depreciation and amortization                          | <b>251,167</b>                    | <b>11.78</b>   | 166,525   | 8.05           |
| Others   | <b>18,193</b>                     | <b>0.85</b>    | 10,262    | 0.50           |
| <b>Total</b>   | <b>2,132,868</b>                  | <b>100.00</b>  | 2,067,632 | 100.00         |

(i) Staff costs

Staff costs are the largest component of the Group's operating expenses, accounted for 69.75% and 73.03% of operating expenses in the first half of 2021 and the first half of 2020, respectively. During the Reporting Period, the Group's staff costs amounted to RMB1.488 billion, representing a year-on-year decrease of RMB22 million or a slight decrease of 1.47%. This was mainly due to the adoption of a more refined performance appraisal system by the Bank to improve operational efficiency and make performance bonuses more closely related to the performance of employees in fulfilling business goals.

(ii) Depreciation and amortization

During the Reporting Period, the Group's depreciation and amortization amounted to RMB251 million, representing an increase of RMB85 million year-on-year. This was mainly due to Chaoyang Rural Commercial Bank was included in the Group's consolidation since December 2020, resulting in an increase in the Group's depreciation and amortization expenses in the first half of 2021.

#### 4. Expected credit losses

(Unit: RMB'000)

| Item  | For the six months ended June 30, |         |                                      |  |
|---|-----------------------------------|---------|--------------------------------------|--|
|   | 2021                              | 2020    | Amount of<br>increase/<br>(decrease) | Increase/<br>(decrease)<br>percentage<br>(%) |
| Customer loans and advances   | <b>769,363</b>                    | 403,283 | 366,080                              | 90.77  |
| Financial investments   | <b>72,698</b>                     | 334,987 | (262,289)                            | (78.30)                                      |
| Credit commitments  | <b>54,323</b>                     | 33,497  | 20,826                               | 62.17  |
| Financial assets held under resale agreements, deposit and placement of funds from banks and other financial institutions | <b>12,202</b>                     | 46,377  | (34,175)                             | (73.69)                                      |
| Other assets  | <b>3,637</b>                      | 47,873  | (44,236)                             | (92.40)                                      |
| <b>Total</b>  | <b>912,223</b>                    | 866,017 | 46,206                               | 5.34   |

(i) Customer loans and advances

During the Reporting Period, the Group's credit impairment losses on loans and advances to customers were RMB769 million, representing an increase of 90.77% or RMB366 million from the same period of the previous year, mainly due to the increase in the scale of loans and the corresponding increase in the provision of impairment, in order to continue to strengthen the risk-compensation capacity of loans.

(ii) Financial investment

During the Reporting Period, the Group's provision for credit impairment losses on financial investments amounted to RMB73 million, representing a decrease of RMB262 million from the same period of the previous year. The main reason is that we have reduced our investment in non-credit assets with high credit risk, and gradually adjusted and optimized their investment structure. At the same time, in the past two years, we proactively identified potential risky financial investment assets and fully made provision for impairment.

5. Income tax expense

During the Reporting Period, the Group's income tax expenses amounted to RMB244 million, representing a year-on-year decrease of RMB147 million or 37.60%. The actual income tax rate was 7.03%, representing a decrease of 4.97 percentage points from the same period of the previous year, mainly due to the increase in the Group's tax-exempt income from investment in tax-exempt financial assets.

(Unit: RMB'000)

| Item                        | For the six months ended June 30, |                |                                |                                     |
|-----------------------------|-----------------------------------|----------------|--------------------------------|-------------------------------------|
|                             | 2021                              | 2020           | Amount of increase/ (decrease) | Increase/ (decrease) percentage (%) |
| Current income tax expense  | 431,081                           | 543,925        | (112,844)                      | (20.75)                             |
| Deferred income tax expense | (187,098)                         | (152,916)      | (34,182)                       | 22.35                               |
| <b>Total</b>                | <b>243,983</b>                    | <b>391,009</b> | <b>(147,026)</b>               | <b>(37.60)</b>                      |

6. Segment operating performance

The main business activities of the Group include corporate banking, retail banking and treasury business. The following table sets forth the operating income of each major business segment during the indicated period:

(Unit: RMB'000)

| Item                          | For the six months ended June 30, |                |                  |                |
|-------------------------------|-----------------------------------|----------------|------------------|----------------|
|                               | 2021                              |                | 2020             |                |
|                               | Amount                            | Percentage (%) | Amount           | Percentage (%) |
| Corporate Banking             | 3,220,545                         | 49.64          | 2,656,072        | 43.03          |
| Retail banking                | 2,680,255                         | 41.31          | 2,534,057        | 41.05          |
| Treasury business             | 554,127                           | 8.54           | 891,952          | 14.45          |
| Others                        | 32,996                            | 0.51           | 90,697           | 1.47           |
| <b>Total operating income</b> | <b>6,487,923</b>                  | <b>100.00</b>  | <b>6,172,778</b> | <b>100.00</b>  |

## (II) Balance Sheet Analysis

### 1. Assets

As of the end of the Reporting Period, the total assets of the Group was RMB583.357 billion, representing an increase of RMB34.956 billion or 6.37% over the beginning of the year, mainly due to the continuous expansion of business, customer loans and advances, and financial investment growth, which led to the growth of asset scale. The following table sets out the balance of the main components of the Group's total assets as of the dates indicated:

(Unit: RMB'000)

| Item  | As at June 30, 2021 |                | As at December 31, 2020 |                |
|---|---------------------|----------------|-------------------------|----------------|
|   | Amount              | % of total (%) | Amount                  | % of total (%) |
| Loans and advances to customers   | 272,619,610         | 46.73          | 254,641,762             | 46.43          |
| Cash and balances with central banks  | 46,138,047          | 7.91           | 38,576,454              | 7.03           |
| Financial assets held under resale agreements and deposits and placements with banks and other financial institutions | 17,653,236          | 3.03           | 18,707,434              | 3.41           |
| Financial investments:  |                     |                |                         |                |
| Financial assets at fair value through profit or loss   | 43,820,047          | 7.51           | 36,101,567              | 6.58           |
| Financial investments at amortized cost   | 109,588,396         | 18.79          | 111,667,933             | 20.36          |
| Financial investments at fair value through other comprehensive income  | 84,442,058          | 14.48          | 79,943,601              | 14.58          |
| Investment in associates  | 449,205             | 0.08           | 432,990                 | 0.08           |
| Goodwill  | 520,521             | 0.09           | 520,521                 | 0.09           |
| Property and equipment  | 2,393,122           | 0.41           | 2,432,773               | 0.44           |
| Right-of-use assets   | 879,375             | 0.15           | 612,164                 | 0.11           |
| Deferred tax assets   | 3,236,520           | 0.55           | 3,054,183               | 0.56           |
| Others <sup>(Note)</sup>  | 1,617,342           | 0.27           | 1,710,574               | 0.33           |
| <b>Total assets</b>   | <b>583,357,479</b>  | <b>100.00</b>  | <b>548,401,956</b>      | <b>100.00</b>  |

*Note:* Consisted of advances to suppliers, long-term deferred expenses, research and development expenditures clearing and settlement, and precious metal.

(1) Loans and advances to customers

As at the end of the Reporting Period, the Group's net loans and advances to customers amounted to RMB272.620 billion, representing an increase of RMB17.978 billion or 7.06% from the end of the previous year. The Group's loans and advances to customers were mainly composed of corporate loans, personal loans and discounted bills. The following table sets forth the distribution of loans of the Group by business line as of the dates indicated:

(Unit: RMB'000)

| Category  | As at June 30, 2021 |                | As at December 31, 2020 |                |
|---|---------------------|----------------|-------------------------|----------------|
|   | Amount              | % of total (%) | Amount                  | % of total (%) |
| Corporate loans <sup>(1)</sup>                          | 148,112,685         | 52.82          | 136,673,624             | 52.28          |
| Personal loans  | 107,130,167         | 38.21          | 98,015,896              | 37.49          |
| Discounted bills <sup>(2)</sup>                         | 25,150,197          | 8.97           | 26,761,091              | 10.23          |
| <b>Sub-total</b>  | <b>280,393,049</b>  | <b>100.00</b>  | 261,450,611             | 100.00         |
| Add: accrued interest                                   | 544,871             | –              | 531,968                 | –              |
| Less: allowance for expected credit loss <sup>(3)</sup> | 8,318,310           | –              | 7,340,817               | –              |
| <b>Total</b>  | <b>272,619,610</b>  | <b>–</b>       | 254,641,762             | –              |

Notes:

- (1) Forfeiting is included in corporate loans.
- (2) Mainly includes discounted and re-discounted bills.
- (3) Excluding the provision for impairment of bills rediscounting and forfeiting, and the impairment provision for forfeiting and bills rediscounting is included in other comprehensive income.

The following table sets forth a breakdown of the Bank's loans by collateral:

(Unit: RMB'000)

| Type                 | As at June 30, 2021 |                | As at December 31, 2020 |                |
|----------------------|---------------------|----------------|-------------------------|----------------|
|                      | Amount              | % of total (%) | Amount                  | % of total (%) |
| Collateralized loans | 148,993,876         | 53.14          | 134,641,697             | 51.50          |
| Pledged loans        | 39,637,141          | 14.14          | 39,107,865              | 14.96          |
| Guaranteed loans     | 58,856,929          | 20.99          | 54,441,652              | 20.82          |
| Unsecured loans      | 32,905,103          | 11.73          | 33,259,397              | 12.72          |
| <b>Total</b>         | <b>280,393,049</b>  | <b>100.00</b>  | 261,450,611             | 100.00         |

(i) Corporate loans

Corporate loan is the largest component of the Group's loans and advances to customers. As at the end of the Reporting Period, the Group's corporate loans amounted to RMB148.113 billion, accounted for 52.82% of the Group's total loans and advances to customers and representing an increase of RMB11.439 billion or 8.37% from the end of the previous year, mainly due to that we always adhere to promote the development of real economy, particularly the SMEs, private enterprises and entities in the manufacturing industry, thereby further broadening our corporate customer base.

(ii) Personal loans

As at the end of the Reporting Period, the Group's personal loans amounted to RMB107.130 billion, accounted for 38.21% of the Group's total loans and advances to customers and representing an increase of RMB9.114 billion or 9.30% from the end of the previous year, mainly due to the increase in the scale of personal operating loan business.

The following table sets forth a breakdown of the Group's personal loans by product type:

(Unit: RMB'000)

| Item                       | As at June 30, 2021 |                | As at December 31, 2020 |                |
|----------------------------|---------------------|----------------|-------------------------|----------------|
|                            | Amount              | % of total (%) | Amount                  | % of total (%) |
| Residential mortgage loans | <b>40,348,320</b>   | <b>37.66</b>   | 37,665,358              | 38.43          |
| Personal consumption loans | <b>27,724,165</b>   | <b>25.88</b>   | 26,517,031              | 27.05          |
| Personal business loans    | <b>29,815,516</b>   | <b>27.83</b>   | 25,609,633              | 26.13          |
| Credit card overdrafts     | <b>9,242,166</b>    | <b>8.63</b>    | 8,223,874               | 8.39           |
| Total personal loans       | <b>107,130,167</b>  | <b>100.00</b>  | 98,015,896              | 100.00         |

(iii) Discounted bills

As at the end of the Reporting Period, the Bank's discounted bills amounted to RMB25.150 billion, representing a decrease of RMB1.611 billion or 6.02% from the end of the previous year. During the Reporting Period, the Bank flexibly adjusted the scale of bill financing according to the needs of business development and the financing needs of customers.

### Chapter III Management Discussion and Analysis

- (2) Financial assets held under resale agreements and deposits and placements with banks and other financial institutions

(Unit: RMB'000)

| Item  | As at June 30, 2021 |                | As at December 31, 2020 |                |
|---|---------------------|----------------|-------------------------|----------------|
|   | Amount              | Percentage (%) | Amount                  | Percentage (%) |
| Deposits with domestic banks and other financial institutions   | 5,398,153           | 30.50          | 7,445,852               | 39.73          |
| Deposits with overseas banks and other financial institutions   | 5,468,047           | 30.90          | 4,861,029               | 25.94          |
| Placements with domestic banks and other financial institutions | 3,150,000           | 17.80          | 890,822                 | 4.75           |
| Financial assets held under resale agreements                   | 3,682,023           | 20.80          | 5,542,874               | 29.58          |
| Sub-total   | 17,698,223          | 100.00         | 18,740,577              | 100.00         |
| Accrued interest  | 15,392              | –              | 15,034                  | –              |
| Less: impairment allowance                                      | 60,379              | –              | 48,177                  | –              |
| <b>Total</b>  | <b>17,653,236</b>   | <b>–</b>       | <b>18,707,434</b>       | <b>–</b>       |

- (3) Financial Investments

As of the end of the Reporting Period, the Group's net financial investment was RMB237.851 billion, representing an increase of RMB10.137 billion or 4.45% from the end of the previous year.

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

(Unit: RMB'000)

| Item  | As at June 30, 2021 |                | As at December 31, 2020 |                |
|---|---------------------|----------------|-------------------------|----------------|
|   | Amount              | % of total (%) | Amount                  | % of total (%) |
| Financial assets at fair value through profit or loss             | <b>43,820,047</b>   | <b>18.42</b>   | 36,101,567              | 15.85          |
| Financial investment measured at amortized cost                   | <b>109,588,396</b>  | <b>46.07</b>   | 111,667,933             | 49.04          |
| Financial assets at fair value through other comprehensive income | <b>84,442,058</b>   | <b>35.51</b>   | 79,943,601              | 35.11          |
| <b>Total</b>  | <b>237,850,501</b>  | <b>100.00</b>  | 227,713,101             | 100.00         |

As of the end of the Reporting Period, the Group's financial investments mainly include bonds, beneficiary rights of credit assets, public funds, direct financing instruments for wealth management products, and unlisted equity investments. The detailed distribution is as follows:

(Unit: RMB'000)

| Item  | As at June 30, 2021 |                | As at December 31, 2020 |                |
|---|---------------------|----------------|-------------------------|----------------|
|   | Amount              | % of total (%) | Amount                  | % of total (%) |
| <b>Investment in bonds</b>                                  |                     |                |                         |                |
| Debt securities issued by the central and local governments | <b>137,402,178</b>  | <b>58.53</b>   | 125,316,630             | 55.78          |
| Debt securities issued by financial institutions            | <b>37,593,984</b>   | <b>16.02</b>   | 36,492,558              | 16.24          |
| Debt securities issued by enterprises                       | <b>22,254,778</b>   | <b>9.48</b>    | 27,232,222              | 12.12          |
| Interbank certificates of deposits                          | <b>9,120,887</b>    | <b>3.89</b>    | 9,553,717               | 4.25           |
| <b>Subtotal</b>   | <b>206,371,827</b>  | <b>87.92</b>   | 198,595,127             | 88.39          |
| Public funds  | <b>20,377,395</b>   | <b>8.68</b>    | 20,496,877              | 9.12           |
| Beneficiary rights of credit assets                         | <b>7,372,976</b>    | <b>3.14</b>    | 4,783,652               | 2.13           |
| Direct financing instruments for wealth management products | <b>19,819</b>       | <b>0.01</b>    | 222,000                 | 0.10           |
| Others  | –                   | –              | 27,304                  | 0.01           |
| <b>Subtotal of debt instruments</b>                         | <b>234,142,017</b>  | <b>99.75</b>   | 224,124,960             | 99.75          |
| Equity instruments <sup>(1)</sup>                           | <b>580,386</b>      | <b>0.25</b>    | 566,705                 | 0.25           |
| <b>Total financial assets</b>                               | <b>234,722,403</b>  | <b>100.00</b>  | 224,691,665             | 100.00         |
| Add: accrued interest                                       | <b>3,235,946</b>    |                | 3,142,400               |                |
| Less: provision for impairment <sup>(2)</sup>               | <b>107,848</b>      |                | 120,964                 |                |
| <b>Net financial assets</b>                                 | <b>237,850,501</b>  |                | 227,713,101             |                |

Notes:

- (1) The equity instruments invested by the Group are mainly unlisted equity investments.
- (2) Excluding impairment provisions for financial investment at fair value through other comprehensive income.

## Chapter III Management Discussion and Analysis

In particular, the breakdown of the top ten financial bonds by nominal value balance held by the Group as at the end of the Reporting Period is as follows:

(Unit: RMB'000)

| No. | Name of bonds            | Nominal value balance | Annual interest rate (%) | Maturity date |
|-----|--------------------------|-----------------------|--------------------------|---------------|
| 1   | 19 EIBC bond 05 (19進出05) | 2,880,000             | 3.28                     | 2024-02-11    |
| 2   | 19 CDB bond 03 (19國開03)  | 2,340,000             | 3.30                     | 2024-02-01    |
| 3   | 18 CDB bond 10 (18國開10)  | 2,130,000             | 4.04                     | 2028-07-06    |
| 4   | 19 CDB bond 08 (19國開08)  | 2,060,000             | 3.42                     | 2024-07-02    |
| 5   | 18 CDB bond 11 (18國開11)  | 1,700,000             | 3.76                     | 2023-08-14    |
| 6   | 18 CDB bond 05 (18國開05)  | 1,040,000             | 4.88                     | 2028-02-09    |
| 7   | 19 ADBC bond 09 (19農發09) | 770,000               | 3.24                     | 2024-08-14    |
| 8   | 15 CDB bond 09 (15國開09)  | 650,000               | 4.25                     | 2022-04-13    |
| 9   | 19 ADBC bond 06 (19農發06) | 600,000               | 3.74                     | 2029-07-12    |
| 10  | 20 CDB bond 03 (20國開03)  | 590,000               | 3.23                     | 2025-01-10    |

## 2. Liabilities

As of the end of the Reporting Period, the total liabilities of the Group was RMB543.016 billion, representing an increase of RMB33.257 billion or 6.52% from the beginning of the year, mainly due to the increase in customer deposits and issued debt securities, which drove the increase in the scale of liabilities. The following table sets out the composition of the Group's total liabilities as of the indicated dates:

(Unit: RMB'000)

| Item  | As at June 30, 2021 |                | As at December 31, 2020 |                |
|---|---------------------|----------------|-------------------------|----------------|
|   | Amount              | % of total (%) | Amount                  | % of total (%) |
| Deposits from customers   | <b>407,773,043</b>  | <b>75.09</b>   | 377,548,894             | 74.06          |
| Debt securities issued  | <b>55,191,184</b>   | <b>10.16</b>   | 50,249,237              | 9.86           |
| Financial assets sold under repurchase agreements and deposits and placements from banks and other financial institutions | <b>45,981,442</b>   | <b>8.47</b>    | 43,482,217              | 8.53           |
| Borrowings from central banks   | <b>29,477,737</b>   | <b>5.43</b>    | 30,653,358              | 6.01           |
| Taxes payable   | <b>653,005</b>      | <b>0.12</b>    | 822,735                 | 0.16           |
| Lease liabilities   | <b>415,167</b>      | <b>0.08</b>    | 450,860                 | 0.09           |
| Financial liabilities at fair value through profit or loss  | <b>376,030</b>      | <b>0.07</b>    | 238,841                 | 0.05           |
| Other liabilities <sup>(1)</sup>  | <b>3,148,454</b>    | <b>0.58</b>    | 6,313,000               | 1.24           |
| <b>Total liabilities</b>  | <b>543,016,062</b>  | <b>100.00</b>  | 509,759,142             | 100.00         |

Note:

(1) Consisted primarily of salaries payable.

(1) Composition of deposits from customers

The following table sets forth the Group's customer deposits by product category on the dates indicated:

(Unit: RMB'000)

| Item   | As at June 30, 2021 |                | As at December 31, 2020 |                |
|--|---------------------|----------------|-------------------------|----------------|
|  | Amount              | % of total (%) | Amount                  | % of total (%) |
| <b>Corporate deposits</b>                      |                     |                |                         |                |
| – Demand                                       | <b>88,989,191</b>   | <b>22.08</b>   | 86,787,163              | 23.29          |
| – Time   | <b>77,865,387</b>   | <b>19.32</b>   | 61,514,754              | 16.51          |
| <b>Subtotal</b>                                | <b>166,854,578</b>  | <b>41.40</b>   | 148,301,917             | 39.80          |
| <b>Personal deposits</b>                       |                     |                |                         |                |
| – Demand                                       | <b>101,754,308</b>  | <b>25.25</b>   | 102,798,196             | 27.59          |
| – Time   | <b>131,008,600</b>  | <b>32.50</b>   | 118,593,507             | 31.83          |
| <b>Subtotal</b>                                | <b>232,762,908</b>  | <b>57.75</b>   | 221,391,703             | 59.42          |
| <b>Other deposits<sup>(1)</sup></b>            | <b>3,427,785</b>    | <b>0.85</b>    | 2,896,171               | 0.78           |
| <b>Principal of customer deposits in total</b> | <b>403,045,271</b>  | <b>100.00</b>  | 372,589,791             | 100.00         |
| Add: accrued interest                          | <b>4,727,772</b>    | –              | 4,959,103               | –              |
| <b>Total deposits from customers</b>           | <b>407,773,043</b>  | –              | 377,548,894             | –              |

Note:

(1) Consisted of remittance outstanding and margin deposit.

As of the end of the Reporting Period, regarding the Group's deposits from customers, in terms of the deposit structure, personal deposits accounted for 57.75%, and the balance of deposits increased by RMB11.371 billion from the end of the previous year, representing an increase of 5.14%; corporate deposits accounted for 41.40%, and the balance of deposits increased by RMB18.553 billion from the end of the previous year, representing an increase of 12.51%. In terms of maturity structure, demand deposits accounted for 47.33%, representing a decrease of 3.55 percentage points from the end of the previous year; time deposits accounted for 51.82%, representing an increase of 3.48 percentage points from the end of the previous year.

## Chapter III Management Discussion and Analysis

- (2) Financial assets sold under repurchase agreements and deposits and placements from banks and other financial institutions

(Unit: RMB'000)

| Item  | As at June 30, 2021 |                | As at December 31, 2020 |                |
|---|---------------------|----------------|-------------------------|----------------|
|   | Amount              | % of total (%) | Amount                  | % of total (%) |
| Deposits from domestic banks                        | 12,922,446          | 28.10          | 11,339,622              | 26.08          |
| Deposits from other domestic financial institutions | 15,084,774          | 32.81          | 5,861,294               | 13.48          |
| Placements from domestic banks                      | 700,000             | 1.52           | 700,000                 | 1.61           |
| Bonds sold under repurchase agreements              | 9,354,004           | 20.34          | 14,974,791              | 34.44          |
| Notes sold under repurchase agreements              | 7,775,260           | 16.91          | 10,491,609              | 24.13          |
| <b>Subtotal</b>                                     | <b>45,836,484</b>   | <b>99.68</b>   | <b>43,367,316</b>       | <b>99.74</b>   |
| Accrued interest                                    | 144,958             | 0.32           | 114,901                 | 0.26           |
| <b>Total</b>  | <b>45,981,442</b>   | <b>100.00</b>  | <b>43,482,217</b>       | <b>100.00</b>  |

### 3. Shareholders' equity

As of the end of the Reporting Period, the total shareholder equity of the Group was RMB40.341 billion, representing an increase of RMB1.699 billion or 4.40% from the end of the last year, mainly due to an increase of RMB1.650 billion in undistributed profits. The following table sets out the composition of the shareholders' equity of the Group on the indicated dates:

(Unit: RMB'000)

| Item   | As at June 30, 2021 |                | As at December 31, 2020 |                |
|--|---------------------|----------------|-------------------------|----------------|
|  | Amount              | % of total (%) | Amount                  | % of total (%) |
| Equity   | <b>5,740,455</b>    | <b>14.23</b>   | 5,740,455               | 14.86          |
| Revaluation reserve  | <b>192,411</b>      | <b>0.48</b>    | 196,291                 | 0.51           |
| Surplus reserve  | <b>7,177,594</b>    | <b>17.79</b>   | 7,177,594               | 18.57          |
| General risk provision                                       | <b>5,767,735</b>    | <b>14.30</b>   | 5,767,735               | 14.93          |
| Undistributed profit   | <b>18,913,274</b>   | <b>46.88</b>   | 17,263,552              | 44.67          |
| <b>Total equity attributable to shareholders of the Bank</b> | <b>37,791,469</b>   | <b>93.68</b>   | 36,145,627              | 93.54          |
| Non-controlling interests                                    | <b>2,549,948</b>    | <b>6.32</b>    | 2,497,187               | 6.46           |
| <b>Total shareholders' equity</b>                            | <b>40,341,417</b>   | <b>100.00</b>  | <b>38,642,814</b>       | <b>100.00</b>  |

#### 4. Asset rights restrictions as of the end of the Reporting Period

As of the end of the Reporting Period, some of the assets of the Group was used as collateral for the repurchase business and the business of borrowing from the central bank. For details of the pledged assets, please refer to collaterals under contingent liabilities and commitments in Note 37 to the Financial Statements of the section headed “Financial Report” in this Report. At the end of the Reporting Period, the details of the carrying value of the assets used as collateral are as follows:

(Unit: RMB'000)

| Item         | As at<br>June 30, 2021 | Reason for<br>restriction          |
|--------------|------------------------|------------------------------------|
| Bonds        | <b>9,437,462</b>       | Repurchase business                |
| Bills        | <b>7,775,260</b>       | Repurchase business                |
| Bonds        | <b>32,405,280</b>      | Borrowing from the<br>central bank |
| Loans        | <b>74,907</b>          | Borrowing from the<br>central bank |
| Bills        | <b>251,913</b>         | Borrowing from the<br>central bank |
| <b>Total</b> | <b>49,944,822</b>      |                                    |

## 5. Off-balance sheet commitments

Off-balance sheet commitments of the Group include financial guarantees and other credit commitments and capital commitments.

### (i) Credit commitment

(Unit: RMB'000)

| Item                       | As at<br>June 30,<br>2021 | As at<br>December 31,<br>2020 | Increase/<br>(decrease) at<br>the end of the<br>Reporting Period<br>compared to the<br>end of the previous<br>year (%) |
|----------------------------|---------------------------|-------------------------------|--|
| Letter of credit           | 230,373                   | 245,179                       | (6.04)   |
| Letter of guarantee        | 1,607,002                 | 1,222,974                     | 31.40  |
| Bank acceptance draft      | 2,363,780                 | 1,580,695                     | 49.54  |
| Unused line of credit card | 10,009,153                | 9,655,154                     | 3.67   |
| <b>Total</b>               | <b>14,210,308</b>         | <b>12,704,002</b>             | <b>11.86</b>   |

### (ii) Capital commitments

(Unit: RMB'000)

| Item                   | Contract amount<br>at the end of the<br>Reporting Period | Contract<br>amount at the<br>beginning of the<br>Reporting Period |
|------------------------|--|---|
| Property and equipment | <b>561,272</b>   | 494,839   |

In addition, as of the end of the Reporting Period, there were no major lawsuits involving the Bank or its subsidiaries as defendants. As of the Last Practicable Date, the Bank has no major contingent liabilities.

For details of off-balance sheet commitments, please refer to Note 37 "Contingent Liabilities and Commitments" to the Financial Statements under the section headed "Financial Report" in this Report.

### (III) Loan Quality Analysis

As of the end of the Reporting Period, the non-performing loans balance of the Group was RMB2.193 billion, representing an increase of RMB160 million from the beginning of the year, and the non-performing loan ratio was 0.83%.

#### 1. Loan distribution by five-tier loan classification

(Unit: RMB'000)

| Item                                    | As at June 30, 2021 |                | As at December 31, 2020 |                |
|---|---------------------|----------------|-------------------------|----------------|
|   | Amount              | % of total (%) | Amount                  | % of total (%) |
| Normal                                  | <b>272,394,974</b>  | <b>97.15</b>   | 254,707,323             | 97.42          |
| Special mention                         | <b>5,805,172</b>    | <b>2.07</b>    | 4,710,510               | 1.80           |
| Substandard                             | <b>619,522</b>      | <b>0.22</b>    | 732,583                 | 0.28           |
| Doubtful                                | <b>1,436,298</b>    | <b>0.51</b>    | 1,205,590               | 0.46           |
| Loss                                    | <b>137,083</b>      | <b>0.05</b>    | 94,605                  | 0.04           |
| <b>Total loans to customers</b>         | <b>280,393,049</b>  | <b>100.00</b>  | 261,450,611             | 100.00         |
| <b>NPLs and NPL ratio<sup>(1)</sup></b> | <b>2,192,903</b>    | <b>0.83</b>    | 2,032,778               | 0.82           |

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, 2020 and June 30, 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 June 30, 2021 and not the fair value on the combination date.

As of the end of the Reporting Period, the Group's normal loans in local currency and foreign currency amounted to RMB272.395 billion, accounting for 97.15% of all loans, representing an increase of RMB17.688 billion from the ending of last year, mainly due to normal business growth; special mention loans amounted to RMB5.805 billion, representing an increase of RMB1.095 billion from the beginning of the year. The main reason is that some of the existing normal loans have overdue and arrears of interest, and have been downgraded to special mention loans.

The balance of non-performing loans of the Group was RMB2.193 billion, representing an increase of RMB160 million from the beginning of the year, mainly due to the increase in non-performing loans of personal second-hand property mortgages and online loans (tax financing loans). Including: the balance of substandard loans amounted to RMB620 million, representing a decrease of RMB113 million from the beginning of the year, mainly due to the downgrade to the categories of doubtful loans and loss loans; the balance of doubtful loans amounted to RMB1.436 billion, representing an increase of RMB231 million from the beginning of the year, the balance of loss loans amounted to RMB137 million, representing an increase of RMB42 million from the beginning of the year.

## Chapter III Management Discussion and Analysis

As of the end of the Reporting Period, the migration ratios of the Group's normal, special mention, substandard and doubtful loans were 1.34%, 7.38%, 31.35% and 1.09%, respectively.

### 2. Loans and non-performing loans by product type

(Unit: RMB'000)

| Item                       | As at June 30, 2021 |                |                  |               | As at December 31, 2020 |                |                  |               |
|----------------------------|---------------------|----------------|------------------|---------------|-------------------------|----------------|------------------|---------------|
|                            | Amount              | % of total (%) | NPL amount       | NPL ratio (%) | Amount                  | % of total (%) | NPL amount       | NPL ratio (%) |
| <b>Corporate loans</b>     |                     |                |                  |               |                         |                |                  |               |
| Working capital loans      | 64,926,348          | 23.16          | 767,383          | 1.35          | 63,073,078              | 24.12          | 737,121          | 1.23          |
| Fixed asset loans          | 77,658,803          | 27.70          | 489,968          | 0.63          | 69,532,521              | 26.59          | 455,256          | 0.72          |
| Others                     | 5,527,534           | 1.96           | 4,870            | 0.09          | 4,068,025               | 1.57           | 4,894            | 0.12          |
| <b>Subtotal</b>            | <b>148,112,685</b>  | <b>52.82</b>   | <b>1,262,221</b> | <b>0.93</b>   | <b>136,673,624</b>      | <b>52.28</b>   | <b>1,197,271</b> | <b>0.94</b>   |
| <b>Personal loans</b>      |                     |                |                  |               |                         |                |                  |               |
| Personal business loans    | 29,815,516          | 10.63          | 340,139          | 1.22          | 25,609,633              | 9.80           | 288,553          | 1.19          |
| Property mortgages         | 40,348,320          | 14.39          | 286,482          | 0.71          | 37,665,358              | 14.41          | 273,985          | 0.73          |
| Credit card overdrafts     | 9,242,166           | 3.30           | 126,943          | 1.37          | 8,223,874               | 3.14           | 129,156          | 1.57          |
| Personal consumption loans | 27,724,165          | 9.89           | 177,118          | 0.65          | 26,517,031              | 10.14          | 143,813          | 0.55          |
| <b>Subtotal</b>            | <b>107,130,167</b>  | <b>38.21</b>   | <b>930,682</b>   | <b>0.90</b>   | <b>98,015,896</b>       | <b>37.49</b>   | <b>835,507</b>   | <b>0.87</b>   |
| <b>Discounted bills</b>    | <b>25,150,197</b>   | <b>8.97</b>    | <b>-</b>         | <b>-</b>      | <b>26,761,091</b>       | <b>10.23</b>   | <b>-</b>         | <b>-</b>      |
| <b>Subtotal</b>            | <b>25,150,197</b>   | <b>8.97</b>    | <b>-</b>         | <b>-</b>      | <b>26,761,091</b>       | <b>10.23</b>   | <b>-</b>         | <b>-</b>      |
| <b>Total</b>               | <b>280,393,049</b>  | <b>100.00</b>  | <b>2,192,903</b> | <b>0.83</b>   | <b>261,450,611</b>      | <b>100.00</b>  | <b>2,032,778</b> | <b>0.82</b>   |

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, 2020 and June 30, 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 June 30, 2021 and not the fair value on the combination date.

As of the end of the Reporting Period, the non-performing loan ratio of corporate loans (excluding discounted bills) was 0.93%, representing a decrease of 0.01 percentage point from the end of the previous year; the non-performing loan ratio of personal loans was 0.90%, representing an increase of 0.03 percentage points from the end of the previous year.

### 3. Loans and non-performing loans by industry

(Unit: RMB'000)

| Industry   | As at June 30, 2021 |                |                  |                              | As at December 31, 2020 |                |                  |                              |
|--|---------------------|----------------|------------------|------------------------------|-------------------------|----------------|------------------|------------------------------|
|  | Amount              | % of total (%) | NPL amount       | NPL ratio (%) <sup>(1)</sup> | Amount                  | % of total (%) | NPL amount       | NPL ratio (%) <sup>(1)</sup> |
| <b>Corporate loans and advances</b>                                    |                     |                |                  |                              |                         |                |                  |                              |
| Wholesale and retail   | 25,714,546          | 9.17           | 370,060          | 1.49                         | 24,274,518              | 9.28           | 395,604          | 1.69                         |
| Leasing and commercial services  | 27,214,078          | 9.71           | 239,563          | 0.88                         | 24,737,267              | 9.46           | 202,132          | 0.99                         |
| Manufacturing  | 31,892,771          | 11.36          | 120,322          | 0.69                         | 27,173,611              | 10.39          | 60,277           | 0.27                         |
| Construction   | 23,256,589          | 8.29           | 163,643          | 0.70                         | 20,860,777              | 7.98           | 171,075          | 0.82                         |
| Real estate  | 11,829,405          | 4.22           | -                | -                            | 10,804,318              | 4.13           | 4,136            | 0.04                         |
| Finance  | 5,576,551           | 1.99           | -                | -                            | 7,514,009               | 2.88           | -                | -                            |
| Production and supply of power, gas and water                          | 5,953,099           | 2.12           | 332,980          | 5.59                         | 5,322,414               | 2.04           | 332,980          | 6.26                         |
| Transportation, logistics and postal services                          | 3,578,824           | 1.28           | -                | -                            | 3,947,098               | 1.51           | -                | -                            |
| Water, environment and public utilities management                     | 2,490,542           | 0.89           | -                | -                            | 2,101,477               | 0.80           | -                | -                            |
| Health, social security and welfare                                    | 2,587,062           | 0.92           | -                | -                            | 2,539,030               | 0.97           | -                | -                            |
| Education  | 2,644,256           | 0.94           | -                | -                            | 2,212,017               | 0.85           | -                | -                            |
| Information transmission, computer service and software                | 1,082,674           | 0.39           | -                | -                            | 823,027                 | 0.31           | -                | -                            |
| Accommodations and catering industries                                 | 1,744,705           | 0.62           | 23,189           | 1.35                         | 1,381,991               | 0.53           | 22,931           | 1.72                         |
| Agriculture, forestry, animal husbandry and fishery                    | 1,535,789           | 0.55           | 12,464           | 0.82                         | 1,320,749               | 0.51           | 6,925            | 0.52                         |
| Residential services and other services                                | 335,714             | 0.12           | -                | -                            | 378,874                 | 0.14           | -                | -                            |
| Culture, sports, and entertainment                                     | 33,787              | 0.01           | -                | -                            | 437,245                 | 0.17           | 1,211            | 2.89                         |
| Scientific research and technical services, and geological prospecting | 520,142             | 0.19           | -                | -                            | 254,756                 | 0.10           | -                | -                            |
| Mining   | 99,093              | 0.04           | -                | -                            | 576,791                 | 0.22           | -                | -                            |
| Public management and social organizations                             | 23,058              | 0.01           | -                | -                            | 13,655                  | 0.01           | -                | -                            |
| <b>Subtotal of corporate loans</b>                                     | <b>148,112,685</b>  | <b>52.82</b>   | <b>1,262,221</b> | <b>0.93</b>                  | <b>136,673,624</b>      | <b>52.28</b>   | <b>1,197,271</b> | <b>0.94</b>                  |
| <b>Discounted bills</b>  | <b>25,150,197</b>   | <b>8.97</b>    | <b>-</b>         | <b>-</b>                     | <b>26,761,091</b>       | <b>10.23</b>   | <b>-</b>         | <b>-</b>                     |
| <b>Personal loans</b>  | <b>107,130,167</b>  | <b>38.21</b>   | <b>930,682</b>   | <b>0.90</b>                  | <b>98,015,896</b>       | <b>37.49</b>   | <b>835,507</b>   | <b>0.87</b>                  |
| <b>Total</b>   | <b>280,393,049</b>  | <b>100.00</b>  | <b>2,192,903</b> | <b>0.83</b>                  | <b>261,450,611</b>      | <b>100.00</b>  | <b>2,032,778</b> | <b>0.82</b>                  |

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, 2020 and June 30, 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 June 30, 2021 and not the fair value on the combination date.

As of the end of the Reporting Period, the non-performing loans of the Group's corporate loans were mainly concentrated in the wholesale and retail industries, the production and supply of electricity, gas and water, and the leasing and business services industries. The non-performing loan ratios were 1.49%, 5.59%, and 0.88%, respectively.

#### 4. Loans and non-performing loans classified by guarantee

(Unit: RMB'000)

| Guarantee method     | As at June 30, 2021 |                |                                |                              | As at December 31, 2020 |                |                                |                              |
|----------------------|---------------------|----------------|--------------------------------|------------------------------|-------------------------|----------------|--------------------------------|------------------------------|
|                      | Amount              | % of total (%) | Amount of non-performing loans | NPL ratio (%) <sup>(1)</sup> | Amount                  | % of total (%) | Amount of non-performing loans | NPL ratio (%) <sup>(1)</sup> |
| Collateralized loans | 148,993,876         | 53.14          | 1,047,202                      | 0.79                         | 134,641,697             | 51.50          | 961,683                        | 0.78                         |
| Pledge loans         | 39,637,141          | 14.14          | 321,774                        | 0.81                         | 39,107,865              | 14.96          | 319,006                        | 0.82                         |
| Guaranteed loans     | 58,856,929          | 20.99          | 415,551                        | 0.73                         | 54,441,652              | 20.82          | 435,274                        | 0.82                         |
| Unsecured loans      | 32,905,103          | 11.73          | 408,376                        | 1.24                         | 33,259,397              | 12.72          | 316,815                        | 0.95                         |
| <b>Total</b>         | <b>280,393,049</b>  | <b>100.00</b>  | <b>2,192,903</b>               | <b>0.83</b>                  | <b>261,450,611</b>      | <b>100.00</b>  | <b>2,032,778</b>               | <b>0.82</b>                  |

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, 2020 and June 30, 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 June 30, 2021 and not the fair value on the combination date.

#### 5. Loans from top ten single borrowers

As at the end of the Reporting Period, the Bank's loan balance to any single borrowers did not exceed 10% of the Bank's net capital. The following table sets forth, as at the end of the Reporting Period, the Bank's loan balance to the top ten single borrowers (excluding group borrowers), none of which was non-performing loan.

(Unit: RMB'000)

| Borrower     | Industry                        | As at June 30, 2021 |                      |                      |
|--------------|---------------------------------|---------------------|----------------------|----------------------|
|              |                                 | Principal balance   | % of total loans (%) | % of net capital (%) |
| Customer A   | Leasing and commercial services | 2,989,840           | 1.07                 | 6.45                 |
| Customer B   | Construction                    | 1,946,560           | 0.69                 | 4.20                 |
| Customer C   | Leasing and commercial services | 1,300,000           | 0.46                 | 2.81                 |
| Customer D   | Construction                    | 1,014,000           | 0.36                 | 2.19                 |
| Customer E   | Construction                    | 990,000             | 0.35                 | 2.14                 |
| Customer F   | Leasing and commercial services | 983,000             | 0.35                 | 2.12                 |
| Customer G   | Leasing and commercial services | 975,110             | 0.35                 | 2.10                 |
| Customer H   | Real estate                     | 887,000             | 0.32                 | 1.91                 |
| Customer I   | Wholesale and retail            | 808,420             | 0.29                 | 1.74                 |
| Customer J   | Wholesale and retail            | 798,000             | 0.28                 | 1.72                 |
| <b>Total</b> |                                 | <b>12,691,930</b>   | <b>4.53</b>          | <b>27.39</b>         |

## 6. Distribution of loans by region

(Unit: RMB'000)

| Region           | As at June 30, 2021 |                | As at December 31, 2020 |                |
|------------------|---------------------|----------------|-------------------------|----------------|
|                  | Amount              | % of total (%) | Amount                  | % of total (%) |
| Dongguan         | 223,345,573         | 79.65          | 214,171,472             | 81.92          |
| Outside Dongguan | 57,047,476          | 20.35          | 47,279,139              | 18.08          |
| <b>Total</b>     | <b>280,393,049</b>  | <b>100.00</b>  | 261,450,611             | 100.00         |

## 7. Loans overdue

(Unit: RMB'000)

| Classification                               | As at June 30, 2021 |                | As at December 31, 2020 |                |
|--|---------------------|----------------|-------------------------|----------------|
|  | Amount              | % of total (%) | Amount                  | % of total (%) |
| <b>Current loans</b>                         | <b>277,700,426</b>  | <b>99.04</b>   | 259,055,261             | 99.08          |
| <b>Loans past due</b>                        | <b>2,692,623</b>    | <b>0.96</b>    | 2,395,350               | 0.92           |
| – Within 3 months                            | 897,324             | 0.32           | 846,742                 | 0.32           |
| – From 3 months to 1 year                    | 672,166             | 0.24           | 630,047                 | 0.24           |
| – More than 1 year to less than 3 years      | 650,573             | 0.23           | 772,746                 | 0.30           |
| – More than 3 years                          | 472,560             | 0.17           | 145,815                 | 0.06           |
| <b>Total principal of loans to customers</b> | <b>280,393,049</b>  | <b>100.00</b>  | 261,450,611             | 100.00         |

As of the end of the Reporting Period, the balance of overdue principal of loans of the Group was RMB2.693 billion, accounting for 0.96% of all loans, representing an increase of RMB297 million from the end of the previous year. Among which, the balance of overdue loans within 3 months amounted to RMB897 million, representing an increase of RMB51 million from the end of the previous year, mainly due to the new overdue and interest owed by some loan customers. The balance of loans overdue for 3 months to 1 year amounted to RMB672 million, representing an increase of RMB42 million from the end of the previous year, mainly due to the increase in overdue loans for personal second-hand building mortgages and online loans (tax financing loans). The balance of loans overdue for more than 1 year to less than 3 years amounted to RMB651 million, representing a decrease of RMB122 million from the end of the previous year; the balance of loans overdue for more than 3 years amounted to RMB473 million, representing an increase of RMB327 million from the ending of last year, mainly due to certain of the overdue loans further extended to more than 3 years since failed to repay the principal and interest.

## 8. Restructured loans

A restructured loan is a loan for which contractual terms have been renegotiated due to changes in the borrower, guarantee, or repayment. The following table sets out the balance and proportion of the Group's restructured loans on the indicated dates:

(Unit: RMB'000)

| Type               | As at June 30, 2021 |                | As at December 31, 2020 |                |
|--------------------|---------------------|----------------|-------------------------|----------------|
|                    | Amount              | % of total (%) | Amount                  | % of total (%) |
| Restructured loans | 159,020             | 0.06           | 125,979                 | 0.05           |

As of the end of June 2021, the balance of the Group's restructured loans was RMB159 million, accounting for 0.06% of the total loans and representing an increase of RMB33 million, mainly due to the restructuring of part of additional loans.

## 9. Foreclosed assets

As at the end of the Reporting Period, the foreclosed assets of the Group are as follows:

(Unit: RMB'000)

| Type                                  | As at June 30, 2021 | As at December 31, 2020 |
|---------------------------------------|---------------------|-------------------------|
| Property and equipment                | 272,481             | 272,481                 |
| Land use rights                       | 148,037             | 163,767                 |
| Others                                | 2,844               | 2,844                   |
| Sub-total                             | 423,362             | 439,092                 |
| Less: Provision for impairment losses | 275,841             | 290,535                 |
| <b>Total</b>                          | <b>147,521</b>      | <b>148,557</b>          |

## 10. Disposal of non-performing assets

As of the end of the Reporting Period, the balance of the Group's non-performing loan was RMB2.193 billion, representing an increase of RMB160 million from the beginning of the year, and the non-performing loan ratio was 0.83%, representing a slight increase of 0.01 percentage point from the beginning of the year. In the first half of 2021, a total of RMB420 million of non-performing loans has been resolved, including RMB272 million in cash settlement, RMB26 million in debt transfers, RMB7 million in debt restructuring, RMB31 million in bad debt write-offs, and an increase in quality of RMB83 million.

### 11. Changes in provision for impairment of loans and advances to customers

During the Reporting Period, the Bank made a loss reserve of RMB769 million, with RMB773 million provided for loans and advances to customers measured at amortized cost, and RMB4 million for loans and advances to customers measured at fair value through other comprehensive income. RMB31 million of non-performing loans was written off, and RMB242 million of written-off loans was recovered. As at the end of the Reporting Period, the balance of the Bank's loan loss reserve was RMB8,333 million, of which the balance of impairment losses on loans and advances to customers measured at amortized cost was RMB8,318 million and the changes in provision for impairment losses are set out as follows:

(Unit: RMB'000)

|  | For the six months<br>ended June 30, |           |
|--|--------------------------------------|-----------|
|  | 2021                                 | 2020      |
| Opening balance                            | <b>7,340,817</b>                     | 7,294,528 |
| Provision for the period                   | <b>956,930</b>                       | 592,771   |
| Derecognition or settlement for the period | <b>(1,978,256)</b>                   | (513,285) |
| Write off for the Period                   | <b>(30,905)</b>                      | (234,792) |
| Remeasurement                              | <b>2,029,724</b>                     | 573,418   |
| <b>Closing balance</b>                     | <b>8,318,310</b>                     | 7,712,641 |

In addition, the impairment amount for loans and advances to customers (rediscounted bills and forfeiting) measured at fair value through other comprehensive income amounted to RMB14 million as of the end of the Reporting Period.

### (IV) Cash Flow Statement Analysis

(Unit: RMB'000)

| Item                                    | For the six months ended June 30, |             |                                      |  |
|---|-----------------------------------|-------------|--------------------------------------|--|
|   | 2021                              | 2020        | Amount of<br>increase/<br>(decrease) | Increase/<br>(decrease)<br>percentage<br>(%) |
| Net cash flow from operating activities | <b>10,077,499</b>                 | 2,222,152   | 7,855,347                            | 353.50                                       |
| Net cash flow from investing activities | <b>(8,636,786)</b>                | (3,000,335) | (5,636,451)                          | 187.86                                       |
| Net cash flow from financing activities | <b>2,449,956</b>                  | 4,726,118   | (2,276,162)                          | (48.16)                                      |

## (V) Capital Management

As of the end of the Reporting Period, the Group's capital adequacy ratio, Tier 1 capital adequacy ratio, and core Tier 1 capital adequacy ratio were 13.96%, 11.57%, and 11.53%, respectively, and all capital adequacy ratios met regulatory requirements. During the Reporting Period, the Group's profit maintained steady growth, achieved endogenous capital growth, and maintained a stable capital adequacy ratio.

The Group continues to strengthen capital management. Firstly, we strengthened the management of capital planning and realized the effective transmission from capital planning to capital budgeting and capital allocation based on the capital planning guidelines. Secondly, we optimized the asset allocation structure on and off the balance sheet to improve the efficiency of capital utilization. Thirdly, we continued to optimize the capital structure and strengthened endogenous capital management. While strengthening endogenous capital replenishment, we also improved capital replenishment channels to enhance capital strength.

### 1. Capital adequacy ratios analysis

Capital adequacy ratios are calculated and disclosed according to the relevant provisions of the Administrative Measures for Capital of Commercial Banks (Provisional) (implemented from January 1, 2013) issued by the Former CBRC:

(Unit: RMB'000)

| Item                                     | As at<br>June 30,<br>2021 | As at<br>December 31,<br>2020 |
|--|---------------------------|-------------------------------|
| Total core tier-one capital              | <b>38,824,184</b>         | 37,017,880                    |
| Core tier-one capital deduction          | <b>(550,197)</b>          | (543,201)                     |
| Net core tier-one capital                | <b>38,273,987</b>         | 36,474,679                    |
| Other tier-one capital                   | <b>137,695</b>            | 116,300                       |
| Net tier-one capital                     | <b>38,411,682</b>         | 36,590,979                    |
| Tier-two capital                         | <b>7,933,569</b>          | 7,676,173                     |
| Total net capital                        | <b>46,345,251</b>         | 44,267,152                    |
| Total risk-weighted assets               | <b>331,959,890</b>        | 316,197,405                   |
| Core tier-one capital adequacy ratio (%) | <b>11.53</b>              | 11.54                         |
| Tier-one capital adequacy ratio (%)      | <b>11.57</b>              | 11.57                         |
| Capital adequacy ratio (%)               | <b>13.96</b>              | 14.00                         |

## 2. Leverage

The Group's leverage ratio is as follows:

(Unit: RMB'000)

| Item  | As at<br>June 30,<br>2021 | As at<br>December 31,<br>2020 |
|---|---------------------------|-------------------------------|
| Net tier-one capital  | <b>38,411,682</b>         | 36,590,979                    |
| Adjusted balance of on-balance sheet and off-balance sheet assets | <b>582,170,191</b>        | 532,619,782                   |
| Leverage (%)  | <b>6.60</b>               | 6.87                          |

### (VI) Analysis of Investment

During the Reporting Period, the Bank had no new investment in equity.

### (VII) Disposal of Major Assets and Equity Interests

During the Reporting Period, the Bank had no major disposals of asset and equity interests.

### (VIII) Analysis of Major Holding Companies

As of the end of the Reporting Period, the Bank has invested in Guangdong Chaoyang Rural Commercial Bank Co., Ltd., Zhanjiang Rural Commercial Bank Co., Ltd., Huizhou Zhongkai Dongying County Bank Company Limited, Yunfu Xinxing Dongying County Bank Company Limited, Dongguan Dalang Dongying County Bank Company Limited, Hezhou Babu Dongying County Bank Company Limited, Yaan Rural Commercial Bank Co., Ltd., Guangdong Shunde Rural Commercial Bank Co., Ltd., Guangdong Xuwen Rural Commercial Bank Co., Ltd., Guangdong Lechang Rural Commercial Bank Co., Ltd., China UnionPay Co., Ltd. and Guangdong Province Rural Credit Cooperatives Union.

| No. | Investment institutions   | Amount of investment (RMB0'000) | Shareholding percentage (%) |
|-----|---|---------------------------------|-----------------------------|
| 1   | Guangdong Chaoyang Rural Commercial Bank Co.,Ltd.<br>(廣東潮陽農村商業銀行股份有限公司)     | 181,772.67                      | 67.03                       |
| 2   | Zhanjiang Rural Commercial Bank Co., Ltd.<br>(湛江農村商業銀行股份有限公司)               | 162,776.00                      | 49.41                       |
| 3   | Huizhou Zhongkai Dongying County Bank Company Limited<br>(惠州仲愷東盈村鎮銀行股份有限公司) | 15,300.00                       | 51.00                       |
| 4   | Yunfu Xinxing Dongying County Bank Company Limited<br>(雲浮新興東盈村鎮銀行股份有限公司)    | 5,100.00                        | 51.00                       |
| 5   | Dongguan Dalang Dongying County Bank Company Limited<br>(東莞大朗東盈村鎮銀行股份有限公司)  | 3,500.00                        | 35.00                       |
| 6   | Hezhou Babu Dongying County Bank Company Limited<br>(賀州八步東盈村鎮銀行股份有限公司)      | 5,100.00                        | 51.00                       |
| 7   | Yaan Rural Commercial Bank Co., Ltd.<br>(雅安農村商業銀行股份有限公司)                    | 19,080.00                       | 15.00                       |
| 8   | Guangdong Shunde Rural Commercial Bank Co., Ltd.<br>(廣東順德農村商業銀行股份有限公司)      | 49,700.00                       | 2.50                        |
| 9   | Guangdong Xuwen Rural Commercial Bank Co., Ltd.<br>(廣東徐聞農村商業銀行股份有限公司)       | 5,961.10                        | 7.94                        |
| 10  | Guangdong Lechang Rural Commercial Bank Co., Ltd.<br>(廣東樂昌農村商業銀行股份有限公司)     | 8,360.00                        | 8.00                        |
| 11  | China UnionPay Co., Ltd.<br>(中國銀聯股份有限公司)                                    | 2,500.00                        | 0.34                        |
| 12  | Guangdong Province Rural Credit Cooperatives Union<br>(廣東省農村信用社聯合社)         | 3,000.00                        | 10.00                       |

### (IX) Structured Entities Controlled by the Bank

As of June 30, 2021, the scale of structured entities that we have issued and managed and included in the scope of the consolidated financial statements was RMB7.197 billion.

## III. RISKS AND RISK MANAGEMENT DURING THE REPORTING PERIOD

The Bank adheres to the general keynote of “seeking progress while maintaining stability”, strengthens responsibility under the management principles of “system governance”, and accelerates the establishment of a risk management system with “risk-adjusted value creation as the core”. The Board assumes the ultimate responsibility for overall risk management and deliberates major risk management decisions such as the Bank’s risk management preferences, strategies, and policies. During the Reporting Period, faced with the persistent domestic epidemic, severe domestic and foreign economic environment, and rising operating risk of banks, the Bank continued to improve its comprehensive risk management system, actively responded to and prevented various risks.

## (I) Credit Risk Management

The Bank has established and implemented standardized credit review and extensive management policies and procedures, and continuously improved credit risk management related procedures, systems and methods to identify, measure, supervise, reduce and control risks caused by credit business.

In terms of the credit risk management policies and procedures, the Bank has continuously improved its credit risk management system and formulated and introduced relevant business management systems based on actual business conditions, laying a solid foundation for risk management. For example, the Bank has established systems such as Rules of Procedure of Asset Quality Control Team of Dongguan Rural Commercial Bank Co., Ltd., the Implementation Rules of Credit Business Authorization of Dongguan Rural Commercial Bank Co., Ltd., the Implementation Rules for the Management of Working Capital Loans of Dongguan Rural Commercial Bank Co., Ltd., further strengthening the Bank's credit risk management.

In terms of the organizational structure and responsibilities of credit risk management, at the head office level, the Bank has established a comprehensive risk management department, which is a dedicated risk management department independent of other business departments, and undertakes credit risk management functions. At the branch level, the Bank has established the risk compliance department, which is responsible for the risk management of branch credit business, and has achieved vertical risk management.

In terms of asset risk classification methods, the Bank has adopted a series of standards derived from the guidelines of the CBIRC, and categorized loans into five categories based on the overall risk level of loans, namely normal, special mention, substandard, doubtful and loss. Through continuous supervision and analysis of the borrower's financial risks, non-financial risks, cash flow, guarantees and other factors, the classification mechanism can accurately reflect the borrower's ability to repay, willingness to repay, and risk fluctuations in each specific period.

In terms of the construction of the credit risk management system, the risk data pool and credit risk early warning system of the Bank has been operating normally, and are fully used in the entire process from pre-disbursement, disbursement to post-disbursement of loans. In the pre-disbursement investigation steps, the Bank obtains customers' external information in a timely manner through the early warning platform, expands investigation channels, improves customer identification capabilities, and ensures the compliance of credit subjects. During the disbursement review process, the Bank pays close attention to the early warning signals of customers, deeply analyzes potential risk points of customers, and makes full use of the role of risk control to ensure that the Bank's credit business risks are controllable. During the post-disbursement management process, the Bank promptly investigate risk signals, improve risk sensitivity, implement effective disposal measures, and promptly exit high-risk credit business and customers.

## (II) Liquidity Risk Management

### 1. Liquidity coverage ratio

(Unit: RMB'000)

| Item                                     | June 30,<br>2021      | December 31,<br>2020 |
|--|-----------------------|----------------------|
| Qualified and high-quality liquid assets | <b>124,409,548.80</b> | 123,900,438.80       |
| Net cash outflows                        | <b>65,694,925.30</b>  | 50,746,019.60        |
| Liquidity coverage ratio                 | <b>189.37%</b>        | 244.16%              |

Note: The data in the above table are all based on the off-site supervision statement of the Group of the CBIRC.

### 2. Net stable funding ratio

(Unit: RMB'000)

| Item                     | June 30, 2021         | March 31, 2021 | December 31,<br>2020 |
|--------------------------|-----------------------|----------------|----------------------|
| Available stable funding | <b>396,491,615.40</b> | 391,751,083.14 | 377,565,856.52       |
| Required stable funding  | <b>277,073,106.93</b> | 273,809,846.74 | 250,703,380.20       |
| Net stable funding ratio | <b>143.10%</b>        | 143.07%        | 150.60%              |

Note: The data in the above table are all based on the off-site supervision statement of the Group of the CBIRC.

The Bank has adopted a prudent liquidity risk management strategy. On the basis of meeting regulatory requirements, the Bank appropriately balances the level of income and liquidity, maintains appropriate liquidity, and controls liquidity risks within a reasonable range that the Group can bear to ensure safe operation of the Bank. The Board of the Bank assumes the ultimate responsibility for liquidity risk management of the Group; the senior management is responsible for implementing consolidated liquidity risk management based on the management policies approved by the Board; the Asset and Liabilities Management Department and the Financial Market Department are jointly responsible for the daily management of liquidity risks.

During the Reporting Period, the Bank used liquidity ratio, liquidity coverage ratio, net stable funding ratio and other indicators to measure its liquidity risk based on the structure of assets and liabilities; analyzed the ability to withstand liquidity events or liquidity crises through stress test scenarios combining mild, moderate and severe stress, and reasonably allocated sufficient liquidity reserve assets to address liquidity risks; established a limit management and early warning monitoring mechanism to ensure that the liquidity risk is controlled within a reasonable range by adjusting the daily asset-liability portfolio; formulated targeted emergency plans, organized emergency drills on a regular basis, and improved emergency response capabilities.

### **(III) Compliance Risk Management**

Firstly, the Bank has established a compliance risk management system commensurate with its business scope, organizational structure and business scale, and clarified the compliance management responsibilities of the Board of Directors and Board of Supervisors and senior management as well as different levels so as to ensure the risk prevention and control management. Secondly, the Bank adhered to the overall preference of being prudent and steady, and has established a clear structure and complete process system, covering all business processes and business links. Thirdly, the Bank strengthened the review of institutional compliance, and strictly checked the compliance of systems, new businesses, new products, wealth management products and authorized businesses in accordance with regulatory documents and internal institutional provisions to ensure institutional compliance. Fourthly, the Bank adhered to the business philosophy of compliance, and continuously strengthened the penetration of compliance culture and philosophy to all employees through the multi-dimensional “online + offline” and “theory + media”, and promoted a deep understanding of the core essence of “compliance is the lifeline of the bank”. All employees consciously achieved “compliance for everyone and in every aspect”, so that the concept of compliance business operation can be transformed into actual actions. Fifthly, the Bank strengthened the support of information technology and big data for compliance management, internalized the compliance management and control mechanism into the system process, enhanced the analysis and early warning capabilities of compliance risks, and promoted the intelligent management of compliance risks.

### **(IV) Market Risk Management**

The Bank’s market risk arises from trading book and banking book. Interest rate risk and exchange rate risk are the main market risks faced by the Bank. The Bank comprehensively applied gap analysis, sensitivity analysis, value-at-risk (VaR), scenario simulation and stress testing to measure, monitor and manage market risks based on the risk appetite, business plan and market risk management policies and procedures of the Bank, and the market risk management department performed daily monitoring and continuous reporting. In accordance with the relevant provisions of the Administrative Measures for the Capital of Commercial Banks (Trial) issued by the Former CBRC, the Bank adopted the standardized approach to measure market risk capital requirements. At present, the Bank’s capital provision has been prudent and fully covered market risks, and market risks are generally at a controllable level.

### **1. Interest risk management**

In terms of trading book, the Bank has adopted prudent investment management strategy in general, and dynamically adjusted risk exposures based on market changes using bond transactions, derivative hedging and other methods. All interest rate risk indicators in the trading book were kept within the target range.

In terms of banking book, the Bank has mainly adopted gap analysis, duration analysis, stress testing and other methods to measure interest rate risk in banking book, and regularly evaluated the impact of interest rate changes on net interests income and economic value under different interest rate conditions. Combining regulatory requirements and actual interest rate scenarios, the Bank continued to improve the stress test model for interest rate risk in the banking book, and continuously improved the measurement and analysis of interest rate risk in the banking book.

### **2. Exchange rate risk management**

In the first half of 2021, the RMB exchange rate maintained an overall appreciation trend. As at June 30, the benchmark price of RMB against USD announced by the PBOC, being RMB6.4601, was approximately 1% higher than the beginning of the year. Affected by the events such as Sino-U.S. negotiations and the Federal Reserve's economic forecasts, the Renminbi exchange rate experienced a phased pullback in March and June, and remained at around RMB6.46 at the end of June. Considering that the RMB is in the appreciation range, the Bank mainly controlled foreign exchange positions, and maintained the management strategy of low exposure and negative position to reduce exposure attributable to exchange rate fluctuations in the first half of 2021. At the end of the first and second quarters of 2021, the ratio of accumulated foreign exchange exposure position of the Bank was 1.17% and 1.20%, respectively, which were below the regulatory red line (20%). The exchange rate risk level was at a relatively low level and was controllable generally.

### **(V) Operational Risk Management**

The Bank has established a sound operational risk management system, clarified the division of the functions of the Board, senior management and various functional departments in operational risk management, strengthened operational risk management by performing their respective duties, and provided a healthy internal operating environment for business development. The Bank proactively identified operational risks in business, processes and systems at all levels of the organization, and organized the collection, tracking, inspection and analysis of various operational risk information to ensure that operational risk identification was adequate, timely, forward-looking and proactive, and the risk loopholes were plugged in time. At the same time, the Bank strengthened the compliance of employee behavior and business by enhancing employee behavior management, behavior investigation, handling of violations and other aspects, so as to reduce the occurrence of employee operational risk incidents.

## **(VI) Large-scale Risk Exposure Management**

Pursuant to the Management Measures for Large-scale Risk Exposure of Commercial Banks issued by the CBIRC, large-scale risk exposure refers to the credit risk exposure to a single customer or a group of related customers of a commercial bank that exceeds 2.5% of its net tier-one capital. The Bank actively established and improved the organizational structure and management system for large risk exposures management, incorporated large risk exposures management into comprehensive risk management system, and actively promoted related system construction of large risk exposures management to effectively manage and control customer concentration risks. As of the end of the Reporting Period, all of the risk exposure indicators for non-industry single customers, non-industry group customers, inter-industry single customers, and inter-industry group customers of the Bank met regulatory requirements.

## **(VII) Reputational Risk Management**

The Bank has established a reputational risk pre-assessment mechanism to promote the reputational risk control in advance. By making full use of the intelligent reputational monitoring system, implementing 7x24 hours omni-channel reputational monitoring and strengthening manual monitoring, the Bank has created the intelligent reputational monitoring mechanism of “technical defense + civil defense”. Also, the Bank has prepared the Reputational Risk Events Response Manual of Dongguan Rural Commercial Bank, continuously improved the media public relations literacy and reputational risk response capabilities of relevant business personnel of various branches.

During the Reporting Period, the Bank further strengthened the quarterly reputational risk screening of each branch, and regularly verified major customer complaints as well as improper marketing and publicity behaviors that occurred quarterly in branches and may cause widespread public concern, etc, to investigate and identify potential reputational risks, promptly released reputational risk warnings. In the first half of 2021, the overall reputational situation of the Bank was stable and good, no major reputational incidents occurred.

## **(VIII) IT Technology Risk Management**

During the Reporting Period, the Bank established an organizational structure of three lines of defense for information technology risk management with a clear division of power and responsibilities, covering the control and management of information technology risk management before, during and after the management; the Bank established a complete information security, information technology risk management and business continuity management policies and systems to realize the monitoring and early warning of key indicators of information technology risks, the Bank also regularly organized scientific and technological risk assessments, information security inspections and business continuity emergency drills to effectively enhance information technology risk prevention and control capability.

### **(IX) Anti-Money Laundering Management**

During the Reporting Period, the Bank strengthened the anti-money laundering and anti-terrorist financing risk management mechanism, and improved the anti-money laundering internal control system to promote the entire process and full coverage of anti-money laundering compliance management. The Bank has optimized the construction of the anti-money laundering system to improve the compliance and intensive level of system operation, it also strengthened customer identification measures and standardized customer due diligence procedures, reshaped the customer money laundering risk classification management system and strengthened the monitoring and control of listed customers, optimized the monitoring model for large-scale and suspicious transactions to increase the value of clues intelligence and block the transfer channel of criminal funds, strengthened a series of anti-money laundering measures such as supervision, inspection, investigation and rectification of branches and affiliates, continued to improve the compliance of anti-money laundering performance and the effectiveness of various risk control measures, and continuously reduced the money laundering risks faced by the Bank.

## **IV. BALANCE OF RELATED PARTY TRANSACTIONS WITH RELATED NATURAL PERSONS AND THEIR RISK EXPOSURE**

During the Reporting Period, the Bank carried out related party transactions management in accordance with the Administrative Measures for the Related Party Transactions between Commercial Banks and their Insiders or Shareholders. As of the end of the Reporting Period, the credit balance of related party transactions between the Bank and related natural persons was RMB868.8262 million, and the risk exposure was RMB868.8262 million. The scale of related-party transactions was controlled at a reasonable level.

## **V. INNOVATIVE BUSINESSES LAUNCHED DURING THE REPORTING PERIOD**

### **(I) Retail Finance**

In the first half of 2021, the Bank launched an exclusive net worth product “(Private) Jinding Wealth Management Dingding Series 154-day Open Net Value ((私享)金鼎理財鼎鼎系列154天開放式淨值型)” wealth management product for private banking customers, and exclusive wealth management for new customers who purchase wealth management for the first time to meet the financial management needs of all customers and further enrich its product matrix.

## (II) Industrial Finance

During the Reporting Period, the Bank launched a comprehensive innovative financial solution named “Listing Service (上市通)”, fully supported the “Three-year Action Plan for Listing of Enterprises” of Dongguan with financial power, comprehensively promoted the development of enterprises, helped companies to be listed successfully and make listed companies become bigger and stronger. Also, the Bank built industrial financial service platform. Closely following the industrial economic development trend and policy requirements, and centering on the two service aims of “local real economy” and “industrial upgrading and development”, the platform gives full play to the advantages of the industrial financial business brand characteristics, solves the dilemma of “difficult financing, expensive financing and complicated financing” of enterprises, and promotes the formation of industrial alliances between core enterprises and upstream and downstream enterprises, which realizes the win-win development for all parties of industrial chain.

## (III) SME Finance

During the Reporting Period, the Bank launched the product “Tea Loan”, which is a product that the Bank precisely serves specific scenarios and customer groups. By focusing on well-known tea brands, and centering on high-quality tea dealers in the city, by virtue of the industry service chains covering many tea business entities, the product helps marketing personnel accurately target customer groups, and broaden the new form of “Modern Sannong ” services.

## (VI) Inter-bank Finance

During the Reporting Period, the Bank successfully implemented the first debt financing plan of accounts receivable of RMB180 million in Beijing Financial Assets Exchange, which provided a package of services through the “lead underwriting + investment” model to enterprises, helped enterprises in the Greater Bay Area to broaden financing channels, revitalized corporate assets, and further enriched the Bank’s financial service solutions for enterprises in the Greater Bay Area.

## (V) Digital Finance

In April 2021, the Bank launched the D Easy Loan (D易貸) business, innovating to realize the combination of online and offline scenarios, and through offline verification of the authenticity of customer information and online approval, improving customer risk management and control capabilities, increasing business processing speed, and effectively satisfying customers’ needs in financing.

## VI. PROSPECTS AND MEASURES FOR THE SECOND HALF OF 2021

It is expected that in the second half of 2021, the global economy will recover amidst volatility, global inflation risks will rise rapidly, and monetary easing will early withdraw from expected growth. The international economic recovery process will continue to diverge and there will still be many unstable and uncertain factors. Due to the major strategic results achieved in domestic epidemic prevention and control, the domestic economy has maintained a recovery trend and gradually returned to normal development. Although growth momentum may slow down, commercial banks may be faced both opportunities and challenges. On the one hand, Dongguan's economy has continued to recover steadily and is improving with stability. Its population has exceeded 10 million, and is about to enter a new track of trillions of GDP. In the new stage of development, rural revitalization projects, urban quality improvement, industrial transformation and upgrading as well as the development of digital economy, green finance, smart manufacturing and other fields will provide many market opportunities and development space to commercial banks. On the other hand, the hysteresis effect of external economic environment and the impact of the epidemic has gradually emerged, the default risk of market debt has increased, and commercial banks will still face greater pressure of credit risk prevention and control.

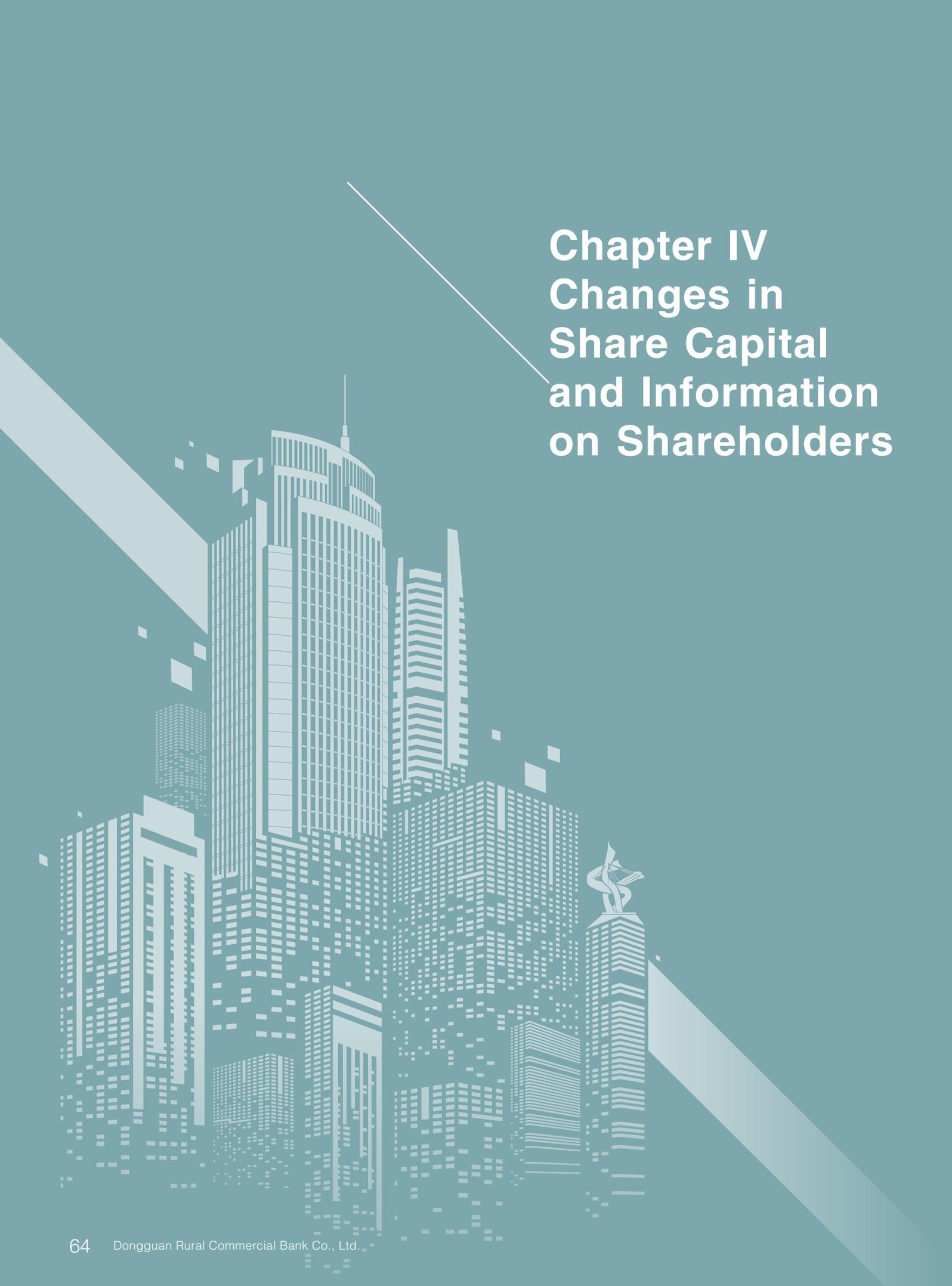
In the second half of 2021, the Bank will adhere to the general principle of “seeking progress while working to keep performance stable”, and will comprehensively promote the implementation of the second three-year development plan (2021-2023) for the third transformation with focus on four aspects, core customers, core businesses, risk management and organization management. The Bank will accelerate the construction of core competitiveness system of “four beams and eight columns (四梁八柱)”, and will go all out to ensure the realization of the first year mission objective of the new three-year development plan.

**Firstly, enhancing the operating capability of core customers.** The Bank will focus on the national strategy of rural revitalization, implement the “133” project of rural revitalization financial services, and do a good job in promoting high-quality and efficient agriculture, rural areas suitable for business and with pleasant living environments and the prosperity and affluence of farmers, and establish three assignment systems, rural revitalization financial instructors, co-construction liaison officer for Party building and inclusive financial service staff. The Bank will further make its focus downwards, comprehensively improve the financial service supply capacity of “Modern Sannong”, and expand the financial services coverage of “Modern Sannong”. The Bank will focus on “strengthening the chain, supplementing the chain and expanding the chain”, promote the “1+3+N” grid service model, and deepen basic customer bases. The Bank will extend the “three chains” and “three circles” of serving core customers, broaden the small and micro and retail customer groups, build a customer ecosystem, improve the market competitiveness and comprehensive contribution of the operation of core customer bases.

**Secondly, improving the level of core business innovation.** The Bank will adhere to the combination of “renovation and improvement of traditional kinetic energy” and “cultivation and growth of new driving forces” to further consolidate the core business growth pattern of multi-source power and multi-point support, and build five distinctive financial business brands with industry influence. The Bank will strengthen corporate finance by enhancing transaction banking services and industrial financial layout; deepen retail finance by expanding the scale of retail AUM, deepening brand-specific services and differentiated innovation; implement small and micro finance by making use of its advantages in product innovation efficiency and preferential policy support; make inter-bank finance flexible by refined portfolio management, specialization of investment transactions and precise risk prevention and control; build a platform-based operation system for online channels to build the foundation for digital transformation operation and improve digital finance.

**Thirdly, consolidating the foundation of risk management and governance.** The Bank will focus on strengthening asset quality management and control, continue to optimize and improve asset quality, and maintain the bottom line of no major risks. The Bank will strengthen comprehensive risk management, improve the comprehensive risk management system, establish group-level risk limit management, and improve the level of refined risk management; strengthen the construction of internal control and compliance, deepen the transmission of compliance culture, reinforce internal control case prevention measures, and make compliance the inevitable choice for all employees; improve the effectiveness of audit and supervision, fully apply the “sky-eye” audit system, implement “three systems” of audit quality management, namely hierarchical control mechanism, full-process supervision mechanism and assessment and incentive mechanism, and strengthen the quality control of each audit link.

**Fourthly, strengthening the construction of organizational guarantee system.** The Bank will speed up digital transformation, the development of financial technology-empowered business, and the creation of “smart digital bank”; improve the quality of group operation and development, center on the strategic goal of building a “regional modern rural commercial bank group”, and promote the transformation of business model to more focus on group integrated operation and comprehensive coordination; empower integrated management, further break the “departmental wall”, connect the “empowerment chain”, normalize the creation of an empowerment organization, and continue to move towards higher quality development.



# Chapter IV Changes in Share Capital and Information on Shareholders

## I. CHANGES IN ORDINARY SHARES

### (I) Share Capital

During the Reporting Period, there was no change in the Bank's ordinary share capital. At the end of the Reporting Period, the total number of issued ordinary shares of the Bank was 5,740,454,510 Domestic Shares, and the total share capital was RMB5,740,454,510.

### (II) Details of Changes in Share Capital

After the Reporting Period, the Bank issued 1,148,091,000 H Shares, which were listed on the Main Board of the Hong Kong Stock Exchange on September 29, 2021. Upon the Listing, the changes in the Bank's ordinary Shares are as follows:

|                 | As at June 30, 2021  |                | Increase/<br>(decrease) during<br>the Period<br>(Share) | As at September 29, 2021 |                |
|-----------------|----------------------|----------------|---|--------------------------|----------------|
|                 | Number               | Percentage (%) |   | Number                   | Percentage (%) |
| Domestic Shares | <b>5,740,454,510</b> | <b>100.00</b>  | –   | 5,740,454,510            | 83.33          |
| H Shares        | –                    | –              | 1,148,091,000   | 1,148,091,000            | 16.67          |
| <b>Total</b>    | <b>5,740,454,510</b> | <b>100.00</b>  | 1,148,091,000   | 6,888,545,510            | 100.00         |

### (III) Issuance and Listing of Securities

During the Reporting Period, the Bank did not issue any Shares.

Subsequent to the Reporting Period, the Bank issued 1,148,091,000 H shares at the offer price of HK\$7.92 per H Share, which were listed on the Main Board of the Hong Kong Stock Exchange on September 29, 2021. For further details, please refer to the Prospectus. Based on the offer price of HK\$7.92 per Share, the net proceeds from the global offering is approximately HK\$8.882 billion. After deducting the relevant expenses of the H-share issuance, the net proceeds will be used to supplement the Bank's core Tier 1 capital. The Bank will disclose the actual use of proceeds in a timely manner in accordance with the requirements of the Listing Rules.

## II. ORDINARY SHAREHOLDERS OF THE BANK

### (I) Number and Shareholdings of Ordinary Shareholders

At the end of the Reporting Period, the total number of Shareholders of the Bank was 57,595. Among them: 83 legal persons; 57,512 natural persons, of which 3,022 were employee natural persons, which are the same as at the end of last year.

At the end of the Reporting Period, the direct shareholding of the Bank's top 10 Domestic Shareholders is as follows:

Unit: Share

| No.   | Name of Shareholder  | Nature of Shareholder                 | Increase/<br>(decrease)<br>during the<br>Reporting<br>Period | Total<br>number of<br>Shares held | Shareholding<br>(%) |
|-------|--|---------------------------------------|--|-----------------------------------|---------------------|
| 1     | Guangdong Canvest Investment Co., Ltd.<br>(廣東粵豐投資有限公司)                   | Domestic non-state-owned legal person | -  | 299,246,910                       | 5.21                |
| 2     | Dongguan City Kanghua Investment Group Co., Ltd. (東莞市康華投資集團有限公司)         | Domestic non-state-owned legal person | -  | 150,104,602                       | 2.61                |
| 3     | Dongguan Nanfang Foodgrain & Cooking Oil Co., Ltd. (東莞市南方糧油有限公司)         | Domestic non-state-owned legal person | -  | 99,660,304                        | 1.74                |
| 4     | Dongguan City Huimei Decoration Engineering Co., Ltd.<br>(東莞市惠美裝飾工程有限公司) | Domestic non-state-owned legal person | -  | 82,468,873                        | 1.44                |
| 5     | Dongguan City Haida Industrial Co., Ltd.<br>(東莞市海達實業有限公司)                | Domestic non-state-owned legal person | -  | 74,027,320                        | 1.29                |
| 6     | Guangdong Haide Group Co., Ltd.<br>(廣東海德集團有限公司)                          | Domestic non-state-owned legal person | -  | 69,784,524                        | 1.22                |
| 7     | Dongguan City Jianhua Paper Co., Ltd.<br>(東莞市建樺紙業股份有限公司)                 | Domestic non-state-owned legal person | -  | 57,978,360                        | 1.01                |
| 8     | Dongguan City Fengjing Group Co., Ltd.<br>(東莞市峰景集團有限公司)                  | Domestic non-state-owned legal person | -  | 57,978,360                        | 1.01                |
| 9     | Dongguan City Commercial Center Development Co., Ltd.<br>(東莞市商業中心發展有限公司) | Domestic non-state-owned legal person | -  | 35,080,472                        | 0.61                |
| 10    | Zhou Binghui (周炳輝)   | Domestic natural person               | -  | 34,993,508                        | 0.61                |
| Total |  |                                       | -  | 961,323,233                       | 16.75               |

## **(II) Interests and Short Positions of Substantial Shareholders and Other Relevant Parties under Hong Kong Laws and Regulations**

As the H Shares of the Bank have not been listed on the Hong Kong Stock Exchange on June 30, 2021, S. 336 of the SFO did not apply to the Bank during the Reporting Period. For information regarding persons (other than the Directors, Supervisors and chief executives of the Bank) who had, or were deemed to have interests or short positions in the Shares and underlying Shares of the Bank after the Listing which would fall to be disclosed to the Bank and the Hong Kong Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Bank pursuant to S. 336 of the SFO, please refer to the paragraph headed “Appendix VII-Statutory and General Information – 4. Further Information about our Directors, Supervisors and Substantial Shareholders – A. Substantial Shareholders” in the Prospectus.

## **(III) Substantial Shareholders as Stipulated in the Interim Measures for the Equity Management of Commercial Banks**

According to the Interim Measures for the Equity Management of Commercial Banks issued by the Former CBRC, a substantial shareholder of a commercial bank refers to a substantial shareholder who holds or controls more than 5% of the shares or voting rights of a commercial bank, or a shareholder who hold less than 5% of the total capital or total shares but have a significant impact on the operation and management of the commercial bank. The aforementioned significant influence include, but not limited to, dispatching directors, supervisors or senior management personnel to commercial banks, influencing the financial and operational management decisions of commercial banks through agreements or other means, and other circumstances recognized by the CBIRC or its local offices.

### **1. Shareholders who hold more than 5% (including 5%) of the share capital of the Bank as of the end of the Reporting Period**

Guangdong Canvest Investment was established on November 27, 2002. Its legal representative is Guo Huiqiang (郭惠強) and its registered capital is RMB100 million. Its business scope includes: investment and establishment of industries, sales of steel, building materials, wood, construction machinery, hardwares.

The controlling shareholder of Guangdong Canvest Investment is Guo Huiqiang. There is no actual controller or party acting in concert, and the ultimate beneficiary is itself. As at the end of the Reporting Period, Guangdong Canvest Investment and its related parties held a total of 304,097,853 Shares of the Bank, accounting for 5.30% of the total number of the Bank’s issued ordinary Shares. The related parties of Guangdong Canvest Investment includes Canvest Environmental Protection Investment Limited (廣東粵豐環保投資有限公司), Dongguan San Yang Industrial Development Co., Ltd. (東莞市三陽實業發展有限公司), Dongguan Zhuorui Industrial Investment Co., Ltd. (東莞市卓瑞實業投資有限公司), Lai Chun Tung (黎俊東) and others; among them, there is related relationship between the Bank’s Director Lai Chun Tung and the Bank. At the end of the Reporting Period, the balance of credit-related transactions between the Bank and Guangdong Canvest Investment and its related parties was RMB2,553,088,500, and there was no non-credit related transactions. During the Reporting Period, Guangdong Canvest Investment and its related parties did not pledge their equities in the Bank.

## 2. Other Substantial Shareholders under relevant regulations

### (1) Dongguan City Kanghua Investment Group Co., Ltd. (東莞市康華投資集團有限公司)

Dongguan City Kanghua Investment Group Co., Ltd. was established on March 29, 2002, its legal representative is Wang Junyang (王君揚), its registered capital is RMB268.88 million, and its business scope includes: corporate management consulting, investment in various infrastructure construction projects, domestic commerce and material supply and marketing (excluding state-controlled and franchised projects), investment in medical projects (excluding operations), investment in educational projects, property leasing and property management. The controlling shareholder of Dongguan City Kanghua Investment Group Co., Ltd. is Wang Junyang. There is no actual controller or party acting in concert, and the ultimate beneficiary is itself.

At the end of the Reporting Period, Dongguan City Kanghua Investment Group Co., Ltd. and its related parties held a total of 235,617,572 Shares of the Bank, accounting for 4.10% of the total numbers of the Bank's issued ordinary shares. The related parties of Dongguan City Kanghua Investment Group Co., Ltd. includes Dongguan City Xingye Group Co., Ltd. (東莞市興業集團有限公司), Dongguan City Xingda Property Investment Co., Ltd. (東莞市興達物業投資有限公司) and Dongguan Dazhong Industrial Co., Ltd. (東莞市大中實業有限公司) and others; among them, there is related relationship between the Bank's Director Wang Junyang and the Bank. Therefore, it is regarded as a substantial Shareholder. As at the end of the Reporting Period, the balance of credit-related transactions between the Bank and Dongguan City Kanghua Investment Group Co., Ltd. and its related parties was RMB4,763,034,400, and there were no non-credit related transactions. During the Reporting Period, Dongguan City Kanghua Investment Group Co., Ltd. and its related parties did not pledge their equities in the Bank.

### (2) Dongguan Nanfang Foodgrain & Cooking Oil Co., Ltd. (東莞市南方糧油有限公司)

Dongguan Nanfang Foodgrain & Cooking Oil Co., Ltd. was established on June 30, 2004, its legal representative is Cai Hanzhen (蔡漢珍), its registered capital is RMB6 million, and its business scope includes: wholesale, retail, pre-packaged food, bulk food, operation and management of grain and feed wholesale market in Zhangmutou, wholesale and retail, general cargo storage, loading and unloading services.

The controlling shareholder of Dongguan Nanfang Foodgrain & Cooking Oil Co., Ltd. is Cai Hanzhen. There is no actual controller or party acting in concert, and the ultimate beneficiary is itself. As at the end of the Reporting Period, Dongguan Nanfang Foodgrain & Cooking Oil Co., Ltd. and its related parties held a total of 106,062,178 Shares of the Bank, accounting for 1.85% of the total number of the Bank's issued ordinary Shares. The related parties of Dongguan Nanfang Foodgrain & Cooking Oil Co., Ltd. includes Dongguan Leading Industry Co., Ltd., Cai Guowei (蔡國偉) and others; among them, there is related relationship between the Bank's Director Cai Guowei and the Bank. Therefore, it is regarded as a substantial Shareholder. As at the end of the Reporting Period, the balance of credit-related transactions between the Bank and Dongguan Nanfang Foodgrain & Cooking Oil Co., Ltd. and its related parties was RMB364.40 million, and there were no non-credit related transactions. During the Reporting Period, Dongguan Nanfang Foodgrain & Cooking Oil Co., Ltd. and its related parties did not pledge their equities in the Bank.

(3) Guangdong Haide Group Co., Ltd. (廣東海德集團有限公司)

Guangdong Haide Group Co., Ltd. was established on July 28, 2000, its legal representative is Ye Jinqun (葉錦泉), its registered capital is RMB200,000,000, and its business scope includes: industrial investment, engineering bidding agency services, building intelligent engineering, decoration design and engineering construction, production of hardware products, landscaping engineering, sales of building materials and decoration materials (excluding hazardous chemicals), real estate development (operating with valid qualification certificates).

The controlling shareholder of Guangdong Haide Group Co., Ltd. is Ye Jinqun. There is no actual controller or party acting in concert, and the ultimate beneficiary is itself. As at the end of the Reporting Period, Guangdong Haide Group Co., Ltd. and its related parties held a total of 116,333,556 Shares of the Bank, accounting for 2.03% of the total number of the Bank's issued ordinary Shares. The related parties of Guangdong Haide Group Co., Ltd. includes Dongguan City Commercial Center Development Co., Ltd. (東莞市商業中心發展有限公司), Ye Jinqun and others; among them, there is related relationship between the Bank's Director Ye Jinqun and the Bank. Therefore, it is regarded as a substantial Shareholder. As at the end of the Reporting Period, the balance of credit-related transactions between the Bank and Guangdong Haide Group Co., Ltd. and its related parties was RMB2,247,070,000, and there were no non-credit related transactions. During the Reporting Period, Guangdong Haide Group Co., Ltd. and its related parties did not pledge their equities in the Bank.

(4) Dongguan Hongyuan Hotel Co., Ltd. (東莞市宏遠酒店有限公司)

Dongguan Hongyuan Hotel Co., Ltd. was established on June 22, 2000, its legal representative is Chen Jiangtao (陳江濤), its registered capital is RMB10,000,000, and its business scope includes: catering services, tourism, karaoke, ballroom, hairdressing service, cigarette retail, beauty service (excluding medical beauty).

The controlling shareholder of Dongguan Hongyuan Hotel Co., Ltd. (東莞市宏遠酒店有限公司) is Chen Jiangtao. There is no actual controller or party acting in concert, and the ultimate beneficiary is itself. At the end of the Reporting Period, Dongguan Hongyuan Hotel Co., Ltd. and its related parties held a total of 33,239,310 Shares of the Bank, accounting for 0.58% of the total number of the Bank's issued ordinary Shares. The related parties of Dongguan Hongyuan Hotel Co., Ltd. includes Dongguan Yingjun Industrial Investment Co., Ltd. (東莞市盈君實業投資有限公司) and Chen Haitao (陳海濤), and others; among them, there is related relationship between the Bank's Director Chen Haitao and the Bank. Therefore, it is regarded as a substantial Shareholder. At the end of the Reporting Period, the balance of credit-related transactions between the Bank and Dongguan Hongyuan Hotel Co., Ltd. and its related parties was RMB2,302,967,100; non-credit related transactions during the Reporting Period amounted to RMB103,232,000. During the Reporting Period, Dongguan Hongyuan Hotel Co., Ltd. and its related parties did not pledge their equities in the Bank.

(5) Dongguan City Dianshi Wujin Electronic Appliances Co., Ltd. (東莞市點石五金電器有限公司)

Dongguan City Dianshi Wujin Electronic Appliances Co., Ltd. was established on June 29, 2011. Its legal representative is Fang Zhixian (方智賢) and its registered capital is RMB10,000,000. Its business scope includes: sales of hardware, electrical appliances, wood products, building materials, decoration materials (excluding hazardous chemicals), daily necessities, electronic products.

The shareholders of Dongguan City Dianshi Wujin Electronic Appliances Co., Ltd. are Fang Zhixian (方智賢) and Li Zhihui (李智慧), each holding 50.00% of the shares, respectively. There is no actual controller party acting in concert and the ultimate beneficiary is itself. At the end of the Reporting Period, Dongguan City Dianshi Wujin Electronic Appliances Co., Ltd. and its related parties held a total of 15,624,397 Shares of the Bank, accounting for 0.27% of the total number of the Bank's issued ordinary Shares. The related parties of Dongguan City Dianshi Wujin Electronic Appliances Co., Ltd. includes Zhang Qingxiang (張慶祥), Fang Zhixian (方智賢), and others; among them, there is related relationship between the Bank's Director Zhang Qingxiang (張慶祥) and the Bank. Therefore, it is regarded as a substantial Shareholder. At the end of the Reporting Period, the balance of credit-related transactions between the Bank and Dongguan City Dianshi Wujin Electronic Appliances Co., Ltd. and its related parties was RMB3,428,039,500, and there were no non-credit related transactions. During the Reporting Period, Dongguan City Dianshi Wujin Electronic Appliances Co., Ltd. and its related parties did not pledge their equities in the Bank.

(6) Dongguan City Xingye Knitting Co., Ltd. (東莞市興業針織有限公司)

Dongguan City Xingye Knitting Co., Ltd. was established on May 28, 1995. Its legal representative is Fu Wanxia (傅婉霞) and its registered capital is RMB50,000,000. Its business scope includes: production of knitted garments, knitwear, bedding, sweater printing, and sales of raw materials for knitwear.

The controlling shareholder of Dongguan City Xingye Knitting Co., Ltd. is Chen Xipei (陳錫培). There is no actual controller or party acting in concert, and the ultimate beneficiary is itself. At the end of the Reporting Period, Dongguan City Xingye Knitting Co., Ltd. and its related parties held a total of 36,313,081 Shares in the Bank, accounting for 0.63% of the total number of the Bank's issued ordinary Shares. The related parties of Dongguan City Xingye Knitting Co., Ltd. (東莞市興業針織有限公司) includes Chen Xipei (陳錫培), Chen Weiliang (陳偉良) and others; among them, there is related relationship between the Bank's Director Chen Weiliang and the Bank. Therefore, it is regarded as a substantial Shareholder. At the end of the Reporting Period, the balance of credit-related transactions between the Bank and Dongguan City Xingye Knitting Co., Ltd. and its related parties was RMB408,725,000, and there were no non-credit related transactions. During the Reporting Period, Dongguan City Xingye Knitting Co., Ltd. and its related parties did not pledge their equities in the Bank.

(7) Dongguan Shenzhou Industrial Development Co., Ltd. (東莞市神洲實業開發有限公司)

Dongguan Shenzhou Industrial Development Co., Ltd. was established on July 30, 1996, its legal representative is Lu Chaoping (盧超平), its registered capital is RMB6,000,000, and its business scope includes: industrial investment, property leasing, sales of fashion, decorative materials, building materials, daily necessities, textiles, electronic products, and hardware.

The controlling shareholder of Dongguan Shenzhou Industrial Development Co., Ltd. is Lu Chaoping (盧超平). There is no actual controller or party acting in concert, and the ultimate beneficiary is itself. At the end of the Reporting Period, Dongguan Shenzhou Industrial Development Co., Ltd. held a total of 6,442,040 Shares in the Bank, accounting for 0.11% of the total number of the Bank's issued ordinary Shares, and there were no other related parties holding Shares. There is related relationship between the Bank's Supervisor Lu Chaoping and Dongguan Shenzhou Industrial Development Co., Ltd. Therefore it is regarded as a substantial Shareholder. At the end of the Reporting Period, the balance of credit-related transactions between the Bank and Dongguan Shenzhou Industrial Development Co., Ltd. and its related parties was RMB155,901,600, and there were no non-credit related transactions. During the Reporting Period, Dongguan Shenzhou Industrial Development Co., Ltd. and its related parties did not pledge their equities in the Bank.

(8) Dongguan City Royal Garden Hotel Co., Ltd. (東莞市帝豪花園酒店有限公司)

Dongguan City Royal Garden Hotel Co., Ltd. was established on February 13, 2003, its legal representative is Chen Guangde (陳廣德), its registered capital is RMB60,875,000, and its business scope includes: tourism, catering services, swimming pools, retail of department stores, handicrafts, cigarettes, cigars, pre-packaged food, bulk food, reception of theatrical performances, hotel management consultants and property investment consulting.

Dongguan City Royal Garden Hotel Co., Ltd. is held 50% by Peng Runzhi (彭潤枝) and Liang Yongxiong (梁永雄), respectively. There is no actual controller or party acting in concert, and the ultimate beneficiary is itself. At the end of the Reporting Period, Dongguan City Royal Garden Hotel Co., Ltd. and its related parties held a total of 34,625,965 Shares in the Bank, accounting for 0.60% of the total number of the Bank's issued ordinary Shares. The related parties of Dongguan City Royal Garden Hotel Co., Ltd. includes Liang Peiguang (梁沛光), Liang Jiepeng (梁傑鵬) and others, among them, there is related relationship between the Bank's Supervisor Liang Jiepeng (梁傑鵬) and the Bank. Therefore, it is regarded as a substantial Shareholder. At the end of the Reporting Period, the balance of credit-related transactions between the Bank and Dongguan City Royal Garden Hotel Co., Ltd. and its related parties was RMB468,000,000, and there were no non-credit related transactions. During the Reporting Period, Dongguan City Royal Garden Hotel Co., Ltd. and its related parties did not pledge their equities in the Bank.

#### **(IV) Information on Controlling Shareholders and Actual Controllers**

During the Reporting Period, there was no major change in the Bank's shareholding structure. There is no individual Shareholder together with its related parties holding more than 10% of the Shares. Any individual Shareholder and its related parties cannot control the general meeting of Shareholders and the Board of Directors. Therefore, there is no controlling Shareholder and actual controller of the Bank.

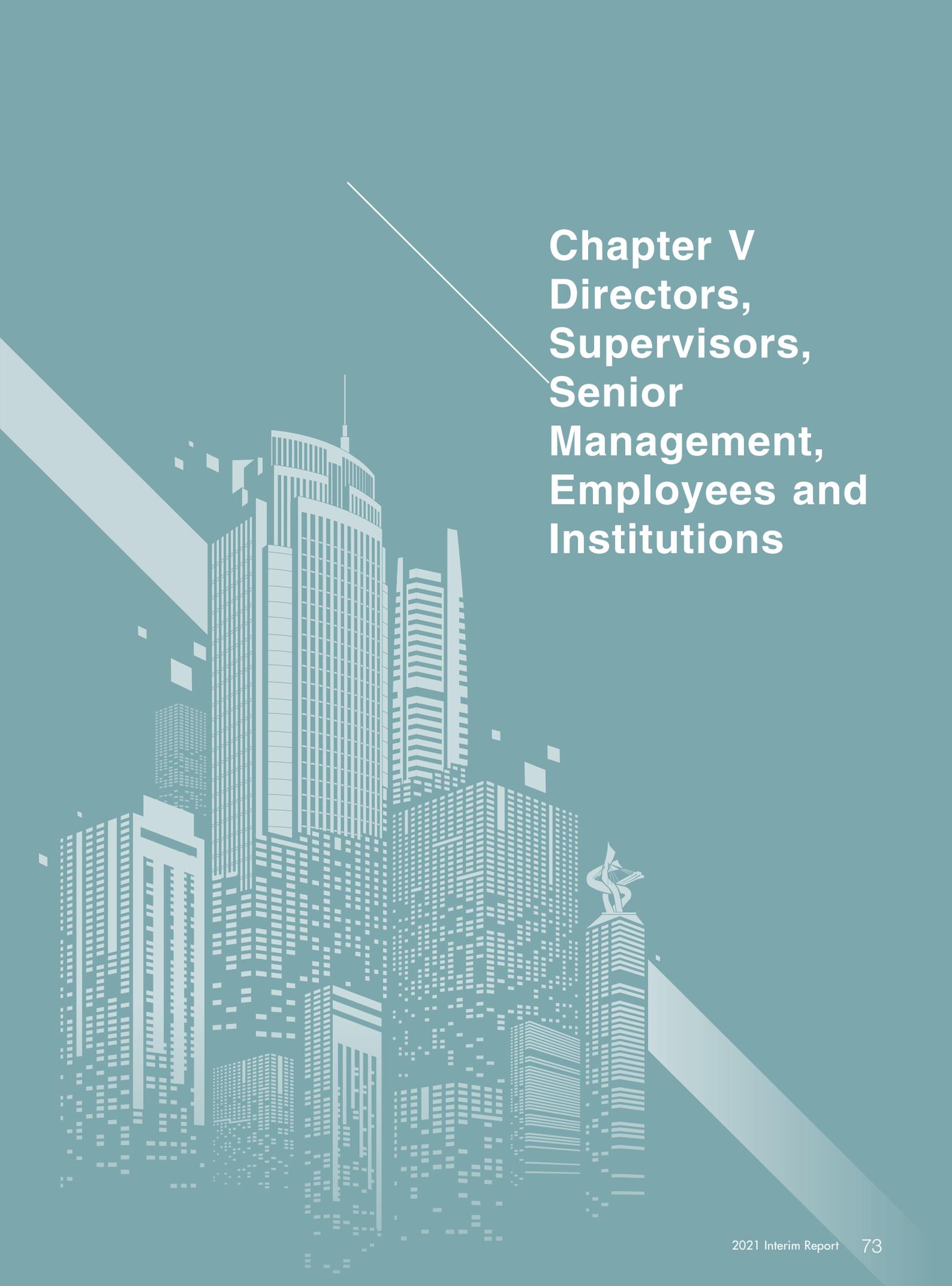
#### **(V) Pledge and Freezing of Ordinary Shares**

As of the end of the Reporting Period, none of the Bank's Shareholders holding more than 5% (including 5%) of the total share capital of ordinary Shares had been pledged or frozen. As at the end of the Reporting Period, so far as the Bank was aware, there was no pledge of Shares of the Bank, and no Shareholders of the Bank pledged their Shares to the Bank. 5,040,640 Shares of the Bank were judicially frozen, accounting for 0.09% of the total Shares of the Bank.

According to Article 43 of the Articles of Association of the Bank, if the equities of the Bank pledged by the Shareholder reaches or exceeds 50% of equities of the Bank held by such Shareholder, such Shareholder's voting right on the general meeting and the voting rights of the Director nominated by such Shareholder on the Board meeting shall be restricted. During the Reporting Period, the Bank did not need to restrict the voting rights of relevant shares in general meetings or board meetings.

#### **(VI) Purchase, Sale or Redemption of Listed Securities or Redeemable Securities of the Bank**

During the Reporting Period, the Bank and any of its subsidiaries did not purchase, sell or redeem any listed securities or redeemable securities of the Bank.



**Chapter V**  
**Directors,**  
**Supervisors,**  
**Senior**  
**Management,**  
**Employees and**  
**Institutions**

## I. BASIC INFORMATION ON DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

### (I) Basic Information

| Name            | Gender | Date of birth  | Position   | Term of office   | Class of Shares | Number of Shares held as at the beginning of the Reporting Period (Shares) | Increase/ (Decrease) in the number of Shares held during the Reporting Period | Number of Shares held as at the end of the Reporting Period (Shares) |
|-----------------|--------|----------------|--|--|-----------------|--|---|--|
| Wang Yaoqiu     | Male   | April 1968     | Secretary to the Party Committee<br>Chairman<br>Executive Director   | April 2016 – present<br>January 2017 – present<br>September 2016 – present   | Domestic Shares | 401,210  | -   | 401,210  |
| Fu Qiang        | Male   | July 1970      | Deputy secretary to the Party Committee<br>Executive Director<br>President   | November 2018 – present<br>July 2019 – present<br>July 2019 – present  | Domestic Shares | 500,000  | -   | 500,000  |
| Ye Janguang     | Male   | October 1972   | Member of the Party Committee<br>Executive Director<br>Vice President<br>Chief Risk Officer<br>Secretary to the Board<br>Joint company secretary | August 2016 – present<br>March 2019 – present<br>December 2017 – present<br>March 2019 – present<br>May 2021 – present<br>April 2021 – present | Domestic Shares |  |   |  |
| Chen Wei        | Male   | April 1972     | Member of the Party Committee<br>Executive Director<br>Vice President  | August 2016- present<br>December 2019 – present<br>October 2018 – present  | Domestic Shares | 113,907  | -   | 113,907  |
| Lai Chun Tung   | Male   | October 1974   | Non-executive Director   | December 2009 – present  | Domestic Shares | 1,156,825  | -   | 1,156,825  |
| Wang Junyang    | Male   | November 1982  | Non-executive Director   | November 2016 – present  | -               | -  | -   | -  |
| Cai Guowei      | Male   | August 1962    | Non-executive Director   | December 2009 – present  | Domestic Shares | 2,281,622  | -   | 2,281,622  |
| Ye Jinqun       | Male   | June 1970      | Non-executive Director   | June 2018 – present  | Domestic Shares | 9,663,060  | -   | 9,663,060  |
| Chen Haitao     | Male   | September 1967 | Non-executive Director   | March 2012 – present   | Domestic Shares | 350,000  | -   | 350,000  |
| Zhang Qingxiang | Male   | November 1985  | Non-executive Director   | December 2019 – present  | Domestic Shares | 2,021,371  | -   | 2,021,371  |
| Chen Weiliang   | Male   | September 1984 | Non-executive Director   | December 2019 – present  | Domestic Shares | 6,000  |   | 6,000  |
| Yip Tai Him     | Male   | August 1970    | Independent non-executive Director   | March 2019 – present   | -               | -  | -   | -  |
| Xu Zhi          | Male   | June 1972      | Independent non-executive Director   | December 2019 – present  | -               | -  | -   | -  |
| Shi Wenfeng     | Male   | February 1978  | Independent non-executive Director   | December 2019 – present  | -               | -  | -   | -  |
| Tan Fulong      | Male   | June 1973      | Independent non-executive Director   | December 2019 – present  | -               | -  | -   | -  |

## Chapter V

### Directors, Supervisors, Senior Management, Employees and Institutions

| Name           | Gender | Date of birth  | Position   | Term of office  | Class of Shares | Number of Shares held as at the beginning of the Reporting Period (Shares) | Increase/ (Decrease) in the number of Shares held during the Reporting Period | Number of Shares held as at the end of the Reporting Period (Shares) |
|----------------|--------|----------------|--|---|-----------------|--|---|--|
| Liu Yuou       | Female | August 1971    | Independent non-executive Director   | December 2019 – present   | -               | -  | -   | -  |
| Xu Tingting    | Female | June 1983      | Independent non-executive Director   | December 2019 – present   | -               | -  | -   | -  |
| Chen Sheng     | Male   | September 1974 | Chairman of the Board of Supervisors<br>Employee Supervisor                  | September 2018 – present<br>September 2018 – present                        | Domestic Shares | 32,210   | -   | 32,210   |
| Deng Yanwen    | Female | January 1972   | Employee Supervisor  | October 2019 – present  | Domestic Shares | 335,412  | -   | 335,412  |
| Wu Lixin       | Male   | June 1969      | Employee Supervisor  | October 2019 – present  | Domestic Shares | 335,412  | -   | 335,412  |
| Liang Zhifeng  | Male   | October 1973   | Employee Supervisor  | October 2019 – present  | -               | -  | -   | -  |
| Lu Chaoping    | Male   | February 1964  | Shareholder Supervisor   | December 2019 – present   | -               | -  | -   | -  |
| Wang Zhujin    | Male   | March 1964     | Shareholder Supervisor   | October 2019 – present  | Domestic Shares | 500,000  | -   | 500,000  |
| Liang Jiepeng  | Male   | December 1984  | Shareholder Supervisor   | October 2019 – present  | Domestic Shares | 2,254,714  | -   | 2,254,714  |
| Zou Zhibiao    | Male   | October 1989   | Shareholder Supervisor   | October 2019 – present  | Domestic Shares | 32,210   | -   | 32,210   |
| Wei Haiying    | Female | December 1963  | External Supervisor  | October 2019 – present  | -               | -  | -   | -  |
| Yang Biao      | Male   | January 1980   | External Supervisor  | October 2019 – present  | -               | -  | -   | -  |
| Zhang Bangyong | Male   | February 1979  | External Supervisor  | October 2019 – present  | -               | -  | -   | -  |
| Mai Xiuhua     | Female | January 1971   | External Supervisor  | October 2019 – present  | -               | -  | -   | -  |
| Qian Hua       | Male   | September 1973 | Member of the Party Committee<br>Secretary to the Disciplinary Committee     | November 2018 – present<br>November 2018 – present                          | Domestic Shares | 322,202  | -   | 322,202  |
| Chen Dongmei   | Female | November 1971  | Member of the Party Committee<br>Vice President<br>Chief Information Officer | September 2016 – present<br>December 2017 – present<br>April 2019 – present | Domestic Shares | 420,035  | -   | 420,035  |

**Note:**

- (1) The relevant content is the information as of the Latest Practicable Date.
- (2) The appointment dates of Directors referred herein represent the dates on which the relevant qualifications are approved by the CBIRC.
- (3) The appointment dates of Supervisors take effect from the dates on which his/her appointment was approved at the general meeting and the staff representative meeting.

## (II) Changes in Directors, Supervisors and Senior Management

On March 29, 2021, Mr. Ye Yunfei submitted his resignation as a Director and the secretary of the Board to the Board of the Bank. In April 2021, Mr. Ye Yunfei ceased to serve as assistant to the president of the Bank.

In April 2021, Mr. Chen Xuchu ceased to serve as a vice president and compliance director of the Bank.

In April 2021, Mr. Ye Jianguang concurrently served as the joint company secretary. In May 2021, he has obtained his qualification of the secretary of the Board of Directors and began his performance.

## (III) Changes in Information on Directors and Supervisors

In March 2021, Mr. Tan Fulong was appointed as an expert of Civil, Administrative and Prosecution Expert Consultation Web (民事行政檢察專家諮詢網) by the Sixth Procuratorate and the Seventh Procuratorate of The Supreme People's Procuratorate.

In March 2021, Mr. Zhang Bangyong ceased to be a partner of Guangdong Everwin Law Office (Dongguan) (廣東法制盛邦(東莞)律師事務所). Since June 2021, Mr. Zhang has been a partner of Guangdong Qinyi Law Office (廣東秦儀律師事務所).

## (IV) Interests and Short Positions of Directors, Supervisors and Chief Executives

As the H Shares of the Bank have not been listed on the Hong Kong Stock Exchange on June 30, 2021, S. 352 of the SFO and the Model Code was not applicable to the Bank during the Reporting Period. For the information of interests or short positions of the Directors, Supervisors and chief executives of the Bank in the Shares, underlying Shares and debentures of the Bank or its associated corporations (within the meaning of Part XV of the SFO) immediately after the Listing of the Bank as recorded in the register required to be kept pursuant to S. 352 of the SFO, or otherwise required to be notified to the Bank and the Hong Kong Stock Exchange pursuant to the Model Code as set out in Appendix 10 of the Listing Rules, please refer to the paragraph headed "Appendix VII – Statutory and General Information – 4. Further Information about our Directors, Supervisors and Major Shareholders – B. Directors and Supervisors" in the Prospectus.

Save as disclosed in this Report and the Prospectus, no arrangement has been entered into between the Bank or its holding company or its subsidiaries during any time in the Reporting Period, which will allow the Directors, Supervisors and chief executives of the Bank or his/her spouse and children under the age of 18, the corporation or trust controlled, to be benefited by acquiring the Shares, underlying Shares or debentures of the Bank or other body corporates.

## (V) Securities Transactions by Directors, Supervisors and Relevant Employees

The Bank has adopted the Model Code as set out in Appendix 10 to the Listing Rules as the codes of conduct for the Directors, Supervisors and relevant employees of the Bank to conduct securities transactions. As the H Shares of the Bank have not been listed on the Hong Kong Stock Exchange on June 30, 2021, S. 352 of the SFO and the Model Code were not applicable to the Bank during the Reporting Period. The Directors, Supervisors and relevant employees of the Bank will continue to meet relevant requirements after the listing of the Bank.

## II. EMPLOYEES

As of the end of the Reporting Period, the Group currently has 7,995 employees. The details are as follows:

### (I) Employees Functional Structure

| Function type  | Number       | Percentage (%) |
|--|--------------|----------------|
| Corporate banking business                             | 944          | 11.81%         |
| Personal banking business                              | 3,107        | 38.86%         |
| Treasury business                                      | 97           | 1.21%          |
| Finance, accounting and operation                      | 1,537        | 19.22%         |
| Risk management, internal control and legal compliance | 834          | 10.43%         |
| Information technology                                 | 280          | 3.50%          |
| Administrative management                              | 826          | 10.33%         |
| Others   | 370          | 4.63%          |
| <b>Total</b>   | <b>7,995</b> | <b>100.00%</b> |

### (II) Employee Educational Background Structure

| Educational background type          | Number       | Percentage (%) |
|--------------------------------------|--------------|----------------|
| Postgraduate and above               | 244          | 3.05%          |
| Undergraduate                        | 5,948        | 74.40%         |
| College                              | 1,386        | 17.34%         |
| Technical secondary school and below | 417          | 5.22%          |
| <b>Total</b>                         | <b>7,995</b> | <b>100.00%</b> |

**(III) Employee Title Structure**

| Title degree             | Number | Percentage (%) |
|--------------------------|--------|----------------|
| Senior title             | 148    | 1.85%          |
| Intermediate title       | 1,160  | 14.51%         |
| Assistant title          | 2,281  | 28.53%         |
| Employee level and below | 4,406  | 55.11%         |
| Total                    | 7,995  | 100.00%        |

*Notes:* The number of employees mentioned above refers to the number of in-service employees who have signed labor contracts with the Group, excluding non-active personnel such as retired and internal retired personnel, and labor dispatch and outsourcing personnel.

**(IV) Employee Remuneration Policy**

The Bank's remuneration is based on risk compliance, follows the basic principles of total quantity control, distribution according to work volume priority for efficiency, fairness and sustainable development, and fully reflects external competitiveness, internal fairness, individual incentives, corporate affordability and institutional flexibility, which is in line with the strategic development and operation management needs of the Bank.

The Bank continued to strengthen the construction of the remuneration system and performance incentive and restraint mechanism, and formulated the Remuneration Management Measures of Dongguan Rural Commercial Bank Co., Ltd. and the performance appraisal plan for all levels of personnel. The employee salary structure mainly includes fixed salary, performance salary, variable salary and welfare income. Performance-based compensation is mainly linked to the completion of the organization's business performance and the results of risk control.

The Bank continued to implement the Management Measures of Deferred Payment of Performance-based Salary of Dongguan Rural Commercial Bank, and incorporated senior management of the Bank, employees in positions that have a significant impact on risks, and other individuals who engaged in credit and credit-like business in the deferred payment of performance-based compensation. The Bank divided different provision ratios according to the titles, ranks and positions of deferred payment objects, and the deferred payment period is 3 years. Particularly, the provision ratio for deferred payment of performance-based compensation for key senior management of the Bank reached 51%. During the Reporting Period, the payroll cost of employees of the Group was RMB1.488 billion. Please refer to note 10 to the interim financial statements as set out in the "Financial Report" in this Report for details.

## (V) Staff Training

Based on the new three-year development plan, Dongguan Rural Commercial Bank focused on building a talent-driven organization and an innovative mechanism for growth and development of talents. Through the establishment of three core training systems, i.e. “leadership, professional ability and new potential”, as well as the combination of online and offline channels, courses and tasks, the Bank continuously optimized the effectiveness of its training and effectively stimulated new vitality of talents.

Firstly, the Bank strived to build a training system to nurture cadre competency under new situation, closely followed the economic development and industry trend, and focused on the requirements and implementation of strategic planning. With the goal of promoting the growth and training of cadres and improving their competence, the Bank built the hierarchy-based talent training path, and set up the cadre training system to achieve the core competitiveness of “long-lasting development”. In the first half of 2021, the Bank focused on the preparation of the “Foundation Building Plan” Supervisor competency training camp and the “Crowd Strength Plan” reserve mid-level empowerment training camp. The Bank built a learning and exchange platform to help new management cadres realize role conversion, improve management skills, and promote the discussion, sharing and inheritance of experience and case studies of temporary middle-level cadres.

Secondly, the Bank strived to build a training system to nurture core business innovation, and focused on five main business segments including corporate finance, retail finance, SME finance, interbank finance and digital finance. The Bank empowered business development with professional and case-based trainings, helped improve the professional quality of employees, enhanced the business efficiency of key positions, and comprehensively improved core business innovation capabilities. As of the end of June 2021, the Bank focused on business transformation and core weaknesses, and organized a total of 134 training and learning activities including retail “TOP50” series of training, grid marketing skills improvement training camps, bank complaints handling and hall service marketing special trainings.

Thirdly, the Bank enriched the trainings of young talents, focused on talent identification and training empowerment, and conducted blended learning with the combination of online and offline channels, internal and external trainings as well as learning and practices. The Bank focused on promoting the continuous learning and ability improvement of new employees, the systematic training and innovative practice of financial technology talents to further accelerate the multi-dimensional growth of young talents. In particular, the 2021 “New Kinetic Energy” training camp will continue to focus on and empower new employees through a combination of phased tracking and evaluation, online and offline dual-line empowerment as well as rotation of practices and trainings. At the same time, the Bank promoted employees to make full use of the online learning platform course materials to learn independently. In the first half of 2021, all in-service employees were provided with online learning, with an average of 31.32 hours per person.

### III. INSTITUTIONS DURING THE REPORTING PERIOD

As of the end of the Reporting Period, the institutions of the Bank are as follows:

| No. | Name of institutions  | Address  | Number of staff | Asset scale<br>(RMB100 million) | Telephone     |
|-----|-----------------------|--|-----------------|---------------------------------|---------------|
| 1   | Zhongxin sub-branch   | No.2 Hongfu East Road, Dongcheng District, Dongguan City                             | 63              | 254.46                          | 0769-22866666 |
| 2   | Zhongtang sub-branch  | No. 101 Zhongxing Road, Zhongtang Town, Dongguan City                                | 95              | 58.00                           | 0769-88818522 |
| 3   | Wangniudun sub-branch | Zhenzhong Road, Wangniudun Town, Dongguan City                                       | 61              | 29.97                           | 0769-88851262 |
| 4   | Daojiao sub-branch    | No. 120 Zhenxing Road North, Daojiao Town, Dongguan City                             | 84              | 50.32                           | 0769-88833111 |
| 5   | Hongmei sub-branch    | No. 68 Qiaodong Road, Hongmei Town, Dongguan City                                    | 50              | 33.92                           | 0769-88841546 |
| 6   | Machong sub-branch    | No. 5 Zhenxing Road, Machong Town, Dongguan City                                     | 84              | 77.17                           | 0769-88821389 |
| 7   | Wanjiang sub-branch   | No. 3 Wanjiang Road North, Xincheng Community, Wanjiang Street, Dongguan City        | 176             | 108.22                          | 0769-22288628 |
| 8   | Humen sub-branch      | Dushi Huating, No. 181 Humen Avenue, Humen Town, Dongguan City                       | 270             | 226.28                          | 0769-85123142 |
| 9   | Changan sub-branch    | No. 286 Changqing South Street, Changan Town, Dongguan City                          | 207             | 159.72                          | 0769-85310223 |
| 10  | Houjie sub-branch     | No. 16 Kangle North Road, Houjie Town, Dongguan City                                 | 288             | 242.06                          | 0769-85588841 |
| 11  | Shatian sub-branch    | No. 93 Satai 1st Road, Hengliu, Shatian Town, Dongguan City                          | 104             | 62.55                           | 0769-88861903 |
| 12  | Nancheng sub-branch   | No. 44 Nancheng Road section, Guantai Road, Dongguan City                            | 201             | 158.53                          | 0769-22818522 |
| 13  | Dongcheng sub-branch  | No. 7 Dongcheng East Road, Dongcheng Street, Dongguan City                           | 252             | 208.64                          | 0769-22239029 |
| 14  | Liaobu sub-branch     | No.2 Jiaoyu Road, Liaobu Town, Dongguan City   | 179             | 134.25                          | 0769-83329710 |
| 15  | Dalingshan sub-branch | Room 101, No. 460 Dalingshan Section, Guanchang Road, Dalingshan Town, Dongguan City | 103             | 93.72                           | 0769-83351158 |
| 16  | Dalang sub-branch     | No. 568 Meijing Central Road, Dalang Town, Dongguan City                             | 159             | 100.54                          | 0769-83311102 |
| 17  | Huangjiang sub-branch | No. 361 Huangjiang Avenue, Huangjiang Town, Dongguan City                            | 119             | 106.04                          | 0769-83365136 |
| 18  | Zhangmutou sub-branch | No. 111 Guanzhang West Road, Zhangmutou Town, Dongguan City                          | 109             | 62.41                           | 0769-87719118 |
| 19  | Qingxi sub-branch     | No. 2 Xiangmang Central Road, Qingxi Town, Dongguan City                             | 134             | 102.16                          | 0769-87730998 |
| 20  | Tangxia sub-branch    | No. 5 Yingbin Avenue, Tangxia Town, Dongguan City                                    | 187             | 154.43                          | 0769-87728810 |
| 21  | Fenggang sub-branch   | No. 69 Yongsheng Street, Fenggang Town, Dongguan City                                | 129             | 129.92                          | 0769-87750947 |
| 22  | Xiegang sub-branch    | No. 699 Zhenxing Avenue, Xiegang Town, Dongguan City                                 | 69              | 44.02                           | 0769-87765178 |

| No. | Name of institutions                              | Address  | Number of staff | Asset scale<br>(RMB100 million) | Telephone     |
|-----|---|--|-----------------|---------------------------------|---------------|
| 23  | Changping sub-branch                              | No. 50 Changping Avenue, Changping Town, Dongguan City   | 208             | 136.91                          | 0769-83331409 |
| 24  | Qiaotou sub-branch                                | No. 197 Qiaoguang Avenue (Qiaotou Section), Qiaotou Town, Dongguan City  | 90              | 49.51                           | 0769-83342244 |
| 25  | Hengli sub-branch                                 | No. 580 Zhanshan Road, Hengli Town, Dongguan City  | 100             | 64.98                           | 0769-83373924 |
| 26  | Dongkeng sub-branch                               | No. 74 Dongkeng Avenue, Dongkeng Town, Dongguan City   | 78              | 43.74                           | 0769-83880995 |
| 27  | Qishi sub-branch                                  | No. 8 Jiangbin Road, Qishi Town, Dongguan City   | 80              | 64.67                           | 0769-86665038 |
| 28  | Shipai sub-branch                                 | No. 297 Shipai Avenue Central, Shipai Town, Dongguan City  | 112             | 83.73                           | 0769-86657030 |
| 29  | Chashan sub-branch                                | No. 73 Caihong Road, Chashan Town, Dongguan City   | 112             | 84.61                           | 0769-86641493 |
| 30  | Shijie sub-branch                                 | No. 4 Dongfeng South Road, Shijie Town, Dongguan City  | 117             | 78.22                           | 0769-86636495 |
| 31  | Gaobu sub-branch                                  | Office Building No. 13, New Century Yilongwan Phase III, Xiansha Village, Gaobu Town, Dongguan City                                  | 95              | 61.97                           | 0769-88871317 |
| 32  | Donglian sub-branch                               | Block F, First International, No. 200 Hongfu Road, Nancheng Street, Dongguan City  | 130             | 91.47                           | 0769-22856679 |
| 33  | Shilong sub-branch                                | No. 8 Fangzheng Road, Shilong Town, Dongguan City  | 80              | 57.86                           | 0769-86602831 |
| 34  | Songshanhu Keji sub-branch                        | Building No. 20, Songkeyuan, No. 4 Libin Road, Songshan Lake Science and Technology Industrial Park, Dongguan City                   | 35              | 53.56                           | 0769-22891811 |
| 35  | Binhai Bay New District sub-branch                | Room 106, No. 1 Bay Area Avenue, Binhai Bay New District, Dongguan City  | 11              | 13.86                           | 0769-88007788 |
| 36  | Huizhou sub-branch                                | Haoshi Plaza, No. 8 Yanda Avenue, Huizhou City   | 28              | 34.53                           | 0752-2169686  |
| 37  | Qingxin sub-branch                                | 1/F, Block C, Kaixuancheng, No.38 Jianshe Road South, Taihe Town, Qingxin District, Qingyuan City                                    | 27              | 33.77                           | 0763-5206869  |
| 38  | Nansha Branch in Guangdong Pilot Free Trade Zone  | Room 311, 312, 313, 314, podium building, Block 17, Zhonghui Bilong Bay, No. 3 Wangjiang 2nd Street, Nansha District, Guangzhou City | 19              | 27.34                           | 020-39391183  |
| 39  | Hengqin Branch in Guangdong Pilot Free Trade Zone | Room 3103, Block 2, No. 88 Gangao Avenue, Hengqin New District, Zhuhai City  | 15              | 16.22                           | 0756-2992623  |

*Notes:*

- (1) This table only includes first-level branches, excluding subsidiaries.
- (2) Asset scale data is based on the parent company.

# Chapter VI Corporate Governance



## I. ORGANISATIONAL CHART OF THE COMPANY



Note: The above is the corporate organisation chart of the Bank as of the Latest Practicable Date.

## II. OVERVIEW OF CORPORATE GOVERNANCE

During the Reporting Period, the Bank continued to improve its corporate governance system and mechanism as guided by high-quality development, and continuously improved the quality and effectiveness of corporate governance. The Bank organically integrated party leadership and corporate governance and the general meeting functioned as decision-making authority effectively. The Board of Directors, the Board of Supervisors, the senior management and its special committees effectively performed their duties to ensure the coordinated operation and balances of corporate governance, and promoted the steady and sustainable development of the Bank.

During the Reporting Period, the Bank convened one general meeting, 10 meetings of the Board of Directors, three meetings of the Board of Supervisors. The convening of the general meeting, the meetings of the Board of Directors and the Board of Supervisors are in compliance with the procedures stipulated in laws and regulations and the Articles of Association of the Bank.

## III. CONVENING OF GENERAL MEETINGS

During the Reporting Period, the Bank convened one general meeting, namely the 2020 annual general meeting held on April 23, 2021, which considered and approved 13 proposals including the Work Report of the Board of Directors for 2020, the Operation and Management Work Report for 2020, the Work Report of the Board of Supervisors for 2020 and the 2020 Annual Report, and listened to three reports including the Report on Related Party Transactions for 2020, the third transformation and the Formulation Report of Second Three-year Development Plan. The Bank effectively safeguarded the lawful rights and interests of all Shareholders and ensured that the Shareholders can perform their duties and exercise their powers in accordance with the laws.

The convening, notice, holding and voting procedures of the above mentioned general meeting are in compliance with relevant laws and regulations and relevant provisions of the Articles of Association.

#### **IV. MEETINGS HELD BY THE BOARD OF DIRECTORS AND ITS SPECIAL COMMITTEES**

During the Reporting Period, the Board of Directors held ten Board meetings in accordance with relevant laws and regulations and the Articles of Association, which considered and approved 118 proposals including the Work Report on the Sannong Financial Services for 2020, the Work Report of the Board of Directors for 2020, the Operation and Management Work Report for 2020, the 2020 Annual Report, the 2020 Audit Report and the Second Three-year Development Plan Outline for the Third Transformation (2021- 2023), and listened to four reports including the Management of Large Risk Exposures in 2020. The Board of Directors has six committees including the Strategic Decision and Sannong Committee, the Comprehensive Risk Management Committee, the Related Party Transaction Control Committee, the Nomination and Remuneration Committee, the Audit Committee and the Consumer Rights Protection Committee, which convened 25 meetings, and considered and approved 147 proposals. In addition, the Board of Directors and committees thereunder fully understood the operation management, risk management, internal control compliance, consumer rights and other aspects of the Bank by reviewing the information reported by the senior management.

#### **V. WORK OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS**

Pursuant the Articles of Association, the independent non-executive Directors of the Bank shall represent at least one-third of the Board of Directors. The chairmen of the Related Party Transaction Control Committee and the Audit Committee, the Nomination and Remuneration Committee of the Board of Directors are all served by independent non-executive Directors. As at the Latest Practicable Date, the Board of Directors of the Bank comprised of six independent non-executive Directors, and the qualifications, number and proportion of independent non-executive Directors met regulatory requirements.

During the Reporting Period, the independent non-executive Directors of the Bank actively performed their duties, participated in the general meeting and meetings of the Board of Directors and its special committees, considered relevant proposals, listened to reports, and expressed important opinions on major issues.

## VI. MEETINGS HELD BY THE BOARD OF SUPERVISORS AND ITS SPECIAL COMMITTEES

The Articles of Association stipulates that the Bank shall have four external Supervisors. The chairmen of the Nomination Committee and the Supervision Committee under the Board of Supervisors are all served by external Supervisors.

In the first half of 2021, the Board of Supervisors organized a total of three meetings, which considered 90 important proposals including the Annual Work Report of the Board of Supervisors, Financial Budgets, Profit Distribution Plans and the 2020 Annual Report, and reviewed 18 reports. Three meetings of the Supervision and Management Committee and four meetings of the Nomination Committee were held which considered a total of 25 proposals.

During the Reporting Period, the Bank's external Supervisors actively performed their duties, participated in the general meeting and meetings of the Board of Supervisors and its special committees, attended relevant important meetings, participated in a series of work such as supervision, inspection and research, and put forward reasonable opinions and suggestions in a timely manner, which effectively promoted the compliance and legal operation of the Bank.

## VII. INTERNAL CONTROL AND INTERNAL AUDIT

### (I) Internal Control

The Bank established a corporate governance structure with reasonable division of labor, clear authority and responsibilities and mutual counterbalancing, as well as an organizational structure of multi-level internal control. The Board, the Board of Supervisors and senior management performed their respective duties, forming a scientific and effective division of responsibilities and counterbalancing mechanism. Each department of the head office formulated a comprehensive, systematic and standardized work system based on the functions of the department, and clarifies management requirements, job responsibilities, business standards, work procedures, practice standards and accountability to ensure that all business activities are carried out in an orderly manner. Meanwhile, the Bank established the system compliance review and follow-up evaluation mechanism to ensure the compliance, applicability and effectiveness of the system.

During the Reporting Period, the Bank promoted the cultural concept of "compliance creates value", implemented the management guideline of "system governance", regularly cultivated compliance awareness, established an internal supervision and inspection mechanism, and strictly implemented job rotation, performance avoidance, mandatory vacations and other systems. Various internal control systems have been implemented effectively, and risk control measures have been effectively implemented, so that there were no major economic cases, criminal cases or serious violations of regulations and disciplines during the Reporting Period.

## (II) Internal Audit

The Bank implements an independent and vertical internal audit management system. The Board assumed ultimate responsibility for the independence and effectiveness of internal audit, considered and approved internal audit charter, mid- and long-term audit plans and annual audit plans, etc., provided necessary guarantees for independent and objective internal audit work, and assessed the independence and effectiveness of internal audit. The Audit Committee of the Board is responsible for reviewing important systems and reports such as internal audit charter, considering and approving mid- and long-term audit plans and annual audit plans as well as guiding, assessing and evaluating internal audit. The Bank has set up an audit department with five secondary audit centers, which specifically undertake internal audit responsibilities, and are responsible for reviewing, evaluating and urging to improve the Bank's business operation, risk management, internal control compliance and corporate governance effect to promote stable operation and value enhancement of the Bank.

During the Reporting Period, the Bank persisted on modern audit concept of "risk-oriented, scientific and technological audit". The Bank focused on the main responsibilities and principal businesses, scientifically formulated annual audit work plans, orderly promoted the construction and application of new generation of audit information system, and consolidated the audit system consisting of basic system, management system and operating system. The Bank steadily carried out 13 special audit projects including internal control evaluation, corporate governance, salary management, non-performing financial asset disposal and seal management, as well as the economic responsibility audit of dismissal and resignation for personnel in relevant key positions, to promote reform and construction through review. The Bank fulfilled the responsibilities of the third line of defense for risk prevention and control, maintained the bottom line of no major risks.

## VIII. AMENDMENTS TO THE ARTICLES OF ASSOCIATION

In order to meet the needs of overseas initial public offering and listing of the Bank, the Bank has amended the Articles of Association according to the H-share Listing requirements, which became effective on the Listing Date after consideration and approval by the general meeting of the Bank and approval of the CBIRC Dongguan Branch.

## IX. COMPLIANCE WITH CORPORATE GOVERNANCE CODE

As the Bank's H shares were listed on the Main Board of the Hong Kong Stock Exchange on September 29, 2021, the Bank has been strictly in compliance with the code provisions set out in the Corporate Governance Code and the provisions under the Listing Rules regarding inside information disclosure after the Listing.

# Chapter VII Significant Events



## I. PROFIT DISTRIBUTION DURING THE REPORTING PERIOD

The revenue for the Reporting Period and the financial position as at the end of the Reporting Period are set out in the financial statements of this Report. Upon consideration and approval at the general meeting on April 23, 2021, the Bank distributed cash dividend of RMB2.6 (tax inclusive) per ten shares for the year ended December 31, 2020, with a total amount of RMB1,493 million. The Bank will not declare any interim dividend for the Reporting Period (for six months ended June 30, 2021: not declared).

## II. ISSUANCE AND REPURCHASE OF BONDS

During the Reporting Period, as approved by the Decision of the People's Bank of China on Granting Administrative License (Yin Shi Chang Xu Zhun Yu Zi [2020] No. 11), the Bank has issued 1st and 2nd tranches of 2021 of special financial bonds for SME loans in China's national inter-bank bond market of an amount of RMB2 billion and RMB1 billion, respectively. These bonds are at three-year fixed interest rate with coupon rates of 3.58% and 3.52%, respectively.

## III. APPOINTMENT AND DISMISSAL OF ACCOUNTING FIRMS

As considered and approved at the general meeting dated April 23, 2021, PricewaterhouseCoopers and Pan-China Certified Public Accountants LLP were re-appointed as the international and domestic auditors of the Bank for the year of 2021, respectively, for a term until the conclusion of the 2021 annual general meeting of the Bank.

## IV. REVIEW OF INTERIM REPORT

The interim financial report for 2021 prepared by the Bank in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board has been reviewed by PricewaterhouseCoopers in accordance with the International Standard on Review Engagements 2410. The Board and the Audit Committee of the Board of the Bank have reviewed and approved this Interim Report, which meets the relevant disclosure requirements of the Listing Rules.

## V. MATERIAL ACQUISITION, DISPOSAL OF ASSETS AND BUSINESSES OF SUBSIDIARIES AND ASSOCIATES/BUSINESS COMBINATION

During the Reporting Period, the Bank had no material acquisition, disposal of assets and businesses of subsidiaries and associates/business combination.

## VI. SIGNIFICANT INVESTMENTS AND FUTURE PLANS FOR MATERIAL INVESTMENTS

The Bank had no significant investment in equities or plans for material equity investments during the Reporting Period.

Save as disclosed in this interim report and/or the Prospectus, the Bank currently does not have any significant investment plans.

## VII. CONTRACTS OF SIGNIFICANCE AND THEIR PERFORMANCE

### (I) Entrustment, Contracting and Leasing Matters

During the Reporting Period, the Bank had no significant contracts on significant entrustment, contracting and leasing matters.

### (II) Significant Guarantees

During the Reporting Period, the Bank did not have any other material guarantee that needed to be disclosed save for the guarantees within the business scope as approved by the PBoC and the CBIRC. During the Reporting Period, the Bank did not have any external guarantee in default.

### (III) Entrusted Wealth Management

During the Reporting Period, there was no event in respect of entrusted wealth management beyond the Bank's normal business.

### (IV) Material Contracts in Day-to-day Operations

During the Reporting Period, the Bank did not have any material contracts in day-to-day operations that are required to be disclosed.

### (V) Other Significant Contracts

During the Reporting Period, the Bank had no other significant contractual matters requiring disclosure, other than those disclosed in this interim report, the Prospectus, other announcements and circulars of the Bank.

## VIII. SHARE OPTION SCHEME, EMPLOYEE SHARE OWNERSHIP SCHEME OR OTHER EMPLOYEE INCENTIVE MEASURES AND THEIR IMPLEMENTATIONS DURING THE REPORTING PERIOD

During the Reporting Period, the Bank did not implement any form of share option scheme, employee share ownership scheme or other employee incentive measures.

## IX. SIGNIFICANT LITIGATION AND ARBITRATION

The Bank was involved in certain litigation arising from its ordinary course of business, most of which were initiated for recovery of non-performing assets. During the first half of 2021, the principal amount of the newly added loans for which cases (including litigations and arbitrations) the principal amount of single loan exceeding RMB10 million and the Bank was involved in as the plaintiff or the applicant was RMB80.8069 million. The amount of litigation subjects under the newly added pending cases (including litigations and arbitrations) for which the Bank was involved in as the defendant or the respondent was equivalent to RMB483,600. The litigations and arbitrations would not have material adverse impact on the Bank's financial or operating results.

## X. PUNISHMENT OF THE BANK AND THE DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT OF THE BANK

During the Reporting Period, none of the Bank, or its all Directors, Supervisors and senior management members had been subject to any penalty by banking regulation and management bodies and other regulatory bodies that caused a significant impact on the Bank's operation.

Among the subsidiaries, there was a penalty against Zhangjiang RCB.

| Punishment Document                            | Date of punishment | Unit being punished   | Form of punishment | Issues  | Internal treatment/ accountability | Remedial measures   |
|--|--------------------|---|--------------------|---|------------------------------------|---|
| Zhan Yin Bao<br>Jian Fa Jue Zi<br>[2021] No. 7 | April 29, 2021     | Chikan Sub-branch and Economic and Technology Development Zone Sub-branch of Zhangjiang Rural Commercial Bank Co., Ltd. | Penalty            | Serious violation of the principle of prudent operation | Track down relevant personnel      | Penalties were paid in full in a timely manner and took effective asset preservation measures |

## XI. RELATED PARTY TRANSACTIONS

During the Reporting Period, the Bank had 780 related party transactions with related parties, with a transaction amount of RMB2.173 billion, including major related party transactions and general related party transactions. There were 29 major related party transactions, with a transaction amount of RMB1.834 billion; and there were 751 general related party transactions with a transaction amount of RMB339 million. Among the above mentioned related party transactions, the Bank has followed the commercial principles of fairness and impartiality and conducted them on transactional terms not favorable than those with similar customers.

## XII. CORPORATE SOCIAL RESPONSIBILITY

The Bank adheres to the corporate purpose of “concomitance, mutual trustness and growth”, serve the society with practical actions, and actively performs corporate social responsibility to support the sustainable development of the economy, environment and society.

### (I) Economic Responsibility

#### 1. Focus on Sannong client base and support rural vitalization

Focusing on the national strategies of rural vitalization, the Bank has implemented the rural vitalization work of provincial and municipal governments, financial supervision authorities and Guangdong Province Rural Credit Cooperatives Union, spared no effort to promote the financial service of “Modern Sannong”. The Bank adhered to the development orientation of “target serving modern agriculture, modern farmers and modern countryside”, and focused on three work lines of “industry-booming countryside, beautiful countryside and benefiting residents (產業興村、美麗鄉村、普惠村民)”, fully implemented the “133” project proposal, so as to improve the efficiency and level of serving rural vitalization, and build the Bank's “Modern Sannong” customer ecosystem.

**Firstly**, to support the high-quality and high-efficient development of modern agriculture. With an aim to build a modern agricultural industry service system, the Bank committed to optimize and innovate financial products and service modes with industrial characteristics, promoted the integrated development of agriculture and industry, high-tech industry, tourism, service industry and others, and by virtue of leisure agriculture and sightseeing agriculture for promoting rural employment and increasing income, supported Dongguan in building a rural industrial brand with local characteristics, comprehensively improved the competitiveness and sustainable development ability of modern agricultural market, and effectively advance the high-quality and high-efficient development of modern agriculture.

**Secondly**, to support the construction of modern rural areas suitable for business and with pleasant living environment. The Bank has deeply implemented the rural vitalization strategies, guided by the construction of an ecological rural areas suitable for business and with pleasant living environment, allocated special credit resources, issued rural vitalization policies, and vigorously supported the construction of rural public infrastructure, rural environmental beautification projects, beautiful and happy village characteristic contiguous demonstration areas, industrial development characteristic towns and new urbanization, supported the improvement of the environmental governance of beautiful rural areas and the quality of rural life.

**Thirdly**, to support the prosperity and affluence life of modern farmers. In combination with the financial needs of local farmers, the Bank has comprehensively improved its level and ability to serve modern farmers, supported residents' wealth creation and well-off life with "golden card (點金卡)" (business stability card (穩業卡), supported residents' online credit consumption with "Card e-loan (卡e貸)", supported residents' consumption upgrading with "housing loan (喜屋貸)" and "Dongguan countryside loan (莞鄉貸)", and improved residents' consumption quality with "D Quick Loan (D快貸)", provided diversified and prime financial services for Sannong customers so as to meet the all-round financial needs of modern farmers, comprehensively improved the quality of life of modern farmers, and effectively promoted the prosperity and affluence life of modern farmers.

**Fourthly**, to build a business service platform of Village Groups. The Bank developed a three-level collection and payment agency and settlement business platform for Village Groups, created a "Modern Sannong" service super APP, provided integrated services for "Modern Sannong", and thus realized the construction of the Bank's "Modern Sannong" customer ecosystem.

## 2. Respond to the government policy and practice the inclusive responsibility

**Firstly**, to strengthen the use of refinancing policy resources and enhance credit support for SMEs. Over the past three years, the Group has applied to the PBoC for refinancing loans for supporting SMEs of RMB11.241 billion, of which RMB2.548 billion was applied during the Reporting Period, supporting 1,564 SME customers, which was effectively reducing the financing cost of enterprises.

**Secondly**, to strengthen inclusive financial services and increase the vitality of SMEs. By focusing on the "painful point" of financing of SMEs, the Bank comprehensively utilized a variety of SME credit products including "Industry Supportive Loan (穩業貸)", comprehensively responded to the financing needs of SMEs, and intensifies medium and long-term credit support for SMEs. During the Reporting Period, a total of RMB1.226 billion of "Industry Supportive Loan (穩業貸)" was issued to support 315 SME customers.

### 3. Promote industrial transformation and drive regional development

Combining with the current needs of regional development, the Bank applied cutting-edge financial technology to develop the industrial financial service platform system, continuously innovated and deepened the integration of industry and finance, so that the upstream and downstream customers of core enterprises could share the credit of core enterprises via the industrial financial service platform system, so as to drive the common development of upstream and downstream of the industrial chain.

**Firstly**, to strengthen and improve the industrial financial service platform. The Bank has created a brand new business middle office, benchmarking the service modularization and componentization of the core, credit, bills and other back-end business systems with the industry and finance platform, and launched products such as bills second pasting, online invoicing, industrial chain financing, procurement financing, electronic letter of guarantee and intelligent risk control and other modules, so as to migrate the business online and promote business digitization, online customer procurement and scenario-based service of the industrial chain.

**Secondly**, to innovate the “1+3+N” grid service mode of industrial finance. The Bank took customers as the core and the system as the basic point, built the customer industrial financial ecosystem from a point to an area, extended financial services to the “three chains” namely the industrial chain, the supply chain and the value chain and its SME and retail bank customers thereon, and dedicated to provide “diversified, multi-level and multi-faceted” financial products for majority of enterprises and peripheral groups.

**Thirdly**, to support regional industrial development. The Bank proactively responded to the development needs of urban transformation and upgrading, identified key industries including high-end manufacturing industry, new generation information industry, medical and pharmaceutical industry and environmental protection industry, and designed and offered eight 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)”, “City Financing (城新通)” and “Listing Service (上市通)”, to vigorously promote regional industrial transformation and upgrading.

## (II) Environmental Responsibility

### 1. Develop green finance and support green industries

The Bank is committed to building a modern “green bank”, vigorously developing green finance, formulating the green credit development strategies, and proactively guiding more social resources to the green fields, so as to promote the development of green economy.

**Firstly**, to enrich green financial products. The Bank has continuously improved the comprehensive financial service plan for the “Green Financing (綠融通)” environmental protection industry, and provided financing assistance to green environmental protection enterprises through a number of financial products such as the “Ecological Restoration Loans (生態修復貸)”, “Green Project Loans (綠色項目貸)” and “Energy Saving Loans (節能貸)”, “Technological Improvement (Discount) Loans (技改(貼息)貸)”, “Leasing (Discount) Loans (租賃(貼息)貸)”, “Green Bonds (綠色債券)” and “Industrial Funds (產業基金)”, to vigorously promote the steady development of green industry.

**Secondly**, support the construction of environmental protection projects. The Bank proactively cooperated with the construction of an ecological and civilization city of Dongguan, vigorously supported green, low-carbon and recycling economy projects such as sewage treatment, waste treatment, water and gas supply, energy conservation and emission reduction, cleaning and greening, and strongly supported the construction of green environmental protection in Dongguan.

### 2. Promote green services and realize green operation

The Bank has deepened the promotion of intelligent paperless business, strengthened the development of online products and services, implemented the concept of low-carbon office, and created a green operation environment in an all-round way.

**Firstly**, to promote the paperless business. The Bank has constantly improved and vigorously promoted intelligent business service projects such as mobile marketing platform, intelligent counter and cloud bank, and embedded paperless electronic voucher, electronic seal, OCR license identification and image collection and other functions in relevant business steps, so as to effectively transfer corresponding banking business to intelligent device channels, thus the customers could obtain electronic vouchers by following the Bank’s WeChat bank, realizing paperless business processes and effectively reducing paper waste while improving service quality and efficiency.

**Secondly**, to develop online financial services. The Bank vigorously promoted online financial services, including providing customers with 7\*24-hour financial services through the construction and optimization of online channels such as mobile banking, online banking, WeChat banking, SMS banking, D payment and D+Bank, and intensified the innovation and optimization of product functions of various online channels to further enrich the construction of non-financial scenarios of online channels, create a high-frequency consumption scenario ecosystem, enabling customers easily obtain various services such as transfer, inquiry, financing and settlement through mobile customer end, effectively reduce transportation costs, so as to achieve energy conservation and emission reduction.

**Thirdly**, to advocate the concept of low-carbon office. The Bank always adheres to the concept of energy-saving office and attached importance to cultivate employees' awareness of energy conservation and environmental protection. In particular, to improve the utilization rate of paper and reduce the waste of paper in the office; to reduce the purchase of disposable office supplies when purchasing and choose economic, safe, energy-saving and environmental protection products as possible as practicable; and in terms of property management, to optimize the utilization efficiency of water and electricity in the building and strengthen the recycling management of waste.

### 3. Conduct green action and advocate green life

"Everyone has a responsibility to safeguard the environment". The Bank has undertaken the mission of social construction, actively organized and carried out various green actions, vigorously advocated the lifestyle of energy conservation and emission reduction, low-carbon and environmental protection, so as to jointly build a green and civilization society.

**Firstly**, to advocate "Empty Your Plate (光盤行動)". The Bank vigorously carries forward the noble virtues of the Chinese nation of self-cultivation through diligence and frugality, calls for all employees follow up the "Empty Your Plate (光盤行動)", strict diligence and frugality, and against extravagance and waste.

**Secondly**, to carry out green public welfare activities. The Bank took the initiative to encourage staff to participate in green public welfare actions to maintain urban cleanliness through environmental sanitation activities, green the home environment through afforestation and actively advocate green and healthy life through green hiking, and guide all members of the Bank beautify the ecological environment with their actions.

### (III) Social Responsibility

#### 1. Attach importance to talent training and care for the growth of employees

The Bank always adheres to the concept of “building a talent forest”, attaches importance to talent development. By improving the internal talent supply chain, the Bank accelerates the growth of potential talents and constructs multi-level composite talents, builds a high-quality talent team in an all-round way, and promotes the sustainable and high-quality development of the industry.

**Firstly**, to provide growth path and revitalize human resources. The Bank has actively built a talent echelon, launched a series of selection and training plans such as G30 financial science and technology talents and “young talents (青年優才)”, promoted the internal mobility of outstanding young talents in various professional fields, gradually established a systematic training mechanism for operation and management reserve talents, provided a stage for employees to realize their career pursuit and self-worth, and advanced the common progress of staff and the Company. In addition, the Bank paid close attention to the construction of training system, and prepared and carried out a series of capability improvement projects at different levels such as “Foundation Plan (築基計劃)”, “Expansion Plan (展業計劃)”, “Growth Plan (眾長計劃)” and “Indigo Plan (靛青計劃)” in combination with the track of cadre growth and competency requirements, so as to build a high-quality cadre team.

**Secondly**, to strengthen the supply team and inject impetus. The Bank launched the business trainer “P100” project, with an aim to cultivate reserve talents of elites in future professional fields, and strive to recruit 100 outstanding fresh graduates as business trainees of the headquarter within the next two to three years. In accordance with the principle of “talents for suitable positions”, the Bank persists in both cultivation and employment, employees could gain knowledges from on-the-job learning at the headquarter and sub-branch, broaden their expertise through professional work exercise, comprehensively develop through cross departmental job rotation. Numerous ways have been adopted to follow up and cultivate talents in a systematic and comprehensive manner including providing guidance by tutors, so as to improve the talent supply of the Bank and create the Bank’s “employer brand”.

#### 2. Improve service quality and protect customers’ rights and interests

The Bank has always implemented the business philosophy that “customers are our greatest wealth”, created a “three three (三個三)” core customer base, actively fulfilled social responsibilities, implemented customer care measures, enhanced customer service experience, spared no effort to protect the legitimate rights and interests of financial consumers, comprehensively promoted the popularization of financial knowledge, and improved the public’s understanding of finance, and pushed ahead the continuous improvement of quality and efficiency of the Bank’s customer service.

**Firstly**, to improve the efficiency of customer service. The Bank optimized the connection between the core system and other business systems, strengthened the call identification of VIP customers, improved the one-off solution rate of seat customer service, gradually popularized the application of intelligent terminals, realizing the diversion of customers, effectively reducing customer waiting time and improving customer service experience and customer satisfaction.

**Secondly**, to optimize the complaint and work order processing mechanism. By constantly optimizing the complaint and work order processing mechanism, with objective of high standards and high service quality, the Bank carefully listened to the customers, prudently implemented external services, and optimized the service process, and improved and perfected the service communication, so as to effectively advance the customer experience.

### 3. Be enthusiastic about social welfare and build a better future

The Bank takes “serving the society” as its own responsibility, vigorously carried forward the good traditional virtues of the Chinese nation, actively explored the normal mechanism for the development of social public welfare undertakings, earnestly fulfilled social responsibility, feedback to the society with actions, proactively carried out social public welfare activities, and dedicated to build a civilized and harmonious society.

**Firstly**, to support the development of education and care for children’s growth. As the largest local financial institution, the Bank proactively performed its social responsibility, cared for the growth of children. In recent years, the Bank initiated and established the first education public welfare foundation in the financial industry in Dongguan, and unremittingly supported Dongguan in expanding and strengthening the local education.

**Secondly**, to stay true to the original aspiration and support epidemic prevention and control. The Bank earnestly implemented the national decision-making and deployment and the relevant requirements of the regulatory authorities, actively participated in the joint prevention and control of the epidemic, made every effort to carry out the epidemic prevention and control, strengthened the service connection with key epidemic prevention enterprises, and guaranteed the operation of financial services in a smooth and orderly manner. Additionally, the Bank took the initiative to participate in the front line of epidemic prevention and control, earnestly implemented the original aspiration of “practice for the people’s welfare (我為群眾辦實事)”, and contribute to the battle of epidemic prevention and control.

## XIII. CONSUMER PROTECTION

The Bank conscientiously implements the relevant laws, regulations and regulatory requirements for consumer rights protection, actively implements the responsibility of consumer rights protection in the operation and management and business development of the Bank, safeguards the legitimate rights and interests of consumers, and promotes the realization of the process management and control, the specialization of activities and the full coverage of assessment in regarding the protection of consumer rights and interests.

In terms of complaint management, the Bank provides complaint channels and enhances the complaint management, finalizes the responsibilities of units which process complaints and regulate the complaint processing procedures by releasing the customer consulting and complaint channels at outlets, official website, mobile customer end.

In terms of system development, the Bank continued to improve the consumer rights protection work system and organized the implementation of the Financial Consumer Rights Protection Work Assessment Plan (金融消費者權益保護工作考核方案) to achieve full coverage of consumer rights protection work assessments. The Bank has clarified that the person in charge of each branch is the first responsible person, and conducted regular assessments and notifications, and supervised the protection of consumer rights and interests of each branch, formed effective incentives.

In terms of process management and control, the Bank continued to promote inter-departmental and inter-line collaboration, refine measures, strengthened supervision, and implemented a full-process management and control mechanism that includes prereview, regular publicity during the process, and attention to customer opinions after the process, so as to effectively safeguard the rights and interests of financial consumers.

In terms of internal publicity and training and education, the Bank organized all employees to participate in a special training on employee consumer rights protection, which covered consumer rights and dispute resolution skills. The Bank also organized education and training on the strengthening of operating procedures, the standardization of marketing and publicity, and suitability management, which improved the professionalism of all employees.

In terms of external education and publicity, the Bank actively innovated and constructed diversified and characteristic missionary activities through various forms such as official website, WeChat public account, SMS group sending, building light show, four entry (entering senior citizens' universities, schools, factories, communities), online live broadcast, and popular science videos, innovated and constructed diversified and characteristic missionary activities.

In the first half of 2021, the Bank was awarded "Excellent" in the 2020 financial consumer rights protection work evaluation grade recognized by the PBoC. During the "3•15" period, the Bank participated in the "Hundred Integrity Service Demonstration Enterprises in Dongguan" selection activity under the guidance of the Dongguan Consumer Council and organized by the Dongguan News Media Group, and successfully won the honorary title of "Integrity Enterprise".

#### **XIV. OTHER SIGNIFICANT EVENTS**

During the Reporting Period, except for those disclosed in the Prospectus and/or the Interim Report, the Bank has no other significant events.

#### **XV. PUBLICATION OF INTERIM REPORT**

The interim report is prepared in Chinese and English respectively. In case of any ambiguity in the understanding of the Chinese and English versions of the Report, the Chinese version shall prevail.

#### **XVI. SUBSEQUENT EVENTS**

The H Shares of the Bank were listed on the Main Board of the Hong Kong Stock Exchange on September 29, 2021. For details, please refer to the paragraph headed "Changes in Share Capital and Information on Shareholders – Issuance and Listing of Securities" in the interim report. For other subsequent events, please refer to Note 41 in the section headed "Financial Report" of this Interim Report.

# Chapter VIII Financial Report



## Report on Review of Interim Financial Information

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

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

### Introduction

We have reviewed the interim financial information set out on pages 100 to 204, which comprises the interim condensed consolidated statement of financial position of Dongguan Rural Commercial Bank Co., Ltd. (the “Bank”) and its subsidiaries (together, the “Group”) as at 30 June 2021 and 30 June 2020 and the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated cash flow statement for the six-month periods then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting”. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### Scope of Review

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

### Conclusion

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

PricewaterhouseCoopers  
Certified Public Accountants

Hong Kong, 16 September 2021

## Interim Condensed Consolidated Statements of Comprehensive Income

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

|                                      | Note | Six months ended 30 June |                  |
|--------------------------------------|------|--------------------------|------------------|
|                                      |      | 2021                     | 2020             |
| Interest income                      | 4    | 10,753,461               | 9,563,685        |
| Interest expense                     | 4    | (5,550,528)              | (4,465,592)      |
| <b>Net interest income</b>           |      | <b>5,202,933</b>         | <b>5,098,093</b> |
| Fee and commission income            | 5    | 417,526                  | 463,270          |
| Fee and commission expense           | 5    | (76,634)                 | (43,408)         |
| <b>Net fee and commission income</b> |      | <b>340,892</b>           | <b>419,862</b>   |
| Net trading gains                    | 6    | 576,203                  | 442,592          |
| Net gains on financial investments   | 7    | 344,675                  | 165,950          |
| Other operating income               | 8    | 23,220                   | 46,281           |
| <b>Operating income</b>              |      | <b>6,487,923</b>         | <b>6,172,778</b> |
| Operating expenses                   | 9    | (2,132,868)              | (2,067,632)      |
| Expected credit losses               | 11   | (912,223)                | (866,017)        |
| <b>Operating profit</b>              |      | <b>3,442,832</b>         | <b>3,239,129</b> |
| Share of profits of associates       | 19   | 27,646                   | 17,877           |
| <b>Profit before tax</b>             |      | <b>3,470,478</b>         | <b>3,257,006</b> |
| Income tax expense                   | 12   | (243,983)                | (391,009)        |
| <b>Net profit</b>                    |      | <b>3,226,495</b>         | <b>2,865,997</b> |

|  | Note | Six months ended 30 June |                  |
|--|------|--------------------------|------------------|
|  |      | 2021                     | 2020             |
| <b>Other comprehensive (losses)/income</b>   | 32   |                          |                  |
| <b>Items which may be reclassified to profit or loss:</b>  |      |                          |                  |
| Changes in fair value of financial assets at fair value through other comprehensive income   |      | (45,345)                 | (313,801)        |
| Credit impairment provision for financial assets at fair value through other comprehensive income  |      | 54,263                   | 276,709          |
| Impact on income tax on changes in fair value and credit impairment provision of financial assets at fair value through other comprehensive income |      | (2,109)                  | 9,281            |
| <b>Items will not be reclassified to profit or loss:</b>   |      |                          |                  |
| Changes in fair value of equity instruments designated at fair value through other comprehensive income  |      | 10,608                   | 1,838            |
| Impact on income tax on changes in fair value of equity instruments designated at fair value through other comprehensive income                    |      | (2,652)                  | (460)            |
|  |      | <u>14,765</u>            | <u>(26,433)</u>  |
| <b>Total comprehensive income</b>  |      | <u>3,241,260</u>         | <u>2,839,564</u> |
| Net profit attributable to:  |      |                          |                  |
| Shareholders of the Bank   |      | 3,142,240                | 2,820,264        |
| Non-controlling interests  |      | 84,255                   | 45,733           |
|  |      | <u>3,226,495</u>         | <u>2,865,997</u> |
| Total comprehensive income attributable to:  |      |                          |                  |
| Shareholders of the Bank   |      | 3,138,360                | 2,803,771        |
| Non-controlling interests  |      | 102,900                  | 35,793           |
|  |      | <u>3,241,260</u>         | <u>2,839,564</u> |
| Basic and diluted earnings per share for profit attributable to the shareholders of the Bank (expressed in RMB per share)                          | 13   | <u>0.55</u>              | <u>0.49</u>      |

## Interim Condensed Consolidated Statements of Financial Position

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

|   | Note | As at<br>30 June<br>2021 | As at<br>31 December<br>2020 |
|---|------|--------------------------|------------------------------|
| <b>ASSETS</b>   |      |                          |                              |
| Cash and balances with central banks  | 14   | 46,138,047               | 38,576,454                   |
| Financial assets held under resale agreements and deposits and placements with banks and other financial institutions     | 15   | 17,653,236               | 18,707,434                   |
| Loans and advances to customers   | 16   | 272,619,610              | 254,641,762                  |
| Financial investments   | 17   | 237,850,501              | 227,713,101                  |
| – Financial assets at fair value through profit or loss   |      | 43,820,047               | 36,101,567                   |
| – Financial investments at amortised cost   |      | 109,588,396              | 111,667,933                  |
| – Financial investments at fair value through other comprehensive income  |      | 84,442,058               | 79,943,601                   |
| Investment in associates  | 19   | 449,205                  | 432,990                      |
| Property and equipment  | 20   | 2,393,122                | 2,432,773                    |
| Right-of-use assets   | 21   | 879,375                  | 612,164                      |
| Goodwill  | 22   | 520,521                  | 520,521                      |
| Deferred tax assets   | 23   | 3,236,520                | 3,054,183                    |
| Other assets  | 24   | 1,617,342                | 1,710,574                    |
| <b>Total assets</b>   |      | <u>583,357,479</u>       | <u>548,401,956</u>           |
| <b>LIABILITIES</b>  |      |                          |                              |
| Borrowings from central banks   | 25   | 29,477,737               | 30,653,358                   |
| Financial assets sold under repurchase agreements and deposits and placements from banks and other financial institutions | 26   | 45,981,442               | 43,482,217                   |
| Financial liabilities at fair value through profit or loss  |      | 376,030                  | 238,841                      |
| Deposits from customers   | 27   | 407,773,043              | 377,548,894                  |
| Debt securities issued  | 28   | 55,191,184               | 50,249,237                   |
| Taxes payable   | 29   | 653,005                  | 822,735                      |
| Lease liabilities   | 21   | 415,167                  | 450,860                      |
| Other liabilities   | 30   | 3,148,454                | 6,313,000                    |
| <b>Total liabilities</b>  |      | <u>543,016,062</u>       | <u>509,759,142</u>           |
| <b>EQUITY</b>   |      |                          |                              |
| Share capital   | 31   | 5,740,455                | 5,740,455                    |
| Revaluation reserve   | 32   | 192,411                  | 196,291                      |
| Surplus reserve   | 33   | 7,177,594                | 7,177,594                    |
| General reserve   | 33   | 5,767,735                | 5,767,735                    |
| Retained earnings   |      | 18,913,274               | 17,263,552                   |
| Total equity attributable to shareholders of the Bank   |      | 37,791,469               | 36,145,627                   |
| Non-controlling interests   |      | 2,549,948                | 2,497,187                    |
| <b>Total equity</b>   |      | <u>40,341,417</u>        | <u>38,642,814</u>            |
| <b>Total liabilities and equity</b>   |      | <u>583,357,479</u>       | <u>548,401,956</u>           |

## Interim Condensed Consolidated Statements of Changes in Equity

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

|                                   | Equity attributable to shareholders of the Bank |                                  |                              |                              |                   | Non-controlling interests | Total             |
|-----------------------------------|---|----------------------------------|------------------------------|------------------------------|-------------------|---------------------------|-------------------|
|                                   | Share capital<br>(Note 31)                      | Revaluation reserve<br>(Note 32) | Surplus reserve<br>(Note 33) | General reserve<br>(Note 33) | Retained earnings |                           |                   |
| <b>As at 1 January 2021</b>       | 5,740,455                                       | 196,291                          | 7,177,594                    | 5,767,735                    | 17,263,552        | 2,497,187                 | 38,642,814        |
| Net profit for the period         | -   | -                                | -                            | -                            | 3,142,240         | 84,255                    | 3,226,495         |
| Other comprehensive income        | -   | (3,880)                          | -                            | -                            | -                 | 18,645                    | 14,765            |
| <b>Total comprehensive income</b> | -   | (3,880)                          | -                            | -                            | 3,142,240         | 102,900                   | 3,241,260         |
| Appropriation to surplus reserve  | -   | -                                | -                            | -                            | -                 | -                         | -                 |
| Appropriation to general reserve  | -   | -                                | -                            | -                            | -                 | -                         | -                 |
| Dividend distribution (Note 35)   | -   | -                                | -                            | -                            | (1,492,518)       | (50,139)                  | (1,542,657)       |
| <b>As at 30 June 2021</b>         | <u>5,740,455</u>                                | <u>192,411</u>                   | <u>7,177,594</u>             | <u>5,767,735</u>             | <u>18,913,274</u> | <u>2,549,948</u>          | <u>40,341,417</u> |
| <b>As at 1 January 2020</b>       | 5,740,455                                       | 1,229,474                        | 6,705,033                    | 5,284,125                    | 14,855,317        | 1,657,377                 | 35,471,781        |
| Net profit for the period         | -   | -                                | -                            | -                            | 2,820,264         | 45,733                    | 2,865,997         |
| Other comprehensive income        | -   | (16,493)                         | -                            | -                            | -                 | (9,940)                   | (26,433)          |
| <b>Total comprehensive income</b> | -   | (16,493)                         | -                            | -                            | 2,820,264         | 35,793                    | 2,839,564         |
| Appropriation to surplus reserve  | -   | -                                | -                            | -                            | -                 | -                         | -                 |
| Appropriation to general reserve  | -   | -                                | -                            | -                            | -                 | -                         | -                 |
| Dividend distribution (Note 35)   | -   | -                                | -                            | -                            | (1,492,518)       | (62,066)                  | (1,554,584)       |
| <b>As at 30 June 2020</b>         | <u>5,740,455</u>                                | <u>1,212,981</u>                 | <u>6,705,033</u>             | <u>5,284,125</u>             | <u>16,183,063</u> | <u>1,631,104</u>          | <u>36,756,761</u> |

## Interim Condensed Consolidated Cash Flow Statements

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

|  | Note | Six months ended 30 June |                     |
|--|------|--------------------------|---------------------|
|  |      | 2021                     | 2020                |
| <b>Cash flows from operating activities:</b>   |      |                          |                     |
| Profit before tax  |      | 3,470,478                | 3,257,006           |
| Adjust for:  |      |                          |                     |
| Expected credit losses   | 11   | 912,223                  | 866,017             |
| Interest income from financial investments   | 4    | (3,244,332)              | (3,003,569)         |
| Interest expense on debt securities issued   | 4    | 871,139                  | 926,110             |
| Interest expense on lease liabilities  | 4    | 8,995                    | 8,831               |
| Net trading gains  | 6    | (576,203)                | (442,592)           |
| Net gains on financial investments   | 7    | (344,675)                | (165,950)           |
| Net gains on disposal of property, equipment and other long-term assets  | 8    | (3,621)                  | (28,571)            |
| Depreciation and amortisation  | 9    | 251,167                  | 166,525             |
| Share of profits of associates   | 19   | (27,646)                 | (17,877)            |
|  |      | <u>1,317,525</u>         | <u>1,565,930</u>    |
| <b>Net increase in operating assets:</b>   |      |                          |                     |
| Net (increase)/decrease in balances with central banks   |      | (2,305,713)              | 4,895,294           |
| Net (increase)/decrease in financial assets held under resale agreements and deposits and placements with banks and other financial institutions     |      | (469,682)                | 4,848,730           |
| Net increase in loans and advances to customers  |      | (18,747,211)             | (23,202,297)        |
| Net decrease/(increase) in other operating assets  |      | <u>29,628</u>            | <u>(101,305)</u>    |
|  |      | <u>(21,492,978)</u>      | <u>(13,559,578)</u> |
| <b>Net increase in operating liabilities:</b>  |      |                          |                     |
| Net (decrease)/increase in borrowings from central banks   |      | (1,175,621)              | 7,149,950           |
| Net increase/(decrease) in financial assets sold under repurchase agreements and deposits and placements from banks and other financial institutions |      | 2,499,225                | (7,599,907)         |
| Net increase in deposits from customers  |      | 30,224,149               | 15,148,853          |
| Net (decrease)/increase in other operating liabilities   |      | <u>(685,870)</u>         | <u>227,898</u>      |
|  |      | <u>30,861,883</u>        | <u>14,926,794</u>   |

|   | Note | Six months ended 30 June |                          |
|---|------|--------------------------|--------------------------|
|   |      | 2021                     | 2020                     |
| Cash from operations  |      | 10,686,430               | 2,933,146                |
| Income tax paid   |      | (608,931)                | (710,994)                |
| <b>Net cash generated from operating activities</b>                               |      | <u>10,077,499</u>        | <u>2,222,152</u>         |
| <b>Cash flows from investing activities:</b>                                      |      |                          |                          |
| Cash received from disposal of financial investments                              |      | 138,313,790              | 101,769,493              |
| Net cash received from disposal of property, equipment and other long-term assets |      | 11,005                   | 25,023                   |
| Cash dividends received   |      | 48,605                   | 57,511                   |
| Cash paid to acquire financial investments  |      | (146,893,236)            | (104,706,475)            |
| Cash paid to acquire property, equipment and other long-term assets               |      | (142,493)                | (174,106)                |
| Net proceeds from other investing activities                                      |      | 25,543                   | 28,219                   |
| <b>Net cash used in investing activities</b>                                      |      | <u>(8,636,786)</u>       | <u>(3,000,335)</u>       |
| <b>Cash flows from financing activities:</b>                                      |      |                          |                          |
| Cash received for debt securities issued  |      | 45,959,379               | 68,801,714               |
| Cash payments for debt securities issued  |      | (41,888,571)             | (62,451,956)             |
| Cash payments for distribution of dividends                                       |      | (1,542,657)              | (1,554,584)              |
| Cash payments for leases  |      | (70,231)                 | (63,433)                 |
| Cash payments to be deducted against equity upon listing expenses                 |      | (7,964)                  | (5,623)                  |
| <b>Net cash generated from financing activities</b>                               |      | <u>2,449,956</u>         | <u>4,726,118</u>         |
| <b>Effect of foreign exchange rate changes on cash and cash equivalents</b>       |      | <u>(146,467)</u>         | <u>49,596</u>            |
| Net increase in cash and cash equivalents   |      | <u>3,744,202</u>         | <u>3,997,531</u>         |
| Cash and cash equivalents at the beginning of the period                          |      | <u>29,259,623</u>        | <u>23,255,238</u>        |
| <b>Cash and cash equivalents at the end of the period</b>                         | 34   | <u><u>33,003,825</u></u> | <u><u>27,252,769</u></u> |

## Notes to the Unaudited Condensed Interim Financial Information

For the six months ended 30 June 2021

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

### 1 General information

Dongguan Rural Commercial Bank Co., Ltd. (“the Bank”) primary established in 1952, formerly known as Dongguan Rural Credit Cooperative Union (“Dongguan Cooperative Union”). Subsequently, as per the approval by China Banking and Insurance Regulatory Commission (“CBIRC”, formerly China Banking Regulatory Commission), Dongguan Cooperative Union was restructured into a joint-stock commercial bank, and officially changed its name to Dongguan Rural Commercial Bank Co., Ltd. on 22 December 2009.

The Bank operates under financial services certificate NO. B1054H244190001 issued by CBIRC, and the Business License issued by the State Administration for Industry and Commerce of the People’s Republic of China (registration ID: 914419007829859746). The registered address is Hongfu East Road No. 2, Dongcheng District, Dongguan, Guangdong.

The Bank and its subsidiaries (collectively referred to as “the Group”) operate in the People’s Republic of China (the “PRC”) and are principally engaged in the following activities: corporate and individual deposits, loans and advances, payment and settlement, treasury and other banking business approved by CBIRC.

### 2 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the condensed consolidated financial interim information are set out below. These policies have been consistently applied to relevant periods presented unless otherwise stated.

#### 2.1 Basis of preparation

The interim condensed consolidated financial information of the Group has been prepared in accordance with the International Accounting Standard 34 ‘Interim Financial Reporting’.

The Group adopted the going concern basis in preparing this interim condensed consolidated financial information.

The interim condensed consolidated financial information should be read in conjunction with the audited Financial Report for the year ended 31 December 2020.

The Group’s accounting policies applied in preparing this condensed consolidated interim financial information are consistent with those policies applied in preparing the Financial Report for the year ended 31 December 2020.

The condensed consolidated financial information has been prepared on the historical cost basis except for certain financial instruments which are measured at fair values.

## 2 Summary of significant accounting policies (Continued)

### 2.1 Basis of preparation (Continued)

#### 2.1.1 New and revised IFRSs issued but not yet effective

|   |   | Effective for the<br>annual periods<br>beginning on or after |
|---|---|--|
| Amendments to IFRS 10 and IAS 28                | Sale or contribution of assets between an investor and its associate or joint venture | To be determined   |
| Amendments to IFRS16                            | Covid-19-Related Rent Concessions beyond 30 June 2021                                 | 1 April 2021   |
| Amendments to IAS 1                             | Classification of Liabilities as Current or Non-current                               | 1 January 2022   |
| Amendments to IAS 16                            | Property, Plant and Equipment: Proceeds before intended use                           | 1 January 2022   |
| Amendments to IFRS 3                            | Reference to the Conceptual Framework   | 1 January 2022   |
| Amendments to IAS 37                            | Onerous Contracts – Cost of Fulfilling a Contract                                     | 1 January 2022   |
| Annual Improvements to IFRS Standards 2018-2020 |   | 1 January 2022   |
| IFRS 17   | Insurance contracts   | 1 January 2023   |
| Amendments to IAS 12                            | Deferred tax related to assets and liabilities arising from a single transaction      | 1 January 2023   |

The Group does not expect that adoption of these standards will have a significant impact on the Group's financial position and performance.

## 3 Critical accounting estimates and judgments in applying accounting policies

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

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

## 4 Net interest income

|   | Six months ended 30 June |                    |
|---|--------------------------|--------------------|
|   | 2021                     | 2020               |
| <b>Interest income</b>  |                          |                    |
| Balances with central banks   | 239,240                  | 216,326            |
| Financial assets held under resale agreements and deposits and placements with banks and other financial institutions     | 176,683                  | 202,463            |
| Loans and advances to customers   | 7,093,206                | 6,141,327          |
| Financial investments   | 3,244,332                | 3,003,569          |
| <b>Sub-total</b>  | <u>10,753,461</u>        | <u>9,563,685</u>   |
| <b>Interest expense</b>   |                          |                    |
| Borrowings from central banks   | (429,809)                | (63,014)           |
| Financial assets sold under repurchase agreements and deposits and placements from banks and other financial institutions | (594,386)                | (507,189)          |
| Deposits from customers   | (3,646,199)              | (2,960,448)        |
| Debt securities issued  | (871,139)                | (926,110)          |
| Lease liabilities   | (8,995)                  | (8,831)            |
| <b>Sub-total</b>  | <u>(5,550,528)</u>       | <u>(4,465,592)</u> |
| <b>Net interest income</b>  | <u>5,202,933</u>         | <u>5,098,093</u>   |

## 5 Net fee and commission income

|                                      | Six months ended 30 June |                 |
|--------------------------------------|--------------------------|-----------------|
|                                      | 2021                     | 2020            |
| <b>Fee and commission income</b>     |                          |                 |
| Bank cards                           | 135,108                  | 186,788         |
| Wealth management agency services    | 87,086                   | 133,881         |
| Custodian and other fiduciary        | 125,253                  | 92,832          |
| Settlement and clearing services     | 28,543                   | 18,329          |
| Others                               | 41,536                   | 31,440          |
| <b>Sub-total</b>                     | <u>417,526</u>           | <u>463,270</u>  |
| <b>Fee and commission expense</b>    | <u>(76,634)</u>          | <u>(43,408)</u> |
| <b>Net fee and commission income</b> | <u>340,892</u>           | <u>419,862</u>  |

## 6 Net trading gains

|  | Six months ended 30 June |                |
|--|--------------------------|----------------|
|  | 2021                     | 2020           |
| Net gains on financial assets held for trading | 497,378                  | 397,061        |
| Exchange gains                                 | 77,822                   | 42,985         |
| Gains on precious metal                        | 1,003                    | 2,546          |
| <b>Total</b>                                   | <u>576,203</u>           | <u>442,592</u> |

## 7 Net gains on financial investments

|   | Six months ended 30 June |                |
|---|--------------------------|----------------|
|   | 2021                     | 2020           |
| Net gains on debt instrument investments at fair value through other comprehensive income | 235,718                  | 82,213         |
| Net gains on other financial assets at fair value through profit or loss                  | 920                      | 48,163         |
| Net gains on derecognition of financial assets measured at amortised cost                 | 70,863                   | –              |
| Dividend income from equity instruments   | 37,174                   | 35,574         |
| <b>Total</b>  | <u>344,675</u>           | <u>165,950</u> |

## 8 Other operating Income

|   | Six months ended 30 June |               |
|---|--------------------------|---------------|
|   | 2021                     | 2020          |
| Gains on disposal of property, equipment and other long term assets | 3,621                    | 28,571        |
| Rental income   | 12,931                   | 10,424        |
| Government grants (a)   | 3,111                    | 1,357         |
| Others  | 3,557                    | 5,929         |
| <b>Total</b>  | <b>23,220</b>            | <b>46,281</b> |

- (a) Government grants comprise targeted subsidies from the MOF and Municipal Governments aiming to enhance local economic growth and encourage the establishment of rural banks.

## 9 Operating expenses

|   | Six months ended 30 June |                  |
|---|--------------------------|------------------|
|   | 2021                     | 2020             |
| Staff costs (including emoluments of directors and supervisors) (Note 10) | 1,487,739                | 1,509,968        |
| Taxes and surcharges  | 57,503                   | 59,134           |
| General and administrative expenses                                       | 318,266                  | 321,743          |
| Depreciation and amortisation   | 251,167                  | 166,525          |
| Auditors' remuneration  | 4,721                    | 3,133            |
| – Audit service   | 1,270                    | 433              |
| – Non – audit service   | 3,451                    | 2,700            |
| Others  | 13,472                   | 7,129            |
| <b>Total</b>  | <b>2,132,868</b>         | <b>2,067,632</b> |

## 10 Staff costs (including emoluments of directors and supervisors)

|   | Six months ended 30 June |                  |
|---|--------------------------|------------------|
|   | 2021                     | 2020             |
| Salaries, bonuses, allowances and subsidies | 1,113,150                | 1,195,731        |
| Pension and other social benefits           | 274,767                  | 210,012          |
| Enterprise annuity scheme                   | 63,356                   | 70,459           |
| Others                                      | 36,466                   | 33,766           |
| <b>Total</b>                                | <b>1,487,739</b>         | <b>1,509,968</b> |

## 11 Expected credit losses

|   | Six months ended 30 June |                |
|---|--------------------------|----------------|
|   | 2021                     | 2020           |
| Loans and advances to customers   |                          |                |
| – Measured at amortised cost  | 772,844                  | 381,226        |
| – Measured at fair value through other comprehensive income   | (3,481)                  | 22,057         |
| Financial investments   |                          |                |
| – Measured at amortised cost  | (13,116)                 | 80,753         |
| – Measured at fair value through other comprehensive income   | 85,814                   | 254,234        |
| Loan commitments and guarantee contracts  | 54,323                   | 33,497         |
| Financial assets held under resale agreements and deposits and placements with banks and other financial institutions | 12,202                   | 46,377         |
| Other assets  | 3,637                    | 47,873         |
| <b>Total</b>  | <b>912,223</b>           | <b>866,017</b> |

## 12 Income tax expense

|                               | Six months ended 30 June |                |
|-------------------------------|--------------------------|----------------|
|                               | 2021                     | 2020           |
| Current income tax            | 431,081                  | 543,925        |
| Deferred income tax (Note 23) | (187,098)                | (152,916)      |
| <b>Total</b>                  | <b>243,983</b>           | <b>391,009</b> |

## 12 Income tax expense (Continued)

The actual amount of tax paid by the Group is different from the amount calculated based on the profit before tax of the Group and statutory tax rate applicable to the Group. The major adjustments are as follows:

|  | Six months ended 30 June |                |
|--|--------------------------|----------------|
|  | 2021                     | 2020           |
| Profit before tax  | 3,470,478                | 3,257,006      |
| Income tax calculated at statutory tax rate of 25%             | 867,620                  | 814,252        |
| Tax effect of income not taxable for tax purpose (a)           | (624,546)                | (494,136)      |
| Share of profits of associates                                 | (16,070)                 | (4,469)        |
| Non-deductible expenses  | 17,870                   | 22,471         |
| Effect of preferential tax rate applicable to a subsidiary (b) | (891)                    | (728)          |
| Adjustments for current tax of prior periods                   | –                        | 53,619         |
| Income tax expense   | <u>243,983</u>           | <u>391,009</u> |

- (a) The non-taxable income of the Group includes interest income from PRC treasury bonds, municipal government bonds and dividend income.
- (b) From 1 January 2013 to 31 December 2030, the Group's subsidiary, Hezhou Babu Dongying County Bank Company Limited is entitled to a preferential income tax rate of 15%.

## 13 Basic and diluted earnings per share

- (a) Basic earnings per share are calculated by dividing the net profit attributable to the shareholders of the Bank by the weighted average number of ordinary shares issued by the Bank during the period.

|   | Six months ended 30 June |                  |
|---|--------------------------|------------------|
|   | 2021                     | 2020             |
| Net profit attributable to the shareholders of the Bank (RMB'000) | 3,142,240                | 2,820,264        |
| Weighted average number of ordinary shares (thousand shares)      | <u>5,740,455</u>         | <u>5,740,455</u> |
| Basic earnings per share (RMB)                                    | <u>0.55</u>              | <u>0.49</u>      |

### 13 Basic and diluted earnings per share *(Continued)*

#### (b) Diluted earnings per share

There were no potential dilutive ordinary shares outstanding during the current and prior periods. Accordingly, diluted earnings per share were same as basic earnings per share.

### 14 Cash and balances with central banks

| The Group   | As at<br>30 June<br>2021 | As at<br>31 December<br>2020 |
|---|--------------------------|------------------------------|
| Cash  | 2,948,767                | 2,432,295                    |
| Mandatory reserve deposits with central banks (a) | 29,228,943               | 26,984,226                   |
| Surplus reserve deposits (b)                      | 13,652,445               | 8,913,037                    |
| Other deposits with the central bank (c)          | 295,543                  | 233,943                      |
| Sub-total   | 46,125,698               | 38,563,501                   |
| Accrued interest                                  | 12,349                   | 12,953                       |
| <b>Total</b>                                      | <b>46,138,047</b>        | <b>38,576,454</b>            |

- (a) Mandatory reserve deposits with central banks represent the general reserve that the Group maintains with the People's Bank of China ("PBOC") in accordance with relevant regulations. The deposit ratios for the reserve of the Bank as at the end of the reporting period were as follows, respectively:

|   | As at<br>30 June<br>2021 | As at<br>31 December<br>2020 |
|---|--------------------------|------------------------------|
| Mandatory reserve rate for deposits denominated in RMB                | 7.5%                     | 7.5%                         |
| Mandatory reserve rate for deposits denominated in foreign currencies | 7.0%                     | 5.0%                         |

The aforementioned mandatory reserve deposits with central banks cannot be used for daily operating activities. The ratios for RMB deposits in the reserve of the Bank's subsidiaries are in accordance with regulations of the PBOC.

- (b) Surplus reserve deposits with central banks are mainly for the purpose of clearing and settlement.
- (c) Other deposits with the central banks primarily represent fiscal deposits that are not available for use in the Group's daily operations, and are non-interest bearing from government.

## 15 Financial assets held under resale agreements and deposits and placements with banks and other financial institutions

| The Group   | As at<br>30 June<br>2021 | As at<br>31 December<br>2020 |
|---|--------------------------|------------------------------|
| Deposits with domestic banks and other financial institutions   | 5,398,153                | 7,445,852                    |
| Deposits with overseas banks and other financial institutions   | 5,468,047                | 4,861,029                    |
| Placements with domestic banks and other financial institutions | 3,150,000                | 890,822                      |
| Bonds held under resale agreements (a)                          | <u>3,682,023</u>         | <u>5,542,874</u>             |
| Sub-total   | <u>17,698,223</u>        | <u>18,740,577</u>            |
| Accrued interest  | 15,392                   | 15,034                       |
| Provision for impairment losses                                 | <u>(60,379)</u>          | <u>(48,177)</u>              |
| <b>Total</b>  | <u><u>17,653,236</u></u> | <u><u>18,707,434</u></u>     |

- (a) As at the end of the reporting period, the Group did not use financial assets held under resale agreements as pledged or mortgaged assets for repurchase agreements with other financial institutions. The collateral received by the Group under resale agreements is presented in Note 37.

## 16 Loans and advances to customers

(a) Loans and advances to customers are summarised as follows:

| The Group   | As at<br>30 June<br>2021 | As at<br>31 December<br>2020 |
|---|--------------------------|------------------------------|
| <b>Loans and advances to customers measured at amortised cost</b>                       |                          |                              |
| Corporate loans and advances  |                          |                              |
| – Corporate loans   | 144,978,222              | 134,299,305                  |
| – Discounted bills  | 1,541,794                | 1,318,294                    |
|   | <u>146,520,016</u>       | <u>135,617,599</u>           |
| Personal loans and advances   |                          |                              |
| – Property mortgages  | 40,348,320               | 37,665,358                   |
| – Business loans  | 29,815,516               | 25,609,633                   |
| – Personal consumption loans  | 27,724,165               | 26,517,031                   |
| – Credit cards  | 9,242,166                | 8,223,874                    |
|   | <u>107,130,167</u>       | <u>98,015,896</u>            |
| Accrued interest  | 544,871                  | 531,968                      |
| Total loans and advances to customers measured at amortised cost                        | <u>254,195,054</u>       | <u>234,165,463</u>           |
| Impairment provision for loans and advances measured at amortised cost                  |                          |                              |
| – Provision for ECL   | <u>(8,318,310)</u>       | <u>(7,340,817)</u>           |
| Net book value of loans and advances to customers at amortised cost                     | <u>245,876,744</u>       | <u>226,824,646</u>           |
| <b>Loans and advances to customers at fair value through other comprehensive income</b> |                          |                              |
| Corporate loans and advances  |                          |                              |
| – Rediscounted bills  | 23,608,403               | 25,442,797                   |
| – Other loans   | 3,134,463                | 2,374,319                    |
| Net loans and advances to customers   | <u>272,619,610</u>       | <u>254,641,762</u>           |

As at 30 June 2021, the expected credit loss rate for loans and advances to customers at amortised cost of the Group was 3.27% (31 December 2020: 3.13%).

## 16 Loans and advances to customers (Continued)

### (b) Changes in provision for impairment losses of loans and advances to customers by assessment type:

| The Group<br>Corporate loans and advances to<br>customers measured at amortised cost | Stage 1<br>12-month ECL | Stage 2<br>Lifetime ECL | Stage 3<br>Lifetime ECL | Total            |
|--|-------------------------|-------------------------|-------------------------|------------------|
| As at 1 January 2021   | 2,406,004               | 1,755,896               | 1,523,624               | 5,685,524        |
| Originated or purchased  | 737,667                 | -                       | -                       | 737,667          |
| Repayment and transfer out   | (533,796)               | (740,129)               | (350,257)               | (1,624,182)      |
| Write-off  | -                       | -                       | (59)                    | (59)             |
| Remeasurement (i)  | (229,150)               | 1,631,630               | 451,480                 | 1,853,960        |
| Net transfers in:  |                         |                         |                         |                  |
| – Stage 1  | (61,370)                | -                       | -                       | (61,370)         |
| – Stage 2  | -                       | (545,186)               | -                       | (545,186)        |
| – Stage 3  | -                       | -                       | 606,556                 | 606,556          |
| As at 30 June 2021   | <u>2,319,355</u>        | <u>2,102,211</u>        | <u>2,231,344</u>        | <u>6,652,910</u> |
| As at 1 January 2020   | 2,253,170               | 1,221,114               | 2,244,738               | 5,719,022        |
| Originated or purchased  | 1,383,252               | -                       | -                       | 1,383,252        |
| Repayment and transfer out   | (1,166,897)             | (732,754)               | (565,730)               | (2,465,381)      |
| Write-off  | -                       | -                       | (669,115)               | (669,115)        |
| Remeasurement (i)  | (60,438)                | 1,556,244               | 221,940                 | 1,717,746        |
| Net transfers in:  |                         |                         |                         |                  |
| – Stage 1  | (3,083)                 | -                       | -                       | (3,083)          |
| – Stage 2  | -                       | (288,708)               | -                       | (288,708)        |
| – Stage 3  | -                       | -                       | 291,791                 | 291,791          |
| As at 31 December 2020   | <u>2,406,004</u>        | <u>1,755,896</u>        | <u>1,523,624</u>        | <u>5,685,524</u> |

(i) Remeasurement are caused by parameter changes or transfers between stages.

For the period ended 30 June 2021 and the year ended 31 December 2020, all the movements in ECL allowance on loans and advances to customers at fair value through other comprehensive income are in stage 1.

## 16 Loans and advances to customers *(Continued)*

### (b) Changes in provision for impairment losses of loans and advances to customers by assessment type: *(Continued)*

| The Group<br>Personal loans and advances to customers<br>measured at amortised cost | Stage 1<br>12-month<br>ECL | Stage 2<br>Lifetime<br>ECL | Stage 3<br>Lifetime<br>ECL | Total            |
|---|----------------------------|----------------------------|----------------------------|------------------|
| As at 1 January 2021  | 777,977                    | 196,788                    | 680,528                    | 1,655,293        |
| Originated or purchased   | 219,263                    | -                          | -                          | 219,263          |
| Repayment and transfer out  | (195,167)                  | (68,122)                   | (90,785)                   | (354,074)        |
| Write-off   | -                          | -                          | (30,846)                   | (30,846)         |
| Remeasurement (i)   | (295,005)                  | 250,174                    | 220,595                    | 175,764          |
| Net transfers in:   |                            |                            |                            |                  |
| - Stage 1   | 19,529                     | -                          | -                          | 19,529           |
| - Stage 2   | -                          | (31,146)                   | -                          | (31,146)         |
| - Stage 3   | -                          | -                          | 11,617                     | 11,617           |
| As at 30 June 2021  | <u>526,597</u>             | <u>347,694</u>             | <u>791,109</u>             | <u>1,665,400</u> |
| As at 1 January 2020  | 1,102,866                  | 146,390                    | 326,250                    | 1,575,506        |
| Originated or purchased   | 438,361                    | -                          | -                          | 438,361          |
| Repayment and transfer out  | (362,336)                  | (85,350)                   | (109,815)                  | (557,501)        |
| Write-off   | -                          | -                          | (117,451)                  | (117,451)        |
| Remeasurement (i)   | (408,554)                  | 229,613                    | 495,319                    | 316,378          |
| Net transfers in:   |                            |                            |                            |                  |
| - Stage 1   | 7,640                      | -                          | -                          | 7,640            |
| - Stage 2   | -                          | (93,865)                   | -                          | (93,865)         |
| - Stage 3   | -                          | -                          | 86,225                     | 86,225           |
| As at 31 December 2020  | <u>777,977</u>             | <u>196,788</u>             | <u>680,528</u>             | <u>1,655,293</u> |

(i) Remeasurement are caused by parameter changes or transfers between stages.

## 16 Loans and advances to customers (Continued)

### (c) Analyzed by movements in carrying amount:

| The Group<br>Corporate loans and advances to<br>customers measured at amortised cost | Stage 1<br>12-month<br>ECL | Stage 2<br>Lifetime<br>ECL | Stage 3<br>Lifetime<br>ECL | Total              |
|--|----------------------------|----------------------------|----------------------------|--------------------|
| As at 1 January 2021   | 130,636,560                | 3,334,835                  | 1,957,422                  | 135,928,817        |
| Originated or purchased  | 48,314,496                 | –                          | –                          | 48,314,496         |
| Repayment and transfer out   | (34,877,308)               | (1,999,967)                | (529,139)                  | (37,406,414)       |
| Write-off  | –                          | –                          | (59)                       | (59)               |
| Net transfers in:  |                            |                            |                            |                    |
| – Stage 1  | (3,882,638)                | –                          | –                          | (3,882,638)        |
| – Stage 2  | –                          | 2,438,238                  | –                          | 2,438,238          |
| – Stage 3  | –                          | –                          | 1,444,400                  | 1,444,400          |
| As at 30 June 2021   | <u>140,191,110</u>         | <u>3,773,106</u>           | <u>2,872,624</u>           | <u>146,836,840</u> |
| As at 1 January 2020   | 102,817,020                | 2,471,413                  | 2,758,063                  | 108,046,496        |
| Acquisition of a subsidiary (i)  | 1,054,986                  | –                          | –                          | 1,054,986          |
| Originated or purchased  | 84,163,397                 | –                          | –                          | 84,163,397         |
| Repayment and transfer out   | (54,207,991)               | (1,659,679)                | (799,277)                  | (56,666,947)       |
| Write-off  | –                          | –                          | (669,115)                  | (669,115)          |
| Net transfers in:  |                            |                            |                            |                    |
| – Stage 1  | (3,190,852)                | –                          | –                          | (3,190,852)        |
| – Stage 2  | –                          | 2,523,101                  | –                          | 2,523,101          |
| – Stage 3  | –                          | –                          | 667,751                    | 667,751            |
| As at 31 December 2020   | <u>130,636,560</u>         | <u>3,334,835</u>           | <u>1,957,422</u>           | <u>135,928,817</u> |

- (i) The credit impaired corporate loans and advances to customers acquired from the subsidiary amounted to RMB17,439 thousand.

For the period ended 30 June 2021 and the year ended 31 December 2020, all the movements in ECL allowance on loans and advances to customers at fair value through other comprehensive income are in stage 1.

## 16 Loans and advances to customers (Continued)

### (c) Analyzed by movements in carrying amount: (Continued)

| The Group<br>Personal loans and advances to customers<br>measured at amortised cost | Stage 1<br>12-month<br>ECL | Stage 2<br>Lifetime<br>ECL | Stage 3<br>Lifetime<br>ECL | Total              |
|---|----------------------------|----------------------------|----------------------------|--------------------|
| As at 1 January 2021  | 96,757,729                 | 644,898                    | 834,019                    | 98,236,646         |
| Originated or purchased   | 31,767,393                 | –                          | –                          | 31,767,393         |
| Repayment and transfer out  | (22,262,611)               | (229,743)                  | (122,625)                  | (22,614,979)       |
| Write-off   | –                          | –                          | (30,846)                   | (30,846)           |
| Net transfers in:   |                            |                            |                            |                    |
| – Stage 1   | (758,286)                  | –                          | –                          | (758,286)          |
| – Stage 2   | –                          | 500,859                    | –                          | 500,859            |
| – Stage 3   | –                          | –                          | 257,427                    | 257,427            |
| As at 30 June 2021  | <u>105,504,225</u>         | <u>916,014</u>             | <u>937,975</u>             | <u>107,358,214</u> |
| As at 1 January 2020  | 79,311,018                 | 511,260                    | 427,911                    | 80,250,189         |
| Acquisition of a subsidiary (i)   | 1,207,002                  | –                          | –                          | 1,207,002          |
| Originated or purchased   | 49,477,704                 | –                          | –                          | 49,477,704         |
| Repayment and transfer out  | (32,044,701)               | (367,703)                  | (168,395)                  | (32,580,799)       |
| Write-off   | –                          | –                          | (117,450)                  | (117,450)          |
| Net transfers in:   |                            |                            |                            |                    |
| – Stage 1   | (1,193,294)                | –                          | –                          | (1,193,294)        |
| – Stage 2   | –                          | 501,341                    | –                          | 501,341            |
| – Stage 3   | –                          | –                          | 691,953                    | 691,953            |
| As at 31 December 2020  | <u>96,757,729</u>          | <u>644,898</u>             | <u>834,019</u>             | <u>98,236,646</u>  |

- (i) The credit impaired personal loans and advances to customers acquired from the subsidiary amounted to RMB2,523 thousand.

## 16 Loans and advances to customers (Continued)

### (d) Loans and advances to customers by assessment type:

#### The Group

| As at 30 June 2021                    | Carrying amounts        |                         |                         | Total              |
|---------------------------------------|-------------------------|-------------------------|-------------------------|--------------------|
|                                       | Stage 1<br>12-month ECL | Stage 2<br>Lifetime ECL | Stage 3<br>Lifetime ECL |                    |
| Total loans and advances to customers |                         |                         |                         |                    |
| – Corporate loans and advances        | 166,933,976             | 3,773,106               | 2,872,624               | 173,579,706        |
| – Personal loans and advances         | 105,504,225             | 916,014                 | 937,975                 | 107,358,214        |
| Provision for ECL                     | (2,845,952)             | (2,449,905)             | (3,022,453)             | (8,318,310)        |
| Net loans and advances to customers   | <u>269,592,249</u>      | <u>2,239,215</u>        | <u>788,146</u>          | <u>272,619,610</u> |

| As at 31 December 2020                | Carrying amounts        |                         |                         | Total              |
|---------------------------------------|-------------------------|-------------------------|-------------------------|--------------------|
|                                       | Stage 1<br>12-month ECL | Stage 2<br>Lifetime ECL | Stage 3<br>Lifetime ECL |                    |
| Total loans and advances to customers |                         |                         |                         |                    |
| – Corporate loans and advances        | 158,453,676             | 3,334,835               | 1,957,422               | 163,745,933        |
| – Personal loans and advances         | 96,757,729              | 644,898                 | 834,019                 | 98,236,646         |
| Provision for ECL                     | (3,183,981)             | (1,952,684)             | (2,204,152)             | (7,340,817)        |
| Net loans and advances to customers   | <u>252,027,424</u>      | <u>2,027,049</u>        | <u>587,289</u>          | <u>254,641,762</u> |

## 17 Financial investments

| The Group  | Note | As at<br>30 June<br>2021 | As at<br>31 December<br>2020 |
|--|------|--------------------------|------------------------------|
| Financial assets at fair value through profit or loss                  | 17.1 | 43,820,047               | 36,101,567                   |
| Financial investments at amortised cost                                | 17.2 | 109,588,396              | 111,667,933                  |
| Financial investments at fair value through other comprehensive income | 17.3 | 84,442,058               | 79,943,601                   |
| <b>Total</b>   |      | <b>237,850,501</b>       | <b>227,713,101</b>           |

### 17.1 Financial assets at fair value through profit or loss

| The Group   | As at<br>30 June<br>2021 | As at<br>31 December<br>2020 |
|---|--------------------------|------------------------------|
| Measured at fair value through profit or loss                 |                          |                              |
| – Held for trading  | 37,329,927               | 32,639,420                   |
| – Other financial assets at fair value through profit or loss | 6,490,120                | 3,462,147                    |
| <b>Total</b>  | <b>43,820,047</b>        | <b>36,101,567</b>            |
| Listed in Mainland China                                      |                          |                              |
| – Government bonds  | 10,761,056               | 5,961,279                    |
| – Financial institution bonds                                 | 4,010,200                | 3,153,794                    |
| – Corporate bonds   | 2,181,276                | 3,027,470                    |
| – Fund Investments  | 20,377,395               | 20,496,877                   |
| Sub-total   | 37,329,927               | 32,639,420                   |
| Unlisted  |                          |                              |
| – Rights to earnings on credit assets (a)                     | 6,490,120                | 3,434,843                    |
| – Others  | –                        | 27,304                       |
| Sub-total   | 6,490,120                | 3,462,147                    |
| <b>Total</b>  | <b>43,820,047</b>        | <b>36,101,567</b>            |

(a) As at the end of the reporting period, the rights to earnings on credit assets are invested in loan, foreclosed assets, policy financial bonds and finance lease receivables.

## 17 Financial investments (Continued)

### 17.2 Financial investments at amortised cost

| The Group                                       | As at<br>30 June<br>2021 | As at<br>31 December<br>2020 |
|---|--------------------------|------------------------------|
| Listed in Mainland China                        |                          |                              |
| – Government bonds                              | 74,704,601               | 75,986,548                   |
| – Financial institution bonds                   | 17,198,974               | 16,446,750                   |
| – Corporate bonds                               | 9,622,086                | 7,378,596                    |
| – Interbank certificates of deposits            | 5,583,005                | 9,210,778                    |
| Sub-total                                       | 107,108,666              | 109,022,672                  |
| Unlisted  |                          |                              |
| – Rights to earnings on credit assets (17.1(a)) | 614,243                  | 902,634                      |
| – Certificate treasury bonds                    | 129,705                  | 104,772                      |
| Sub-total                                       | 743,948                  | 1,007,406                    |
| Accrued interest                                | 1,843,630                | 1,758,819                    |
| Provision for ECL                               | (107,848)                | (120,964)                    |
| <b>Total</b>                                    | <b>109,588,396</b>       | <b>111,667,933</b>           |

## 17 Financial investments (Continued)

### 17.2 Financial investments at amortised cost (Continued)

(1) Analyzed by movements in loss allowance:

| The Group                  | Stage 1<br>12-month ECL | Stage 2<br>Lifetime ECL | Stage 3<br>Lifetime ECL | Total    |
|----------------------------|-------------------------|-------------------------|-------------------------|----------|
| As at 1 January 2021       | 99,883                  | 3,112                   | 17,969                  | 120,964  |
| Originated or purchased    | 57,993                  | -                       | -                       | 57,993   |
| Repayment and transfer out | (43,011)                | -                       | (17,969)                | (60,980) |
| Remeasurement (i)          | (10,971)                | 842                     | -                       | (10,129) |
| Net transfers in:          |                         |                         |                         |          |
| - Stage 1                  | (172)                   | -                       | -                       | (172)    |
| - Stage 2                  | -                       | 172                     | -                       | 172      |
| - Stage 3                  | -                       | -                       | -                       | -        |
| As at 30 June 2021         | 103,722                 | 4,126                   | -                       | 107,848  |
| As at 1 January 2020       | 119,916                 | 6,112                   | -                       | 126,028  |
| Originated or purchased    | 38,973                  | -                       | -                       | 38,973   |
| Repayment and transfer out | (75,059)                | (2,382)                 | -                       | (77,441) |
| Remeasurement (i)          | 16,334                  | 592                     | 16,478                  | 33,404   |
| Net transfers in:          |                         |                         |                         |          |
| - Stage 1                  | (281)                   | -                       | -                       | (281)    |
| - Stage 2                  | -                       | (1,210)                 | -                       | (1,210)  |
| - Stage 3                  | -                       | -                       | 1,491                   | 1,491    |
| As at 31 December 2020     | 99,883                  | 3,112                   | 17,969                  | 120,964  |

(i) Remeasurement are caused by parameter changes or transfers between stages.

As at 30 June 2021, the expected credit loss rates for financial investments at amortised cost of the Group was 0.10% (31 December 2020: 0.11%).

## 17 Financial investments (Continued)

### 17.2 Financial investments at amortised cost (Continued)

(2) Analyzed by movements in carrying amount:

| The Group                       | Stage 1<br>12-month ECL | Stage 2<br>Lifetime ECL | Stage 3<br>Lifetime ECL | Total              |
|---------------------------------|-------------------------|-------------------------|-------------------------|--------------------|
| As at 1 January 2021            | 111,554,858             | 181,001                 | 53,038                  | 111,788,897        |
| Originated or purchased         | 31,397,973              | -                       | -                       | 31,397,973         |
| Repayment and transfer out      | (33,437,588)            | -                       | (53,038)                | (33,490,626)       |
| Net transfers in:               |                         |                         |                         |                    |
| – Stage 1                       | (78,961)                | -                       | -                       | (78,961)           |
| – Stage 2                       | -                       | 78,961                  | -                       | 78,961             |
| – Stage 3                       | -                       | -                       | -                       | -                  |
| As at 30 June 2021              | <u>109,436,282</u>      | <u>259,962</u>          | <u>-</u>                | <u>109,696,244</u> |
| As at 1 January 2020            | 86,778,248              | 217,358                 | -                       | 86,995,606         |
| Acquisition of a subsidiary (i) | 16,487,788              | -                       | -                       | 16,487,788         |
| Originated or purchased         | 33,891,102              | -                       | -                       | 33,891,102         |
| Repayment and transfer out      | (25,508,839)            | (76,760)                | -                       | (25,585,599)       |
| Net transfers in:               |                         |                         |                         |                    |
| – Stage 1                       | (93,441)                | -                       | -                       | (93,441)           |
| – Stage 2                       | -                       | 40,403                  | -                       | 40,403             |
| – Stage 3                       | -                       | -                       | 53,038                  | 53,038             |
| As at 31 December 2020          | <u>111,554,858</u>      | <u>181,001</u>          | <u>53,038</u>           | <u>111,788,897</u> |

- (i) The financial investments acquired from the subsidiary in 2020 are mainly government bonds, financial institution bonds and interbank certificates of deposits and classified in stage 1.

## 17 Financial investments (Continued)

### 17.3 Financial investments at fair value through other comprehensive income

| The Group  | As at<br>30 June<br>2021 | As at<br>31 December<br>2020 |
|--|--------------------------|------------------------------|
| Debt instrument investments at fair value through other comprehensive income   |                          |                              |
| Listed in Mainland China   |                          |                              |
| – Government bonds   | 51,806,816               | 43,264,031                   |
| – Financial institution bonds  | 16,384,810               | 16,892,014                   |
| – Corporate bonds  | 10,451,416               | 16,826,156                   |
| – Interbank certificates of deposit  | <u>3,537,882</u>         | <u>342,939</u>               |
| Sub-total  | <u>82,180,924</u>        | <u>77,325,140</u>            |
| Unlisted   |                          |                              |
| – Direct financing instruments for wealth management products (“WMPs”)         | 19,819                   | 222,000                      |
| – Rights to earnings on credit assets (17.1(a))                                | <u>268,613</u>           | <u>446,175</u>               |
| Sub-total  | <u>288,432</u>           | <u>668,175</u>               |
| Equity instruments designated at fair value through other comprehensive income |                          |                              |
| – Unlisted equity investments  | <u>580,386</u>           | <u>566,705</u>               |
| Accrued interest   | <u>1,392,316</u>         | <u>1,383,581</u>             |
| <b>Total</b>   | <u><u>84,442,058</u></u> | <u><u>79,943,601</u></u>     |

## 17 Financial investments (Continued)

### 17.3 Financial investments at fair value through other comprehensive income (Continued)

(1) Analyzed by movements in loss allowance:

| The Group                  | Stage 1<br>12-month ECL | Stage 2<br>Lifetime ECL | Stage 3<br>Lifetime ECL | Total            |
|----------------------------|-------------------------|-------------------------|-------------------------|------------------|
| As at 1 January 2021       | 116,451                 | 159,834                 | 2,291,777               | 2,568,062        |
| Originated or purchased    | 20,705                  | –                       | –                       | 20,705           |
| Repayment and transfer out | (37,465)                | (27,146)                | (60,208)                | (124,819)        |
| Remeasurement (i)          | (13,769)                | (15,348)                | 219,045                 | 189,928          |
| Net transfers in:          |                         |                         |                         |                  |
| – Stage 1                  | 18,697                  | –                       | –                       | 18,697           |
| – Stage 2                  | –                       | (18,697)                | –                       | (18,697)         |
| – Stage 3                  | –                       | –                       | –                       | –                |
| As at 30 June 2021         | <u>104,619</u>          | <u>98,643</u>           | <u>2,450,614</u>        | <u>2,653,876</u> |
| As at 1 January 2020       | 138,400                 | 499,933                 | 1,835,835               | 2,474,168        |
| Originated or purchased    | 42,990                  | –                       | –                       | 42,990           |
| Repayment and transfer out | (78,151)                | (237,291)               | (37,867)                | (353,309)        |
| Remeasurement (i)          | (34,157)                | (44,668)                | 483,038                 | 404,213          |
| Net transfers in:          |                         |                         |                         |                  |
| – Stage 1                  | 47,369                  | –                       | –                       | 47,369           |
| – Stage 2                  | –                       | (58,140)                | –                       | (58,140)         |
| – Stage 3                  | –                       | –                       | 10,771                  | 10,771           |
| As at 31 December 2020     | <u>116,451</u>          | <u>159,834</u>          | <u>2,291,777</u>        | <u>2,568,062</u> |

(i) Remeasurement are caused by parameter changes or transfers between stages.

## 17 Financial investments (Continued)

### 17.3 Financial investments at fair value through other comprehensive income (Continued)

(2) Analyzed by movements in carrying amount:

| The Group                       | Stage 1<br>12-month ECL | Stage 2<br>Lifetime ECL | Stage 3<br>Lifetime ECL | Total             |
|---------------------------------|-------------------------|-------------------------|-------------------------|-------------------|
| As at 1 January 2021            | 77,400,061              | 1,165,685               | 811,150                 | 79,376,896        |
| Originated or purchased         | 25,123,472              | -                       | -                       | 25,123,472        |
| Repayment and transfer out      | (20,130,699)            | (170,875)               | (337,122)               | (20,638,696)      |
| Net transfers in:               |                         |                         |                         |                   |
| - Stage 1                       | 311,455                 | -                       | -                       | 311,455           |
| - Stage 2                       | -                       | (311,455)               | -                       | (311,455)         |
| - Stage 3                       | -                       | -                       | -                       | -                 |
| As at 30 June 2021              | <u>82,704,289</u>       | <u>683,355</u>          | <u>474,028</u>          | <u>83,861,672</u> |
| As at 1 January 2020            | 75,162,734              | 2,151,711               | 473,291                 | 77,787,736        |
| Acquisition of a subsidiary (i) | 195,850                 | -                       | -                       | 195,850           |
| Originated or purchased         | 46,671,785              | -                       | -                       | 46,671,785        |
| Repayment and transfer out      | (43,827,587)            | (1,172,095)             | (278,793)               | (45,278,475)      |
| Net transfers in:               |                         |                         |                         |                   |
| - Stage 1                       | (802,721)               | -                       | -                       | (802,721)         |
| - Stage 2                       | -                       | 186,069                 | -                       | 186,069           |
| - Stage 3                       | -                       | -                       | 616,652                 | 616,652           |
| As at 31 December 2020          | <u>77,400,061</u>       | <u>1,165,685</u>        | <u>811,150</u>          | <u>79,376,896</u> |

- (i) The financial investments acquired from the subsidiary in 2020 are mainly interbank certificates of deposits and classified in stage 1.

## 18 Subsidiaries

|                 | As at<br>30 June<br>2021 | As at<br>31 December<br>2020 |
|-----------------|--------------------------|------------------------------|
| Investment cost | <u>3,735,487</u>         | <u>3,735,487</u>             |

## 18 Subsidiaries (Continued)

Subsidiaries invested by the Bank are set out below:

| Name of entity   | Date and place of incorporation/ establishment | Authorized/ paid-in capital | Percentage of equity interest (%) / voting rights (%) |                  | Principal activities |
|--|--|-----------------------------|---|------------------|----------------------|
|  |  |                             | 30 June 2021  | 31 December 2020 |                      |
| Huizhou Zhongkai Dongying County Bank Company Limited    | 13 December 2010<br>Huizhou, Guangdong         | RMB300,000,000              | 51.00%  | 51.00%           | Banking              |
| Yunfu Xinxing Dongying County Bank Company Limited       | 23 December 2011<br>Yunfu, Guangdong           | RMB100,000,000              | 51.00%  | 51.00%           | Banking              |
| Hezhou Babu Dongying County Bank Company Limited         | 8 August 2012<br>Hezhou, Guangxi               | RMB100,000,000              | 51.00%  | 51.00%           | Banking              |
| Dongguan Dalang Dongying County Bank Company Limited (a) | 25 June 2012<br>Dongguan, Guangdong            | RMB100,000,000              | 35.00%  | 35.00%           | Banking              |
| Zhanjiang Rural Commercial Bank Co., Ltd. (b)            | 26 October 2019<br>Zhanjiang, Guangdong        | RMB1,655,000,000            | 49.41%  | 49.41%           | Banking              |
| Guangdong Chaoyang Rural Commercial Bank Co., Ltd.       | 27 December 2020<br>Shantou, Guangdong         | RMB1,202,000,000            | 67.03%  | 67.03%           | Banking              |

- (a) Dongguan Dalang Dongying County Bank Company Limited is a joint venture formed by the Bank and other 12 legal person shareholders, and the Bank holds 35% of its equity interests. The shareholders holding 16% of equity interest in Dongguan Dalang Dongying County Bank Company Limited agreed to vote in the direction of the Bank. Accordingly, the Bank effectively controls over Dongguan Dalang Dongying County Bank Company Limited through 51% of the voting rights.
- (b) Zhanjiang Rural Commercial Bank Co., Ltd. (“Zhanjiang RCB”) was formed as a result of a combination of Zhanjiang City Donghai Island Economic Development Test Zone Rural Credit Cooperatives Union (“Donghai Union”), Zhanjiang City Chikan District Rural Credit Cooperatives Union (“Chikan Union”), Zhanjiang City Potou District Rural Credit Cooperatives Union (“Potou Union”), Zhanjiang City Mazhang District Rural Credit Cooperatives Union (“Mazhang Union”). The Bank and other new investors invested by cash injection, while Donghai Union, Chikan Union, Potou Union and Mazhang Union invested by all the shares of each unions. The business combination was completed on 26 October 2019. Upon the acquisition, the Bank holds 49.41% shares and the remaining shareholdings are widely dispersed. Therefore, the Bank controls Zhanjiang RCB.

## 19 Share of profits of associates

| The Group            | Six months ended<br>30 June 2021 | Year ended<br>31 December<br>2020 |
|----------------------|----------------------------------|-----------------------------------|
| Opening balance      | 432,990                          | 430,645                           |
| Share of net profits | 27,646                           | 24,284                            |
| Dividends received   | (11,431)                         | (21,939)                          |
| Ending balance       | <u>449,205</u>                   | <u>432,990</u>                    |

The Group's investments in associates are ordinary shares of non-listed companies, and the results of these associates and their assets and liabilities are summarised below:

| Investee  | Place of registration | Assets     | Net assets | Revenue for the current period/year | Net profit for the current period/year | Shareholding (%) | Share of net profits |
|---|-----------------------|------------|------------|-------------------------------------|--|------------------|----------------------|
| <b>As at 30 June 2021</b>                             |                       |            |            |                                     |  |                  |                      |
| Yaan Rural Commercial Bank Co., Ltd. (a)              | Yaan, Sichuan         | 27,185,803 | 2,013,774  | 523,126                             | 137,127                                | 15.00%           | 20,569               |
| Guangdong Lechang Rural Commercial Bank Co., Ltd. (b) | Lechang, Guangdong    | 9,529,961  | 862,521    | 101,423                             | 29,090                                 | 8.00%            | 2,327                |
| Guangdong Xuwen Rural Commercial Bank Co., Ltd. (c)   | Xuwen, Guangdong      | 10,846,579 | 757,297    | 159,896                             | 59,821                                 | 7.94%            | 4,750                |
| <b>As at 31 December 2020</b>                         |                       |            |            |                                     |  |                  |                      |
| Yaan Rural Commercial Bank Co., Ltd. (a)              | Yaan, Sichuan         | 24,099,283 | 1,916,502  | 1,015,102                           | 97,472                                 | 15.00%           | 14,621               |
| Guangdong Lechang Rural Commercial Bank Co., Ltd. (b) | Lechang, Guangdong    | 9,416,615  | 902,626    | 211,515                             | 58,357                                 | 8.00%            | 4,669                |
| Guangdong Xuwen Rural Commercial Bank Co., Ltd. (c)   | Xuwen, Guangdong      | 10,207,552 | 735,392    | 323,959                             | 62,891                                 | 7.94%            | 4,994                |

## 19 Share of profits of associates (Continued)

- (a) One of the nine members of the board of directors of Yaan Rural Commercial Bank Co., Ltd (“Yaan RCB”) is a representative of the Group, therefore the Group is able to exercise significant influence over Yaan RCB and accounts for Yaan RCB as an associate.
- (b) In March 2019, the Group invested in Guangdong Lechang Rural Commercial Bank Co., Ltd (“Lechang RCB”) by cash amounted to RMB83.6 million. A representative of the Group was elected as one of the nine members of the board of directors of Lechang RCB, therefore the Group is able to exercise significant influence over Lechang RCB and accounts for Lechang RCB as an associate.
- (c) Prior to August 2019, the Group held 9.8% shares of Guangdong Xuwen Rural Commercial Bank Co., Ltd (“Xuwen RCB”) with no representative in the board of director. After the restructuring of Xuwen RCB in August 2019, the Group holds 7.94% shares of Xuwen RCB amounted to RMB59.6 million, a representative of the Group was elected as one of the eight members of the board of directors of Xuwen RCB. Subsequently, the Group is able to exercise significant influence over Xuwen RCB and started to account for Xuwen RCB as an associate.

## 20 Property and equipment

| The Group                              | Buildings | Decoration and renovation | Motor vehicles | Machinery and equipment | Electronic equipment | Other equipment | Construction in progress | Total       |
|--|-----------|---------------------------|----------------|-------------------------|----------------------|-----------------|--------------------------|-------------|
| <b>Cost</b>                            |           |                           |                |                         |                      |                 |                          |             |
| As at 1 January 2021                   | 2,496,588 | 43,697                    | 39,657         | 107,576                 | 787,509              | 131,054         | 711,186                  | 4,317,267   |
| Addition                               | 247       | 179                       | 1,455          | 897                     | 6,461                | 4,805           | 92,618                   | 106,662     |
| Transfers in/(out)                     | 17,602    | -                         | -              | 1,459                   | 1,533                | 485             | (21,079)                 | -           |
| Disposal                               | (8,557)   | (72)                      | (1,010)        | (3,437)                 | (22,520)             | (1,183)         | -                        | (36,779)    |
| As at 30 June 2021                     | 2,505,880 | 43,804                    | 40,102         | 106,495                 | 772,983              | 135,161         | 782,725                  | 4,387,150   |
| <b>Accumulated depreciation</b>        |           |                           |                |                         |                      |                 |                          |             |
| As at 1 January 2021                   | (879,846) | (27,679)                  | (35,497)       | (71,870)                | (744,346)            | (124,905)       | -                        | (1,884,143) |
| Depreciation                           | (103,422) | (729)                     | (1,116)        | (4,060)                 | (17,665)             | (9,201)         | -                        | (136,193)   |
| Disposal                               | 733       | 7                         | 469            | 2,118                   | 22,519               | 813             | -                        | 26,659      |
| As at 30 June 2021                     | (982,535) | (28,401)                  | (36,144)       | (73,812)                | (739,492)            | (133,293)       | -                        | (1,993,677) |
| <b>Provision for impairment losses</b> |           |                           |                |                         |                      |                 |                          |             |
| As at 1 January 2021                   | (351)     | -                         | -              | -                       | -                    | -               | -                        | (351)       |
| Charge for the period                  | -         | -                         | -              | -                       | -                    | -               | -                        | -           |
| As at 30 June 2021                     | (351)     | -                         | -              | -                       | -                    | -               | -                        | (351)       |
| <b>Net book value</b>                  |           |                           |                |                         |                      |                 |                          |             |
| As at 30 June 2021                     | 1,522,994 | 15,403                    | 3,958          | 32,683                  | 33,491               | 1,868           | 782,725                  | 2,393,122   |

## 20 Property and equipment (Continued)

| The Group                              | Buildings        | Decoration and renovation | Motor vehicles  | Machinery and equipment | Electronic equipment | Other equipment  | Construction in progress | Total              |
|--|------------------|---------------------------|-----------------|-------------------------|----------------------|------------------|--------------------------|--------------------|
| <b>Cost</b>                            |                  |                           |                 |                         |                      |                  |                          |                    |
| As at 1 January 2020                   | 2,013,847        | 43,625                    | 39,884          | 102,380                 | 756,500              | 117,954          | 281,616                  | 3,355,806          |
| Acquisition of a subsidiary            | 489,178          | -                         | 1,351           | 770                     | 1,674                | 639              | -                        | 493,612            |
| Addition                               | 18,453           | 72                        | 3,002           | 8,370                   | 34,246               | 19,162           | 445,630                  | 528,935            |
| Transfers in/(out)                     | 8,624            | -                         | -               | 139                     | 3,918                | 3,379            | (16,060)                 | -                  |
| Disposal                               | (33,514)         | -                         | (4,580)         | (4,083)                 | (8,829)              | (10,080)         | -                        | (61,086)           |
| As at 31 December 2020                 | <u>2,496,588</u> | <u>43,697</u>             | <u>39,657</u>   | <u>107,576</u>          | <u>787,509</u>       | <u>131,054</u>   | <u>711,186</u>           | <u>4,317,267</u>   |
| <b>Accumulated depreciation</b>        |                  |                           |                 |                         |                      |                  |                          |                    |
| As at 1 January 2020                   | (826,908)        | (26,159)                  | (34,265)        | (64,272)                | (721,216)            | (105,348)        | -                        | (1,778,168)        |
| Depreciation                           | (75,405)         | (1,520)                   | (3,097)         | (9,097)                 | (26,523)             | (26,530)         | -                        | (142,172)          |
| Disposal                               | 22,467           | -                         | 1,865           | 1,499                   | 3,393                | 6,973            | -                        | 36,197             |
| As at 31 December 2020                 | <u>(879,846)</u> | <u>(27,679)</u>           | <u>(35,497)</u> | <u>(71,870)</u>         | <u>(744,346)</u>     | <u>(124,905)</u> | <u>-</u>                 | <u>(1,884,143)</u> |
| <b>Provision for impairment losses</b> |                  |                           |                 |                         |                      |                  |                          |                    |
| As at 1 January 2020                   | -                | -                         | -               | -                       | -                    | -                | -                        | -                  |
| Charge for the year                    | (351)            | -                         | -               | -                       | -                    | -                | -                        | (351)              |
| As at 31 December 2020                 | <u>(351)</u>     | <u>-</u>                  | <u>-</u>        | <u>-</u>                | <u>-</u>             | <u>-</u>         | <u>-</u>                 | <u>(351)</u>       |
| <b>Net book value</b>                  |                  |                           |                 |                         |                      |                  |                          |                    |
| As at 31 December 2020                 | <u>1,616,391</u> | <u>16,018</u>             | <u>4,160</u>    | <u>35,706</u>           | <u>43,163</u>        | <u>6,149</u>     | <u>711,186</u>           | <u>2,432,773</u>   |

As at 30 June 2021, properties at original costs of RMB616 million (31 December 2020: RMB616 million), with net values at RMB330 million (31 December 2020: RMB349 million), which the Group is still in the process of applying for the ownership certificates.

All properties of the Group are located outside Hong Kong.

## 21 Right-of-use assets and lease liabilities

| The Group                              | Property         | Equipment      | Land use rights  | Total            |
|--|------------------|----------------|------------------|------------------|
| <b>Right-of-use assets</b>             |                  |                |                  |                  |
| <b>Cost</b>                            |                  |                |                  |                  |
| As at 1 January 2021                   | 635,724          | 4,152          | 458,108          | 1,097,984        |
| Increase                               | 18,670           | 2,706          | 300,944          | 322,320          |
| Decrease                               | (35,746)         | (935)          | (1,061)          | (37,742)         |
| As at 30 June 2021                     | <u>618,648</u>   | <u>5,923</u>   | <u>757,991</u>   | <u>1,382,562</u> |
| <b>Accumulated depreciation</b>        |                  |                |                  |                  |
| As at 1 January 2021                   | (302,165)        | (2,409)        | (178,891)        | (483,465)        |
| Increase                               | (48,632)         | (1,689)        | (4,311)          | (54,632)         |
| Decrease                               | 35,746           | 935            | 584              | 37,265           |
| As at 30 June 2021                     | <u>(315,051)</u> | <u>(3,163)</u> | <u>(182,618)</u> | <u>(500,832)</u> |
| <b>Provision for impairment losses</b> |                  |                |                  |                  |
| As at 1 January 2021                   | –                | –              | (2,355)          | (2,355)          |
| Increase                               | –                | –              | –                | –                |
| Decrease                               | –                | –              | –                | –                |
| As at 30 June 2021                     | <u>–</u>         | <u>–</u>       | <u>(2,355)</u>   | <u>(2,355)</u>   |
| <b>Net book value</b>                  |                  |                |                  |                  |
| As at 30 June 2021                     | <u>303,597</u>   | <u>2,760</u>   | <u>573,018</u>   | <u>879,375</u>   |
| <b>Lease liabilities</b>               |                  |                |                  |                  |
| <b>Net book value</b>                  |                  |                |                  |                  |
| As at 30 June 2021                     | <u>412,405</u>   | <u>2,762</u>   | <u>–</u>         | <u>415,167</u>   |

## 21 Right-of-use assets and lease liabilities (Continued)

| The Group                              | Property         | Equipment      | Land use rights  | Total            |
|--|------------------|----------------|------------------|------------------|
| <b>Right-of-use assets</b>             |                  |                |                  |                  |
| <b>Cost</b>                            |                  |                |                  |                  |
| As at 1 January 2020                   | 554,116          | 3,451          | 464,499          | 1,022,066        |
| Acquisition of a subsidiary            | 50,338           | –              | –                | 50,338           |
| Increase                               | 50,822           | 3,388          | 7,153            | 61,363           |
| Decrease                               | (19,552)         | (2,687)        | (13,544)         | (35,783)         |
| As at 31 December 2020                 | <u>635,724</u>   | <u>4,152</u>   | <u>458,108</u>   | <u>1,097,984</u> |
| <b>Accumulated depreciation</b>        |                  |                |                  |                  |
| As at 1 January 2020                   | (226,478)        | (1,895)        | (177,770)        | (406,143)        |
| Increase                               | (95,189)         | (3,201)        | (8,627)          | (107,017)        |
| Decrease                               | 19,502           | 2,687          | 7,506            | 29,695           |
| As at 31 December 2020                 | <u>(302,165)</u> | <u>(2,409)</u> | <u>(178,891)</u> | <u>(483,465)</u> |
| <b>Provision for impairment losses</b> |                  |                |                  |                  |
| As at 1 January 2020                   | –                | –              | (2,366)          | (2,366)          |
| Increase                               | –                | –              | –                | –                |
| Decrease                               | –                | –              | 11               | 11               |
| As at 31 December 2020                 | <u>–</u>         | <u>–</u>       | <u>(2,355)</u>   | <u>(2,355)</u>   |
| <b>Net book value</b>                  |                  |                |                  |                  |
| As at 31 December 2020                 | <u>333,559</u>   | <u>1,743</u>   | <u>276,862</u>   | <u>612,164</u>   |
| <b>Lease liabilities</b>               |                  |                |                  |                  |
| <b>Net book value</b>                  |                  |                |                  |                  |
| As at 31 December 2020                 | <u>449,123</u>   | <u>1,737</u>   | <u>–</u>         | <u>450,860</u>   |

## 22 Goodwill

|                          | As at<br>30 June<br>2021 | As at<br>31 December<br>2020 |
|--------------------------|--------------------------|------------------------------|
| Zhanjiang RCB            | 181,381                  | 181,381                      |
| Chaoyang RCB             | 339,140                  | 339,140                      |
| Impairment allowance (i) | —                        | —                            |
|                          | <u>520,521</u>           | <u>520,521</u>               |

### (I) IMPAIRMENT

For the business combination of Zhanjiang RCB and Chaoyang RCB, the recoverable amount of the asset group is based on the six-year budget and ten-year budget approved by the management respectively, which is then estimated based on a fixed growth rate (as described in the table below) and calculated using the cash flow forecast method.

Cash flow projections periods of the Group are determined based on the forecast of the local economic situation, the banking industry, and with reference to the Group's past operating experience. The Group estimated that Zhanjiang City and Shantou City, where the two banks are located, will experience a relatively high growth for a period more than 5 years until the economic growths of these two cities reach a stable level. In addition, the development of the banking industry is highly in line with the local economic development. Accordingly, the Group has incorporating the aforementioned factors into the cash projection by using six and ten years for Zhanjiang RCB and Chaoyang RCB respectively to reflect management's estimation of the future local economic forecasts and the related banking business growth.

|                           | Zhanjiang RCB            |                              | Chaoyang RCB             |                              |
|---------------------------|--------------------------|------------------------------|--------------------------|------------------------------|
|                           | As at<br>30 June<br>2021 | As at<br>31 December<br>2020 | As at<br>30 June<br>2021 | As at<br>31 December<br>2020 |
| Stable period growth rate | 3.00%                    | 3.00%                        | 3.00%                    | 3.00%                        |
| Pre-tax discount rate     | <u>19.72%</u>            | <u>19.64%</u>                | <u>15.40%</u>            | <u>14.96%</u>                |

## 22 Goodwill (Continued)

### (I) IMPAIRMENT (Continued)

The growth rate is the weighted average growth rate used by the Group to forecast the cash flow after six years for Zhanjiang RCB and ten years for Chaoyang RCB respectively, which is consistent with the forecast data contained in the industry report. The management uses the cost of equity as the discount rate which can reflect the specific risks of the relevant asset group. The above assumptions are used to analyse the recoverable amounts of the asset group within the business division.

The amounts of recoverable amount exceeding the carrying amount are:

|               | As at<br>30 June<br>2021 | As at<br>31 December<br>2020 |
|---------------|--------------------------|------------------------------|
| Zhanjiang RCB | 12,438                   | 15,341                       |
| Chaoyang RCB  | 285,823                  | 298,314                      |

The recoverable amounts of the asset group would equal its carrying amount if each of the key assumptions were to change as follows, with all other variables held constant:

|                           | Zhanjiang RCB            |                              | Chaoyang RCB             |                              |
|---------------------------|--------------------------|------------------------------|--------------------------|------------------------------|
|                           | As at<br>30 June<br>2021 | As at<br>31 December<br>2020 | As at<br>30 June<br>2021 | As at<br>31 December<br>2020 |
| Stable period growth rate | -0.07%                   | -0.09%                       | -2.88%                   | -2.45%                       |
| Pre-tax discount rate     | 0.06%                    | 0.08%                        | 1.69%                    | 1.67%                        |

The Directors and management have considered and assessed reasonably possible changes for other key assumptions and have not identified other instances that could cause the carrying amount of the CGUs to exceed its recoverable amount.

## 23 Deferred income tax

Deferred tax assets and liabilities can be offset only when the Group has the right to offset income tax assets and liabilities within the Group and the deferred tax assets and liabilities are associated with the same tax authority.

**(1) Main items of deferred tax assets and liabilities and their movements are as follows:**

| The Group                                | Provision for ECL/asset impairment | Changes in fair value of financial investments | Employee benefits payable | Accelerated depreciation of property and equipment | Deductible tax losses | Fair value gain from business combination | Total            |
|--|------------------------------------|--|---------------------------|--|-----------------------|---|------------------|
| As at 1 January 2021                     | 1,710,700                          | 1,168,610                                      | 293,958                   | (15,733)   | 19,047                | (122,399)                                 | 3,054,183        |
| Recognised in profit or loss             | 207,574                            | (44,390)                                       | 5,046                     | 1,565  | 1,648                 | 15,655                                    | 187,098          |
| Recognised in other comprehensive income | (13,477)                           | 8,716  | -                         | -  | -                     | -   | (4,761)          |
| As at 30 June 2021                       | <u>1,904,797</u>                   | <u>1,132,936</u>                               | <u>299,004</u>            | <u>(14,168)</u>                                    | <u>20,695</u>         | <u>(106,744)</u>                          | <u>3,236,520</u> |
| As at 1 January 2020                     | 1,605,364                          | 120,546  | 307,061                   | (9,323)  | 4,028                 | (9,561)                                   | 2,018,115        |
| Recognised in profit or loss             | (12,094)                           | 670,879  | (13,103)                  | (6,410)  | 15,019                | 271                                       | 654,562          |
| Recognised in other comprehensive income | (24,158)                           | 376,416  | -                         | -  | -                     | -   | 352,258          |
| Acquisition of a subsidiary              | 141,588                            | 769  | -                         | -  | -                     | (113,109)                                 | 29,248           |
| As at 31 December 2020                   | <u>1,710,700</u>                   | <u>1,168,610</u>                               | <u>293,958</u>            | <u>(15,733)</u>                                    | <u>19,047</u>         | <u>(122,399)</u>                          | <u>3,054,183</u> |

## 23 Deferred income tax (Continued)

- (2) The deferred tax assets and liabilities before offsetting and the corresponding temporary differences are as follows:

| The Group  | As at 30 June 2021                                   |  | As at 31 December 2020                               |  |
|--|--|--|--|--|
|  | Deductible/<br>(taxable)<br>temporary<br>differences | Deferred<br>tax assets/<br>(liabilities) | Deductible/<br>(taxable)<br>temporary<br>differences | Deferred<br>tax assets/<br>(liabilities) |
| <b>Deferred tax assets:</b>                        |  |  |  |  |
| Provision for ECL/asset impairment                 | 7,639,064  | 1,904,797                                | 6,842,801  | 1,710,700                                |
| Changes in fair value of financial investments     | 4,531,744  | 1,132,936                                | 4,674,440  | 1,168,610                                |
| Employee benefits payable                          | 1,196,016  | 299,004                                  | 1,175,832  | 293,958                                  |
| Deductible tax losses                              | 82,781   | 20,695                                   | 76,188   | 19,047                                   |
| Sub-total  | 13,449,605   | 3,357,432                                | 12,769,261   | 3,192,315                                |
| <b>Deferred tax liabilities:</b>                   |  |  |  |  |
| Fair value gain from business combination          | (426,976)  | (106,744)                                | (489,596)  | (122,399)                                |
| Accelerated depreciation of property and equipment | (56,672)   | (14,168)                                 | (62,932)   | (15,733)                                 |
| Sub-total  | (483,648)  | (120,912)                                | (552,528)  | (138,132)                                |
| <b>Total</b>                                       | <b>12,965,957</b>                                    | <b>3,236,520</b>                         | <b>12,216,733</b>                                    | <b>3,054,183</b>                         |

As at 30 June 2021, the Group did not recognise deferred income tax asset in respect of cumulative tax loss of approximately RMB263 million (31 December 2020: RMB276 million). The outcome of their actual utilisation may be different from management's estimation. These tax losses will expire in 2024 and 2025.

## 24 Other assets

| The Group                                     | As at<br>30 June<br>2021 | As at<br>31 December<br>2020 |
|---|--------------------------|------------------------------|
| Interest receivable (a)                       | 87,209                   | 92,866                       |
| Long-term deferred expenses                   | 139,720                  | 151,239                      |
| Receivables from disposal of long-term assets | 192,285                  | 192,285                      |
| Clearing and settlement                       | 166,525                  | 384,179                      |
| Prepayments for purchase of software          | 97,550                   | 70,061                       |
| Precious metals                               | 378,781                  | 302,222                      |
| Investment properties (b)                     | 13,066                   | 13,900                       |
| Advances to suppliers                         | 201,026                  | 191,974                      |
| Refundable deposits                           | 33,843                   | 13,385                       |
| Intangible assets – software (c)              | 78,699                   | 101,401                      |
| Foreclosed assets (d)                         | 147,521                  | 148,557                      |
| Others  | 81,117                   | 48,505                       |
| <b>Total</b>                                  | <b>1,617,342</b>         | <b>1,710,574</b>             |

### (a) Interest receivable

| The Group                       | As at<br>30 June<br>2021 | As at<br>31 December<br>2020 |
|---------------------------------|--------------------------|------------------------------|
| Loans and advances to customers | 87,392                   | 77,152                       |
| Financial investments           | 192,464                  | 188,774                      |
| Provision for ECL               | (192,647)                | (173,060)                    |
| <b>Total</b>                    | <b>87,209</b>            | <b>92,866</b>                |

## 24 Other assets (Continued)

### (b) Investment properties

| The Group                       | As at<br>30 June<br>2021 | As at<br>31 December<br>2020 |
|---------------------------------|--------------------------|------------------------------|
| <b>Cost</b>                     |                          |                              |
| Opening balance                 | 68,290                   | 70,801                       |
| Disposal                        | (1,054)                  | (2,511)                      |
| Ending balance                  | 67,236                   | 68,290                       |
| <b>Accumulated amortisation</b> |                          |                              |
| Opening balance                 | (54,390)                 | (55,231)                     |
| Depreciation                    | (834)                    | (1,670)                      |
| Disposal                        | 1,054                    | 2,511                        |
| Ending balance                  | (54,170)                 | (54,390)                     |
| <b>Net book value</b>           |                          |                              |
| Ending balance                  | 13,066                   | 13,900                       |

### (c) Intangible assets – software

| The Group                       | As at<br>30 June<br>2021 | As at<br>31 December<br>2020 |
|---------------------------------|--------------------------|------------------------------|
| <b>Cost</b>                     |                          |                              |
| Opening balance                 | 219,105                  | 80,630                       |
| Acquisition of a subsidiary     | –                        | 124                          |
| Addition                        | 8,342                    | 138,645                      |
| Disposal                        | –                        | (294)                        |
| Ending balance                  | 227,447                  | 219,105                      |
| <b>Accumulated amortisation</b> |                          |                              |
| Opening balance                 | (117,704)                | (74,793)                     |
| Depreciation                    | (31,044)                 | (42,911)                     |
| Disposal                        | –                        | –                            |
| Ending balance                  | (148,748)                | (117,704)                    |
| <b>Net book value</b>           |                          |                              |
| Ending balance                  | 78,699                   | 101,401                      |

## 24 Other assets (Continued)

### (d) Foreclosed assets

| The Group                       | As at<br>30 June<br>2021 | As at<br>31 December<br>2020 |
|---------------------------------|--------------------------|------------------------------|
| Property and equipment          | 272,481                  | 272,481                      |
| Land use rights                 | 148,037                  | 163,767                      |
| Others                          | 2,844                    | 2,844                        |
|                                 | <u>423,362</u>           | <u>439,092</u>               |
| Provision for impairment losses | <u>(275,841)</u>         | <u>(290,535)</u>             |
| <b>Total</b>                    | <u><u>147,521</u></u>    | <u><u>148,557</u></u>        |

Foreclosed assets are disposed once they can be sold and net proceeds from sales can be used to offset the balance of debts.

## 25 Borrowings from central banks

| The Group                    | As at<br>30 June<br>2021 | As at<br>31 December<br>2020 |
|------------------------------|--------------------------|------------------------------|
| Refinancing loans            | 3,858,918                | 6,224,370                    |
| Rediscount bills             | 251,913                  | 271,215                      |
| Medium-term Lending Facility | 24,900,000               | 24,000,000                   |
| Interest accrued             | <u>466,906</u>           | <u>157,773</u>               |
| <b>Total</b>                 | <u><u>29,477,737</u></u> | <u><u>30,653,358</u></u>     |

- (a) As at the end of the reporting period, borrowings from central banks were refinancing loans, rediscount bills and Medium-term Lending Facility. The collateral provided by the Group under borrowing agreements are disclosed in Note 37 to this report.

## 26 Financial assets sold under repurchase agreements and deposits and placements from banks and other financial institutions

| The Group   | As at<br>30 June<br>2021 | As at<br>31 December<br>2020 |
|---|--------------------------|------------------------------|
| Deposits from domestic banks                        | 12,922,446               | 11,339,622                   |
| Deposits from other domestic financial institutions | 15,084,774               | 5,861,294                    |
| Placements from domestic banks                      | 700,000                  | 700,000                      |
| Bonds sold under repurchase agreements (a)          | 9,354,004                | 14,974,791                   |
| Notes sold under repurchase agreements (a)          | 7,775,260                | 10,491,609                   |
| Sub-total   | 45,836,484               | 43,367,316                   |
| Accrued interest                                    | 144,958                  | 114,901                      |
| <b>Total</b>  | <b>45,981,442</b>        | <b>43,482,217</b>            |

(a) The securities provided by the Group as collateral under repurchase agreements are disclosed in Note 37 to this report.

## 27 Deposits from customers

| The Group                  | As at<br>30 June<br>2021 | As at<br>31 December<br>2020 |
|----------------------------|--------------------------|------------------------------|
| Corporate demand deposits  | 88,989,191               | 86,787,163                   |
| Corporate time deposits    | 77,865,387               | 61,514,754                   |
| Individual demand deposits | 101,754,308              | 102,798,196                  |
| Individual time deposits   | 131,008,600              | 118,593,507                  |
| Pledged deposits           | 3,289,082                | 2,761,014                    |
| Other deposits             | 138,703                  | 135,157                      |
| Sub-total                  | 403,045,271              | 372,589,791                  |
| Accrued interest           | 4,727,772                | 4,959,103                    |
| <b>Total</b>               | <b>407,773,043</b>       | <b>377,548,894</b>           |

## 28 Debt securities issued

| The Group                             | As at<br>30 June<br>2021 | As at<br>31 December<br>2020 |
|---------------------------------------|--------------------------|------------------------------|
| Interbank certificates of deposit (a) | 41,694,910               | 39,293,946                   |
| Tier 2 capital bond (b)               | 3,995,785                | 3,995,533                    |
| Green financial bonds (c)             | 2,841,399                | 2,842,847                    |
| Small and micro enterprises bond (d)  | 4,589,477                | 1,948,809                    |
| Sannong financial bond (e)            | 1,898,527                | 1,918,748                    |
| Sub-total                             | 55,020,098               | 49,999,883                   |
| Accrued interest                      | 171,086                  | 249,354                      |
| <b>Total</b>                          | <b>55,191,184</b>        | <b>50,249,237</b>            |

## (a) Interbank certificates of deposit are as follows:

|                           | As at<br>30 June<br>2021 | As at<br>31 December<br>2020 |
|---------------------------|--------------------------|------------------------------|
| Reference rates of return | 2.46%-3.35%              | 1.80%-3.35%                  |
| Original maturity         | 1 to 12 months           | 3 to 12 months               |

As at the end of the reporting period, the Group did not have any overdue principal and interest on interbank certificates of deposit or other defaults.

- (b) The Bank issued a 10-year fixed-rate Tier 2 capital bond with a total amount of RMB4,000 million in June 2017 at a coupon rate of 5.00% per annum, and the bond pays interest annually. With the approval of the regulators, when in compliance with regulatory capital requirements or an equivalent or higher quality capital instrument is available to replace the bond, the Bank has the option to redeem part or all of the bond at par value on 12 June 2022. If the Bank does not exercise its right of redemption on 12 June 2022, the Bank will continue to pay interest at the coupon rate at 5.00% per annum. The bond has the write-down feature of Tier 2 capital instruments, which allows the Bank to write down the entire principal of the bond and not to pay any accumulated unpaid interests when a regulatory triggering event as stipulated in the offering documents occurs. Based on relevant provisions of CBIRC, the Tier 2 capital bond meets the criteria of a qualified Tier 2 capital instrument.

## 28 Debt securities issued (Continued)

- (c) The Bank issued 3-year green financial bonds with a total amount of RMB2,000 million and a total amount of RMB1,000 million in January 2019 and December 2020 at a coupon rate of 3.50% and 3.75% per annum, and the bonds pay interest annually.
- (d) The Bank issued a 3-year fixed rate bond for small and micro enterprises amounting to RMB2,000 million in March 2020 at a coupon rate of 2.94% per annum, and the bond pays interest annually. In March 2021, the Bank issued the first phase and second phase of special financial bonds for small and micro enterprise amounting to RMB2 billion and RMB1 billion with nominal annual interest rate of 3.58% and 3.52%, respectively. The bonds are both three-year fixed interest rate bonds.
- (e) The Bank issued a 3-year fixed rate bond for Sannong amounting to RMB2,000 million in September 2020 at a coupon rate of 3.62% per annum, and the bond pays interest annually.

## 29 Taxes payable

| The Group             | As at<br>30 June<br>2021 | As at<br>31 December<br>2020 |
|-----------------------|--------------------------|------------------------------|
| Income tax            | 234,451                  | 418,355                      |
| Land appreciation tax | 116,787                  | 119,238                      |
| VAT and others        | 301,767                  | 285,142                      |
| <b>Total</b>          | <b>653,005</b>           | <b>822,735</b>               |

## 30 Other liabilities

| The Group   | As at<br>30 June<br>2021 | As at<br>31 December<br>2020 |
|---|--------------------------|------------------------------|
| Outstanding payments of rights to earnings on credit assets (a) | –                        | 2,468,502                    |
| Employee benefits payable (b)                                   | 2,094,346                | 2,044,732                    |
| Deferred fee and commission income from credit cards            | 103,365                  | 131,681                      |
| Advances from disposal of long-term assets                      | 90,956                   | 94,169                       |
| Accrued expenses  | 168,790                  | 237,488                      |
| Outstanding payments of foreclosed assets                       | 88,976                   | 89,293                       |
| Purchases payable   | 185,282                  | 215,688                      |
| Clearing and settlement   | 234,793                  | 917,632                      |
| Provisions (c)  | 119,036                  | 64,713                       |
| Others  | 62,910                   | 49,102                       |
| <b>Total</b>  | <b>3,148,454</b>         | <b>6,313,000</b>             |

- (a) The Bank purchased certain rights to earnings on credit assets which underlying assets were originally purchased from Shantou City Chaoyang Rural Credit Cooperatives Union with a consideration of RMB3,069 million and recorded asset losses of RMB2,298 million according to the fair values of the underlying assets. The assets purchased after considering the aforementioned asset losses been recorded as financial assets at fair value through profit or loss on the consolidated statements of financial position. The Bank made the first payment of RMB600 million on 29 December 2020 and the remaining payment of RMB2,469 million was made in January 2021.

## (b) Employee benefits payable

| The Group   | As at<br>30 June<br>2021 | As at<br>31 December<br>2020 |
|---|--------------------------|------------------------------|
| Wages and salaries, bonuses, allowances and subsidies             | 1,642,268                | 1,555,549                    |
| Labour union funds and employee education funds                   | 158,537                  | 162,412                      |
| Social security and benefits                                      | 177,722                  | 181,804                      |
| Defined contribution plans payable<br>– Enterprise annuity scheme | 115,819                  | 144,967                      |
| <b>Total</b>  | <b>2,094,346</b>         | <b>2,044,732</b>             |

### 30 Other liabilities (Continued)

#### (c) Provisions

| The Group  | As at<br>30 June<br>2021 | As at<br>31 December<br>2020 |
|--|--------------------------|------------------------------|
| Loan commitments and financial guarantee contracts (i) | 119,036                  | 64,713                       |

- (i) Analysis of movements in provisions of loan commitments and financial guarantee contracts measured using the ECL model.

| The Group                  | Stage 1<br>12-month<br>ECL | Stage 2<br>Lifetime<br>ECL | Stage 3<br>Lifetime<br>ECL | Total          |
|----------------------------|----------------------------|----------------------------|----------------------------|----------------|
| As at 1 January 2021       | 55,628                     | 509                        | 8,576                      | 64,713         |
| Originated or purchased    | 40,021                     | –                          | –                          | 40,021         |
| Repayment and transfer out | (41,284)                   | (354)                      | (5,637)                    | (47,275)       |
| Remeasurement (i)          | 15,715                     | 39,452                     | 6,410                      | 61,577         |
| Net transfers in:          |                            |                            |                            |                |
| – Stage 1                  | (986)                      | –                          | –                          | (986)          |
| – Stage 2                  | –                          | 1,070                      | –                          | 1,070          |
| – Stage 3                  | –                          | –                          | (84)                       | (84)           |
| As at 30 June 2021         | <u>69,094</u>              | <u>40,677</u>              | <u>9,265</u>               | <u>119,036</u> |

| The Group                  | Stage 1<br>12-month<br>ECL | Stage 2<br>Lifetime<br>ECL | Stage 3<br>Lifetime<br>ECL | Total         |
|----------------------------|----------------------------|----------------------------|----------------------------|---------------|
| As at 1 January 2020       | 53,292                     | 971                        | 4,987                      | 59,250        |
| Originated or purchased    | 36,641                     | –                          | –                          | 36,641        |
| Repayment and transfer out | (32,347)                   | 739                        | 356                        | (31,252)      |
| Remeasurement (i)          | (3,402)                    | 312                        | 3,164                      | 74            |
| Net transfers in:          |                            |                            |                            |               |
| – Stage 1                  | 1,444                      | –                          | –                          | 1,444         |
| – Stage 2                  | –                          | (1,513)                    | –                          | (1,513)       |
| – Stage 3                  | –                          | –                          | 69                         | 69            |
| As at 31 December 2020     | <u>55,628</u>              | <u>509</u>                 | <u>8,576</u>               | <u>64,713</u> |

- (ii) Remeasurement are caused by parameter changes or transfers between stages.

### 31 Share capital

|   | Number of shares<br>(in thousands) | Nominal amount   |
|---|------------------------------------|------------------|
| As at 30 June 2021 and 31 December 2020 | <u>5,740,455</u>                   | <u>5,740,455</u> |

The share capital of the Bank consists of authorised share capital issued and fully paid, with par value of RMB1 per share.

### 32 Revaluation reserve

| The Group   | Amount before tax | Effect of income tax | Net amount after tax |
|---|-------------------|----------------------|----------------------|
| 1 January 2021  | 261,738           | (65,447)             | 196,291              |
| Changes in fair value of debt instrument investments at fair value through other comprehensive income                   |                   |                      |                      |
| – Amounts recognised in other comprehensive income  | (380,302)         | 95,157               | (285,145)            |
| – Amounts transferred to profit or loss   | 320,985           | (80,246)             | 240,739              |
| Changes in credit impairment provision for debt instrument investments at fair value through other comprehensive income |                   |                      |                      |
| – Amounts recognised in other comprehensive income  | 503,337           | (125,834)            | 377,503              |
| – Amounts transferred to profit or loss   | (457,384)         | 114,345              | (343,039)            |
| Changes in fair value of equity instruments at fair value through other comprehensive income                            |                   |                      |                      |
| – Amounts recognised in other comprehensive income  | <u>8,083</u>      | <u>(2,021)</u>       | <u>6,062</u>         |
| 30 June 2021  | <u>256,457</u>    | <u>(64,046)</u>      | <u>192,411</u>       |

### 32 Revaluation reserve (Continued)

| The Group   | Amount before tax | Effect of income tax | Net amount after tax |
|---|-------------------|----------------------|----------------------|
| 1 January 2020  | 1,639,314         | (409,840)            | 1,229,474            |
| Changes in fair value of debt instrument investments at fair value through other comprehensive income                   |                   |                      |                      |
| – Amounts recognised in other comprehensive income  | (1,055,214)       | 263,803              | (791,411)            |
| – Amounts transferred to profit or loss   | (456,012)         | 114,003              | (342,009)            |
| Changes in credit impairment provision for debt instrument investments at fair value through other comprehensive income |                   |                      |                      |
| – Amounts recognised in other comprehensive income  | 480,474           | (120,119)            | 360,355              |
| – Amounts transferred to profit or loss   | (349,380)         | 87,345               | (262,035)            |
| Changes in fair value of equity instruments at fair value through other comprehensive income                            |                   |                      |                      |
| – Amounts recognised in other comprehensive income  | 2,556             | (639)                | 1,917                |
| 31 December 2020  | <u>261,738</u>    | <u>(65,447)</u>      | <u>196,291</u>       |

### 33 Surplus reserves and general reserve

| The Group                         | Surplus reserves (a) | General reserve (b) |
|-----------------------------------|----------------------|---------------------|
| 1 January 2021                    | 7,177,594            | 5,767,735           |
| Appropriation to surplus reserves | –                    | –                   |
| Appropriation to general reserve  | –                    | –                   |
| 30 June 2021                      | <u>7,177,594</u>     | <u>5,767,735</u>    |
| 1 January 2020                    | 6,705,033            | 5,284,125           |
| Appropriation to surplus reserves | 472,561              | –                   |
| Appropriation to general reserve  | –                    | 483,610             |
| 31 December 2020                  | <u>7,177,594</u>     | <u>5,767,735</u>    |

#### (a) Surplus reserves

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

Pursuant to the PRC Company Law and the Articles of Association of the Bank, the Bank is required to appropriate 10% of its net profit as on an annual basis determined under the PRC Generally Accepted Accounting Principles (“GAAP”) until the balance reaches 50% of its registered capital as statutory surplus reserve. The Bank may also appropriate to the discretionary surplus reserve in accordance with the resolution of the shareholders.

#### (b) General reserve

Pursuant to Caijin [2012] No. 20 “Requirements on Impairment Allowance for Financial Institutions” (the “Requirement”) issued by the MOF, effective 1 July 2012, in addition to impairment allowances, the Bank and its subsidiaries are required to establish and maintain a general reserve within equity through the appropriation of profit to address unidentified potential impairment risks. The general reserve should not be less than 1.5% of the aggregate amount of risk assets as defined by the Requirement.

### 34 Cash and cash equivalents

For the purpose of the cash flow statements, cash and cash equivalents comprise the following amounts which have original maturities of less than three months and are used to meet short-term cash commitments:

| The Group  | As at<br>30 June<br>2021 | As at<br>31 December<br>2020 |
|--|--------------------------|------------------------------|
| Cash   | 2,948,767                | 2,432,295                    |
| Surplus reserve deposits with central banks            | 13,652,445               | 8,913,037                    |
| Deposits with banks and other financial institutions   | 9,870,590                | 11,479,923                   |
| Placements with banks and other financial institutions | 2,850,000                | 891,494                      |
| Financial assets held under resale agreements          | 3,682,023                | 5,542,874                    |
| <b>Total</b>   | <b>33,003,825</b>        | <b>29,259,623</b>            |

### 35 Dividends

|                                       |     | Six months ended 30 June |           |
|---------------------------------------|-----|--------------------------|-----------|
|                                       |     | 2021                     | 2020      |
| Dividends on ordinary shares declared |     |                          |           |
| Cash dividend related to 2020         | (1) | 1,492,518                | –         |
| Cash dividend related to 2019         | (2) | –                        | 1,492,518 |

Under the PRC Company Law and the Bank's Articles of Association, the net profit after tax as reported in the PRC statutory Financial Report can only be distributed as dividends after:

- Making up prior year's cumulative losses, if any;
- Allocations to the non-distributable statutory reserve of 10% of the net profit of the Bank.

#### (1) Distribution of final dividend for 2020

A dividend of RMB0.260 per share (tax inclusive) in respect of the year ended 31 December 2020, with a total of RMB1,493 million was approved in the annual general meeting on 23 April 2021.

#### (2) Distribution of final dividend for 2019

A dividend of RMB0.260 per share (tax inclusive) in respect of the year ended 31 December 2019, with a total of RMB1,493 million was approved in the annual general meeting on 28 April 2020.

## 36 Structured entities

### (a) WMPs issued by the Group

#### *Non – principal – guaranteed WMPs*

Non – principal – guaranteed WMPs are not subject to any guarantee by the Group of the principal invested or interest to be paid.

As at 30 June 2021, the unconsolidated non-principal-guaranteed WMPs issued and managed by the Group amounted to RMB36,910 million (31 December 2020: RMB36,670 million). The WMPs invest in a range of primarily fixed rate assets, most typically money market instruments, debt securities and loan assets. As the manager of these WMPs, the Group invests, on behalf of the investors in these WMPs, the funds raised in the assets as described in the investment plan related to each WMP and receives fee and commission income. Certain non-principal-guaranteed WMPs issued, managed and actually controlled by the Bank are consolidated in the historical financial information of the Group. As at 30 June 2021, the consolidated non-principal-guaranteed WMPs amounted to RMB7,197 million (31 December 2020: RMB4,488 million).

#### *Principal-guaranteed WMPs*

Principal guaranteed WMPs sponsored and managed by the Group represent products to which the Group has guaranteed the investor's principal investment, regardless of their actual performance. In accordance with the Group's accounting policies, the Group classifies the WMPs by the nature of the underlying assets or liabilities and records them in the corresponding financial statement line items. As at 30 June 2021, the principal-guaranteed WMPs issued by the Group amounted to RMB744 million (31 December 2020: RMB2,436 million).

For the periods ended 30 June 2021 and 2020, the Group's interest in WMPs included fee and commission income of RMB87 million and RMB134 million, respectively. The Group had mainly debt securities trading and money market transactions with the above WMPs. The gains or losses on these transactions had no significant impact on the Group.

### 36 Structured entities *(Continued)*

#### (b) Structured entities set up in third-party organisations

The Group invests in other unconsolidated structured entities which are sponsored and managed by other entities for investment returns, and records trading gains or losses and interest income therefrom. As at the end of the reporting period, the carrying amounts of the Group's interests in structured entities set up in third-party organisations by directly holding the investment were as follows:

|   | As at<br>30 June<br>2021 | As at<br>31 December<br>2020 |
|---|--------------------------|------------------------------|
| <b>Financial assets at fair value through profit or loss</b>                  |                          |                              |
| – Fund investments <i>(Note 17.1)</i>   | 20,377,395               | 20,496,877                   |
| – Rights to earnings on credit assets <i>(Note 17.1)</i>                      | 6,490,120                | 3,434,843                    |
| – Others <i>(Note 17.1)</i>   | –                        | 27,304                       |
| <b>Financial investments at amortised cost</b>                                |                          |                              |
| – Rights to earnings on credit assets <i>(Note 17.2)</i>                      | 614,243                  | 902,634                      |
| <b>Financial investments at fair value through other comprehensive income</b> |                          |                              |
| – Rights to earnings on credit assets <i>(Note 17.3)</i>                      | 268,613                  | 446,175                      |
| – Direct financing instruments for WMPs <i>(Note 17.3)</i>                    | 19,819                   | 222,000                      |
| <b>Total</b>  | <u>27,770,190</u>        | <u>25,529,833</u>            |

As at the end of the reporting period, the maximum exposures of the above structured entities were their carrying amounts.

## 37 Contingent liabilities and commitments

### (a) Financial guarantees and other credit commitments

| The Group                    | As at<br>30 June<br>2021 | As at<br>31 December<br>2020 |
|------------------------------|--------------------------|------------------------------|
| Bank acceptances             | 2,363,780                | 1,580,695                    |
| Letters of credit            | 230,373                  | 245,179                      |
| Guarantees                   | 1,607,002                | 1,222,974                    |
| Unused limit of credit cards | <u>10,009,153</u>        | <u>9,655,154</u>             |
| <b>Total</b>                 | <u><u>14,210,308</u></u> | <u><u>12,704,002</u></u>     |

### (b) Credit risk weighted amounts of financial guarantees and credit commitments

| The Group                                   | As at<br>30 June<br>2021 | As at<br>31 December<br>2020 |
|---|--------------------------|------------------------------|
| Financial guarantees and credit commitments | <u>3,720,745</u>         | <u>2,920,994</u>             |

Credit risk weighted amounts refer to amounts which depend on the status of counterparties and the maturity characteristics, and are calculated in accordance with the CBIRC guidance. Risk weightings used for contingent liabilities and credit commitments range from 0% to 100%.

### (c) Capital commitments

| The Group   | As at<br>30 June<br>2021 | As at<br>31 December<br>2020 |
|---|--------------------------|------------------------------|
| Properties and equipments<br>Contracted, but not provided for | <u>561,272</u>           | <u>494,839</u>               |

### (d) Legal proceedings

The litigation cases of the Group are not expected to have a significant impact on the Group.

### 37 Contingent liabilities and commitments *(Continued)*

#### (e) Collateral

##### *Assets as collateral*

The carrying amounts of the Group's assets pledged as collateral under repurchase agreements are as follows:

|                 | As at<br>30 June<br>2021 | As at<br>31 December<br>2020 |
|-----------------|--------------------------|------------------------------|
| Debt securities | 9,437,462                | 15,800,728                   |
| Notes           | <u>7,775,260</u>         | <u>10,491,609</u>            |
| <b>Total</b>    | <u><u>17,212,722</u></u> | <u><u>26,292,337</u></u>     |

The liabilities of above collateral were presented in Note 26. All repurchase agreements are due within 12 months from their effective dates.

The carrying amounts of the Group's assets pledged as collateral under borrowings from central banks are as follows:

|                 | As at<br>30 June<br>2021 | As at<br>31 December<br>2020 |
|-----------------|--------------------------|------------------------------|
| Debt securities | 32,405,280               | 34,166,618                   |
| Loans           | 74,907                   | 80,550                       |
| Notes           | <u>251,913</u>           | <u>271,215</u>               |
| <b>Total</b>    | <u><u>32,732,100</u></u> | <u><u>34,518,383</u></u>     |

The liabilities of above collateral were presented in Note 25.

## 37 Contingent liabilities and commitments (Continued)

### (e) Collateral (Continued)

#### Assets as collateral (Continued)

The carrying amounts of the Group's assets pledged as collateral under deposits are as follows:

|                 | As at<br>30 June<br>2021 | As at<br>31 December<br>2020 |
|-----------------|--------------------------|------------------------------|
| Debt securities | 4,652,904                | –                            |

The liabilities of above collateral were presented in Note 27.

#### Collateral accepted

The Group accepts bonds and notes as collateral in relevant securities borrowing and lending and repurchase agreement businesses. As at the end of the reporting period, the Group did not hold any collateral that can be resold or re-pledged.

### (f) Redemption commitments of government bonds

The Group is entrusted by the MOF to underwrite certain government bonds. The investors of the government bonds have a right to redeem the bonds they hold at any time before their maturities, while the Group is obligated to meet redemption requests. The early redemption proceeds for these government bonds are the principal of the bonds plus unpaid interest accrued in accordance with the early redemption agreement.

As at 30 June 2021, the balance of the principals of the Group's government bonds with early redemption obligations was RMB1,195 million (31 December 2020: RMB1,038 million). The original maturities of these government bonds range from 3 to 5 years. Management expects the Group's exposure to early redemptions of these bonds will not be material.

The MOF will not provide funding for the early redemptions of these government bonds on a back-to-back basis but will settle the principal and interest upon maturity.

## 38 Related party transactions

### (a) Related parties of the Group

#### (i) Major shareholder

Major shareholders include shareholders with 5% or more interest in the Bank. Shareholder with 5% shareholding or more in the Bank is shown as follows:

| Shareholding (%)                       | As at<br>30 June<br>2021 | As at<br>31 December<br>2020 |
|--|--------------------------|------------------------------|
| Name of shareholder                    |                          |                              |
| Guangdong Canvest Investment Co., Ltd. | 5.21%                    | 5.21%                        |

#### (ii) Other related parties

Other related parties include directors, supervisors, senior management of the Bank and their close family members; entities controlled or jointly controlled by directors, supervisors, senior management of the Group and their close family members; and entities controlled or jointly controlled by the major shareholder of the Group as set out in Note 38(a)(i).

### (b) Related party transactions and balances

#### (i) Transactions and balances with major shareholder

|                                 | As at<br>30 June<br>2021 | As at<br>31 December<br>2020 |
|---------------------------------|--------------------------|------------------------------|
| Loans and advances to customers | 45,065                   | 46,073                       |
| Deposits from customers         | 7,393                    | 30,234                       |

The balances with related parties are trade in nature.

## 38 Related party transactions (Continued)

### (b) Related party transactions and balances (Continued)

(i) Transactions and balances with major shareholder (Continued)

|                           | Six months ended 30 June |       |
|---------------------------|--------------------------|-------|
|                           | 2021                     | 2020  |
| Interest income           | 1,131                    | 1,187 |
| Interest expense          | 15                       | 20    |
| Fee and commission income | 2                        | 1     |

| Range of rates                  | Six months ended 30 June |       |
|---------------------------------|--------------------------|-------|
|                                 | 2021                     | 2020  |
| Loans and advances to customers | 5.22%                    | 5.22% |
| Deposits from customers         | 0.35%                    | 0.35% |

(ii) Transactions and balances with subsidiaries

|   | As at<br>30 June<br>2021 | As at<br>31 December<br>2020 |
|---|--------------------------|------------------------------|
| Financial assets held under resale agreements and deposits and placements with banks and other financial institutions     | 45,728                   | 97                           |
| Financial assets sold under repurchase agreements and deposits and placements from banks and other financial institutions | 177,747                  | 226,489                      |
| Debt securities issued  | 1,065,925                | 386,000                      |

The balances with related parties are trade in nature.

|                  | Six months ended 30 June |       |
|------------------|--------------------------|-------|
|                  | 2021                     | 2020  |
| Interest income  | 25                       | –     |
| Interest expense | 853                      | 6,079 |

### 38 Related party transactions *(Continued)*

#### (b) Related party transactions and balances *(Continued)*

##### (ii) Transactions and balances with subsidiaries *(Continued)*

| Range of rates  | Six months ended 30 June |             |
|---|--------------------------|-------------|
|   | 2021                     | 2020        |
| Financial assets held under resale agreements and deposits and placements with banks and other financial institutions     | 0.35%-2.80%              | 1.80%-3.60% |
| Financial assets sold under repurchase agreements and deposits and placements from banks and other financial institutions | 2.00%-3.80%              | 1.30%-3.28% |
| Debt securities issued  | 2.94%-3.75%              | 2.94%-3.75% |

##### (iii) Transactions and balances with associates

|   | As at<br>30 June<br>2021 | As at<br>31 December<br>2020 |
|---|--------------------------|------------------------------|
| Financial assets held under resale agreements and deposits and placements with banks and other financial institutions     | 2,765                    | 11                           |
| Financial assets sold under repurchase agreements and deposits and placements from banks and other financial institutions | 160,000                  | 40,210                       |

The balances with related parties are trade in nature.

### 38 Related party transactions *(Continued)*

#### (b) Related party transactions and balances *(Continued)*

##### (iii) Transactions and balances with associates *(Continued)*

|                  | Six months ended 30 June |       |
|------------------|--------------------------|-------|
|                  | 2021                     | 2020  |
| Interest expense | 2,212                    | 7,732 |

| Range of rates  | Six months ended 30 June |             |
|---|--------------------------|-------------|
|   | 2021                     | 2020        |
| Financial assets held under resale agreements and deposits and placements with banks and other financial institutions     | 0.28%-0.31%              | 0.28%-0.31% |
| Financial assets sold under repurchase agreements and deposits and placements from banks and other financial institutions | 1.60%-4.00%              | 2.25%-3.20% |

### 38 Related party transactions *(Continued)*

#### (b) Related party transactions and balances *(Continued)*

(iv) *Transaction and balances with other related parties*

As at each of the balance sheet dates, the Group had the following transactions and balances with other related parties:

|  | As at<br>30 June<br>2021 | As at<br>31 December<br>2020 |
|--|--------------------------|------------------------------|
| Loans and advances to customers                            | 18,507,589               | 18,378,103                   |
| Deposits from customers                                    | 5,421,327                | 5,039,639                    |
| Principal-guaranteed WMPs issued by the Bank               | 1,900                    | 21,419                       |
| Non-principal-guaranteed WMPs issued by the Bank           | 2,039,433                | 1,966,226                    |
| Other liabilities – payable for civil engineering services | 8,528                    | 22,509                       |
| Right-of-use assets (1)                                    | 16,315                   | 20,186                       |
| Lease liabilities (1)                                      | 17,691                   | 21,677                       |

The balances with related parties are trade in nature.

|                           | Six months ended 30 June |         |
|---------------------------|--------------------------|---------|
|                           | 2021                     | 2020    |
| Interest income           | 488,110                  | 437,933 |
| Interest expense          | 21,380                   | 16,309  |
| Fee and commission income | 414                      | 286     |
| Leasing expenses          | 287                      | 240     |

## 38 Related party transactions (Continued)

## (b) Related party transactions and balances (Continued)

(iv) Transaction and balances with other related parties (Continued)

| Range of rates  | Six months ended 30 June |               |
|---|--------------------------|---------------|
|   | 2021                     | 2020          |
| Loans and advances to customers   | 3.28% – 8.65%            | 3.43% – 9.02% |
| Deposits from customers   | 0.35% – 5.50%            | 0.35% – 5.50% |
| Management fee rate of principal-guaranteed WMPs issued by the Bank     | 0.20% – 1.50%            | 0.20% – 1.50% |
| Management fee rate of non-principal-guaranteed WMPs issued by the Bank | 0.20% – 2.00%            | 0.20% – 2.00% |

- (1) During the periods ended 30 June 2021 and 2020, the Bank incurred RMB3,695 thousand and RMB2,120 thousand for lease contracts with related parties respectively. The lease term ranges from 1 year to 10 years. These leases were accounted for under IFRS 16 and the respective right-of-use assets and lease liabilities were recognised in the consolidated statements of financial position.

## (c) Remuneration of key management personnel

Key management personnel refer to those persons who have the authority and responsibility to plan, conduct and control the Bank's activities.

The remuneration of key management personnel in each of the reporting periods is as follows:

|                                 | Six months ended 30 June |               |
|---------------------------------|--------------------------|---------------|
|                                 | 2021                     | 2020          |
| Salaries                        | 7,380                    | 7,840         |
| Subsidies and physical benefits | 414                      | 327           |
| Discretionary bonuses           | 12,541                   | 15,062        |
| Pension plan contributions      | 460                      | 462           |
| <b>Total</b>                    | <b>20,795</b>            | <b>23,691</b> |

### 38 Related party transactions *(Continued)*

**(d) Loans and advances balances with directors, supervisors and their certain controlled body corporates and connected entities**

|  | As at<br>30 June<br>2021 | As at<br>31 December<br>2020 |
|--|--------------------------|------------------------------|
| Directors  | 13,078                   | 14,184                       |
| Supervisors  | 697                      | 746                          |
| Certain controlled body corporates and connected entities of the directors   | 15,618,376               | 15,769,654                   |
| Certain controlled body corporates and connected entities of the supervisors | <u>1,359,522</u>         | <u>1,440,716</u>             |
| <b>Total</b>   | <u><u>16,991,673</u></u> | <u><u>17,225,300</u></u>     |

### 39 Segmental analysis

**(a) Business segments**

The Group manages its operations from both business and regional perspectives. From a business perspective, the Group mainly provides financial services through four business segments, which are listed below:

- Corporate banking: Corporate banking business segment covers financial products and services to corporate customers, governments and financial institutions. These products and services include corporate loans and advances, trade finance, deposits, and various other corporate intermediary businesses.
- Personal banking: Personal banking business segment covers financial products and services to individual customers. These products and services include personal loans and advances, deposits, bank cards, and various other individual intermediary businesses.
- Treasury: Treasury segment covers the Group's money market transactions, repurchase transactions, debt instrument investments, wealth management products and precious metals.
- Others: The others segment covers the remaining businesses of the Group that cannot be directly attributable to the above segments, and some assets, liabilities, income or expenses of the Head Office that have not been properly allocated.

From a regional perspective, all businesses of the Group are conducted in Mainland China.

### 39 Segmental analysis (Continued)

#### (a) Business segments (Continued)

|  | Six months ended 30 June 2021 |                  |                    |               |                  |
|--|-------------------------------|------------------|--------------------|---------------|------------------|
|  | Corporate banking             | Personal banking | Treasury           | Others        | Total            |
| External interest income                     | 4,942,632                     | 2,505,663        | 3,305,166          | –             | 10,753,461       |
| External interest expense                    | (1,860,272)                   | (1,853,150)      | (1,837,106)        | –             | (5,550,528)      |
| Inter-segment net interest income or expense | <u>11,715</u>                 | <u>1,648,378</u> | <u>(1,660,093)</u> | <u>–</u>      | <u>–</u>         |
| <b>Net interest income</b>                   | <u>3,094,075</u>              | <u>2,300,891</u> | <u>(192,033)</u>   | <u>–</u>      | <u>5,202,933</u> |
| <b>Net fee and commission income</b>         | <u>67,292</u>                 | <u>354,105</u>   | <u>(92,215)</u>    | <u>11,710</u> | <u>340,892</u>   |
| Net trading gains                            | 59,177                        | 25,101           | 491,925            | –             | 576,203          |
| Net gains or losses on financial investments | –                             | –                | 346,450            | (1,775)       | 344,675          |
| Other operating income                       | <u>1</u>                      | <u>158</u>       | <u>–</u>           | <u>23,061</u> | <u>23,220</u>    |
| <b>Operating income</b>                      | <u>3,220,545</u>              | <u>2,680,255</u> | <u>554,127</u>     | <u>32,996</u> | <u>6,487,923</u> |
| Operating expense                            | (1,009,359)                   | (856,034)        | (222,973)          | (44,502)      | (2,132,868)      |
| – Depreciation and amortisation              | (123,881)                     | (95,448)         | (29,240)           | (2,598)       | (251,167)        |
| Expected credit losses                       | (603,728)                     | (223,595)        | (84,900)           | –             | (912,223)        |
| Share of profits of associates               | <u>–</u>                      | <u>–</u>         | <u>–</u>           | <u>27,646</u> | <u>27,646</u>    |
| <b>Profit before tax</b>                     | <u>1,607,458</u>              | <u>1,600,626</u> | <u>246,254</u>     | <u>16,140</u> | <u>3,470,478</u> |
| Capital expenditure                          | <u>211,582</u>                | <u>163,021</u>   | <u>49,941</u>      | <u>4,437</u>  | <u>428,981</u>   |

### 39 Segmental analysis (Continued)

#### (a) Business segments (Continued)

|                            | As at 30 June 2021 |                    |                    |                  |                    |
|----------------------------|--------------------|--------------------|--------------------|------------------|--------------------|
|                            | Corporate banking  | Personal banking   | Treasury           | Others           | Total              |
| Segment assets             | 151,268,539        | 100,600,337        | 325,631,164        | 2,620,919        | 580,120,959        |
| Unallocated assets         | —                  | —                  | —                  | —                | 3,236,520          |
| <b>Total assets</b>        | <u>151,268,539</u> | <u>100,600,337</u> | <u>325,631,164</u> | <u>2,620,919</u> | <u>583,357,479</u> |
| <b>Segment liabilities</b> | <u>171,812,991</u> | <u>238,639,860</u> | <u>131,312,828</u> | <u>1,250,383</u> | <u>543,016,062</u> |

## 39 Segmental analysis (Continued)

## (a) Business segments (Continued)

|  | Six months ended 30 June 2020 |                  |                    |               | Total            |
|--|-------------------------------|------------------|--------------------|---------------|------------------|
|  | Corporate banking             | Personal banking | Treasury           | Others        |                  |
| External interest income                     | 3,996,596                     | 2,134,981        | 3,432,108          | –             | 9,563,685        |
| External interest expense                    | (1,419,343)                   | (1,533,170)      | (1,513,079)        | –             | (4,465,592)      |
| Inter-segment net interest income or expense | <u>(4,860)</u>                | <u>1,578,315</u> | <u>(1,573,455)</u> | <u>–</u>      | <u>–</u>         |
| <b>Net interest income</b>                   | <u>2,572,393</u>              | <u>2,180,126</u> | <u>345,574</u>     | <u>–</u>      | <u>5,098,093</u> |
| <b>Net fee and commission income</b>         | <u>46,986</u>                 | <u>346,553</u>   | <u>17,437</u>      | <u>8,886</u>  | <u>419,862</u>   |
| Net trading gains                            | 36,693                        | 7,334            | 398,565            | –             | 442,592          |
| Net gains or losses on financial investments | –                             | –                | 130,376            | 35,574        | 165,950          |
| Other operating income                       | <u>–</u>                      | <u>44</u>        | <u>–</u>           | <u>46,237</u> | <u>46,281</u>    |
| <b>Operating income</b>                      | <u>2,656,072</u>              | <u>2,534,057</u> | <u>891,952</u>     | <u>90,697</u> | <u>6,172,778</u> |
| Operating expense                            | (1,139,744)                   | (793,563)        | (112,653)          | (21,672)      | (2,067,632)      |
| – Depreciation and amortisation              | (68,516)                      | (78,361)         | (18,194)           | (1,454)       | (166,525)        |
| Expected credit losses                       | (204,548)                     | (280,105)        | (381,364)          | –             | (866,017)        |
| Share of profits of associates               | <u>–</u>                      | <u>–</u>         | <u>–</u>           | <u>17,877</u> | <u>17,877</u>    |
| <b>Profit before tax</b>                     | <u>1,311,780</u>              | <u>1,460,389</u> | <u>397,935</u>     | <u>86,902</u> | <u>3,257,006</u> |
| <b>Capital expenditure</b>                   | <u>75,137</u>                 | <u>85,933</u>    | <u>19,953</u>      | <u>1,594</u>  | <u>182,617</u>   |

### 39 Segmental analysis (Continued)

#### (a) Business segments (Continued)

|                            | As at 30 June 2020 |                    |                    |                  |                    |
|----------------------------|--------------------|--------------------|--------------------|------------------|--------------------|
|                            | Corporate banking  | Personal banking   | Treasury           | Others           | Total              |
| Segment assets             | 120,289,958        | 103,450,063        | 256,861,660        | 1,717,680        | 482,319,361        |
| Unallocated assets         | —                  | —                  | —                  | —                | 2,179,855          |
| <b>Total assets</b>        | <u>120,289,958</u> | <u>103,450,063</u> | <u>256,861,660</u> | <u>1,717,680</u> | <u>484,499,216</u> |
| <b>Segment liabilities</b> | <u>136,501,320</u> | <u>196,188,273</u> | <u>114,542,939</u> | <u>509,923</u>   | <u>447,742,455</u> |

## 40 Financial risk management

### Overview

The Group's activities expose it to a variety of financial risks. The Group analyses and evaluates its risk exposures, and accepts and manages a certain level of such risks or combined risks. Financial risk management is critical to the financial industry in which the Group operates, and business operations inevitably involve financial risks. The Group's aim is to achieve an appropriate balance between risk and return to minimise potential adverse effects on the Group's Financial Report.

The Group's risk management policies are designed to identify and analyse related risks, so as to set appropriate risk limits and control processes, and to monitor risks and their limits through reliable processes.

The Board of Directors of the Group is responsible for setting out the overall risk preference, reviewing and approving the Group's risk management objectives and strategies. Senior management is responsible for developing and implementing appropriate risk management policies and procedures based on risk management objectives and strategies. The Board of Supervisors is responsible for supervising and inspecting the risk management and internal control and spurring remedial measures where necessary.

The major financial risks faced by the Group are credit risk, market risk and liquidity risk, and market risk mainly comprises interest rate risk and foreign exchange risk.

## 40 Financial risk management *(Continued)*

### 40.1 Credit risk

#### 40.1.1 Credit risk management

The Group is exposed to credit risk, which is the risk that a customer or counterparty will be unable or unwilling to meet its obligations under a contract. The concentrations of credit risk will increase when counterparties are within similar industry segments or geographical regions. On-balance-sheet credit exposure includes loans and advances to customers, financial investments, deposits and placements with banks and certain other financial assets. There is also off-balance-sheet credit exposure, such as credit commitments, letters of credit, guarantees, and acceptance notes. Currently, the Group's principal business is primarily concentrated in Dongguan City of Guangdong Province in China, which indicates that the Group's credit portfolio is subject to concentration risk and is more susceptible to changes in regional economic conditions. As a result, the management monitors its credit risk prudently. The Risk Management Department at Head Office of the Group is responsible for the daily management of the Group's overall credit risk, and reports to the Group's senior management timely.

The Group adopts standardised management for the whole business procedure of credit business, including credit investigation and declaration, credit review and approval, loan issuance, post-lending monitoring and NPL management. It comprehensively improves the credit risk management level by strictly regulating credit operation procedures, strengthening end-to-end loan management from pre-lending investigation, rating and assigning credit limits, review and approval, loan drawdown review, to post-lending monitoring, improving the risk mitigation effect of collateral, accelerating the recovering and disposal of NPLs, and promoting the upgrading of credit management system.

For the year ended 31 December 2020 and six months ended 30 June 2021, COVID-19 affected the operations of business enterprises in certain industries in some cities and provinces, including Hubei, as well as the overall economic performance of the country, and as a result, had a negative impact on the asset quality of the Group's credit assets and investments. In response to the government's anti-epidemic policies, the Group delivered timely solutions to assist existing customers who had been affected by the outbreak, including relief measures, and at the same time, further enhanced its credit risk monitoring and early warning management system to step up credit risk monitoring. The Group actively respond to the change of the credit environment by conducting regular analysis on credit risk situations and matters and taking precautionary risk control measures with a forward-looking vision.

## 40 Financial risk management *(Continued)*

### 40.1 Credit risk *(Continued)*

#### 40.1.1 Credit risk management *(Continued)*

The Non-performing Assets Management Committee is responsible for supervising the recovery and disposal of NPLs. The Group manages its NPLs mainly by the following methods: (1) collection; (2) restructuring; (3) disposal of collateral or seeking recourse against guarantors; (4) litigation or arbitration; and (5) write-off according to regulatory requirements, to minimise its losses from credit risks. If the Group, after executing all necessary procedures, still considers that it is not reasonably possible to expect to recover the whole or part of a loan, it shall be written off. For the period ended 30 June 2021, the loans and advances to customers written off by the Group amounted to RMB31 million (2020: RMB787 million).

In addition to risks arising from credit assets, the Group manages the credit risk of treasury operations by carefully selecting banks and other financial institutions with appropriate credit levels as counterparties, balancing credit risk and investment return, comprehensively referring to internal and external credit rating information, grading credit, and using a timely credit line management system to review and adjust the credit line. In addition, the Group provides off-balance-sheet commitments and guarantees for its customers. There is a possibility that the Group will make payments on behalf of customers due to their default, and bear the risk similar to loans. Therefore, the Group adopts risk control procedures and policies similar to the credit business to reduce the credit risk.

## 40 Financial risk management *(Continued)*

### 40.1 Credit risk *(Continued)*

#### 40.1.2 Measurement of credit risk

##### (a) Loans

In accordance with the Guidelines for the Classification of Loan Risks issued by CBIRC, the Group establishes a management system regarding to the classification of loan risks, and implements five-level classification management. Loans are classified into five categories based on their risk levels, namely pass, special-mention, sub-standard, doubtful and loss, the latter three of which are regarded as impaired loans and advances. The primary factors considered in impairment assessment for loans include probability of loan repayment and recoverability of principal and interest, which reflect borrowers' repayment ability, repayment record and intention, profitability, guarantees or collateral and legal responsibility of repayment.

The five categories into which the Group classifies its loans and advances to customers are set out below:

- Pass: Borrowers can honour the terms of their loans. There is no reason to doubt their ability to repay principal and interest in full on a timely basis.
- Special-mention: Although there is no doubt on the borrower's ability to repay at this point in time, there exist potential factors that may adversely affect its ability to repay in the future.
- Sub-standard: Borrowers' ability to service their loans is in question and they cannot rely entirely on normal operating revenues to repay the principal and interest. There is possibility of some loss even when guarantee is executed and collateral is realized.
- Doubtful: Borrowers cannot repay principal and interest in full and there is possibility of substantial loss even when guarantee is executed and collateral is realized.
- Loss: After exhausting all possible means of recovery or necessary legal procedures, there is still no recovery of principal and interests, or the recovery is negligible.

## 40 Financial risk management *(Continued)*

### 40.1 Credit risk *(Continued)*

#### 40.1.2 Measurement of credit risk *(Continued)*

(b) Bonds and other notes

The Group manages its credit risk exposures to bonds and other notes by setting restriction of investment size, issuer profile and rating and also post-investment management.

(c) Other financial investments

Other financial investments mainly comprise rights to earnings on credit assets, fund investments and direct financing instruments for WMPs. The Group has rating-based access policies in place towards the cooperating trust companies, securities companies and fund companies. Subsequent risk management is carried out on a regular basis.

(d) Interbank transactions

The Group reviews and monitors credit risk of individual financial institutions periodically and credit quota has been maintained for each bank and other institutions that having transactions with the Group.

(e) Financial guarantees and credit commitments

The primary purpose of financial guarantees and credit commitments is to ensure that customers can acquire the funds needed. Guarantees, acceptances of bills and letters of credit represent irrevocable commitments of the Group to fulfil the obligations of payment to a third party when the customers are unable to do so, with the same credit risk as loans. The amount of potential credit risk faced by the Group is equal to the total amount of its financial guarantees and credit commitments.

## 40 Financial risk management *(Continued)*

### 40.1 Credit risk *(Continued)*

#### 40.1.3 Risk limit control and mitigation measures

The Group prudently manages and controls the concentration of credit risk, including single borrower, group, industry and region. The Group has established related mechanism to set up credit risk limit which is bearable for single borrower, and make an assessment on credit risk limit at least once a year.

The Group has established a series of policies and taken various measures to mitigate the credit risk. Obtaining collateral, deposits and corporate or individual guarantee is one of important means for the Group to control the credit risk.

The collateral policy established by the Group stipulates the type of specific collateral that is acceptable, mainly including:

- Housing;
- Business assets such as premises, inventory and accounts receivable;
- Financial instruments such as debt securities and stocks.

## 40 Financial risk management (Continued)

### 40.1 Credit risk (Continued)

#### 40.1.3 Risk limit control and mitigation measures (Continued)

The fair value of collateral or pledge is generally determined with the help of specialised valuation agencies designated by the Group. In order to reduce the credit risk, the Group has defined the maximum loan-to-value ratio (the ratio of the loan amount to the fair value of collateral or pledge) for different collateral or pledge. The main types of collateral or pledge for loans and advances and the corresponding maximum loan-to-value ratio are as follows:

| Collateral                | Maximum loan-to-value ratio | Pledge  | Maximum loan-to-value ratio |
|---------------------------|-----------------------------|---|-----------------------------|
| Real estate – residential | 70%                         | Wealth Management Products                          | 95%                         |
| Real estate – commercial  | 70%                         | Certificates of deposit                             | 95%                         |
| Machineries               | 30%                         | Treasury bonds (certificate bonds and saving bonds) | 95%                         |
| Means of transportation   | 40%                         | Bank acceptance bills                               | 95%                         |
| Mining right              | 40%                         | Precious metal                                      | 80%                         |
| Forest rights             | 40%                         | Inventories   | 30%                         |
| Rural land use rights     | 50%                         | Shares of public company listed on main boards      | 60%                         |
|                           |                             | Intellectual properties                             | 20%                         |

For loans guaranteed by a third-party guarantor, the Group will assess the financial condition, credit history and ability to meet obligations of the guarantor.

## 40 Financial risk management *(Continued)*

### 40.1 Credit risk *(Continued)*

#### 40.1.4 Policies on provision for expected credit loss

The Group uses the “ECL model” to make provision for the impairment of financial assets measured at amortised cost and those designated at fair value through other comprehensive income, loan commitments and financial guarantee contracts.

(1) Division of stages

For financial instruments included in the measurement of ECL, the Group applies “three-stage” impairment model to measure the loss allowance and recognise the ECL in assessing whether the credit risk on a financial instrument has increased significantly since initial recognition.

- Stage 1: If the credit risk on a financial instrument has not increased significantly since initial recognition, the loss stage is classified as Stage 1.
- Stage 2: If the credit risk has increased significantly since initial recognition but it is not considered that the credit has been impaired on the financial instrument, the loss stage is classified as Stage 2.
- Stage 3: If the credit has been impaired on the financial instrument, the loss stage is classified as Stage 3.

The loss allowance for the financial instruments at Stage 1 is determined at the amount of the ECL on the financial instrument within the next 12 months. The loss allowance for the financial instruments at Stage 2 and Stage 3 is determined at the amount of the ECL on the financial instrument within the lifetime.

Various factors, such as five-level classification, number of overdue days and changes in credit ratings, will be taken into account when the credit risk increases significantly during assessment. These three stages are transferable. Financial instruments in the Stage 1 should be downgraded into Stage 2 in case of significant deterioration of credit risk.

## 40 Financial risk management *(Continued)*

### 40.1 Credit risk *(Continued)*

#### 40.1.4 Policies on provision for expected credit loss *(Continued)*

(2) Judgement criteria for significant increase in credit risk

When one or more of the following quantitative and qualitative criteria or limit indicators are triggered, the Group considers that the credit risk of financial instrument has been significantly increased:

- The debtor breaches the contract and the principal or interest of the contract was overdue for more than 30 days.
- The significant negative influences appears in business, financing or economic position and indication for cash flow or liquidity problems for debtor.
- The principal or interest of bills, financial investments and financial assets with banks and other financial institutions was overdue for not more than 30 days.
- The debtor's external credit rating (issuer rating) is lower than the AA and higher than the CCC investment grade, comparing with its initial recognition date.
- There are significant changes in the economic, technical or legal environment in which the debtor is located in the current period or in the near future, and the Group will be affected adversely.

After the outbreak of COVID-19, in response to the government's anti-pandemic policies, the Group delivered relief measures to assist existing customers who had been affected. The Group prudently assesses the repayment ability of customers who apply for loan relief measures, and adopts measures, including deferred interest repayment, repayment plan adjustment, etc., for those meeting the policy standards, and at the same time, the Group also evaluates whether the credit risks of these customers have increased significantly.

In the period ended 30 June 2021 and the year ended 31 December 2020, the Group did not consider any financial instruments as having low credit risk, so that its credit risk did not need to be evaluated on the reporting date, comparing with its initial recognition date.

## 40 Financial risk management *(Continued)*

### 40.1 Credit risk *(Continued)*

#### 40.1.4 Policies on provision for expected credit loss *(Continued)*

(3) Definition of default and incurred loss

A financial asset will be defined as defaulted if it meets one or more of the following quantitative and qualitative criteria or limit indicators. This criterion is consistent with the definition of incurred loss:

- The debtor breached the contract and the principal or interest of the contract was overdue for more than 90 days.
- The principal or interest of bills, financial investments and financial assets with banks and other financial institutions was overdue for more than 30 days.
- The debtor's external credit rating (issuer rating) is lower than the CCC (inclusive) investment grade, or a default has occurred, comparing with its initial recognition date.
- The debtor is likely to go bankrupt or face other financial restructuring.
- The issuer of the financial instruments held by the Group is experiencing significant financial difficulty.
- The Group, for economic or legal reasons, grants a concession to the debtor who has financial difficulty.
- The active market for relevant financial assets disappears due to the financial difficulty of the borrower.

The above criteria apply to all financial instruments held by the Group; the definition of default is consistently applied to the ECL calculation process of the Group, including the model building of probability of default (PD), exposure at default (EAD) and loss given default (LGD).

When a financial instrument does not qualify for default for six consecutive months, the Group no longer considers it as an asset in default (it has been reversed). The Group adopts an observation period of six months based on relevant analyses in which the Group has considered the possibility of a financial instrument re-entering the default status in various scenarios after it has been reversed.

## 40 Financial risk management *(Continued)*

### 40.1 Credit risk *(Continued)*

#### 40.1.4 Policies on provision for expected credit loss *(Continued)*

- (4) Calculation of expected credit loss: description of parameters, assumptions, and estimation techniques

The Group calculates the provision for impairment losses of different types of assets as 12-month ECL or lifetime ECL based on whether there was significant increase in credit risk and whether credit impairment occurred for assets. ECL is the product of exposure at default (EAD), probability of default (PD) and loss given default (LGD) after term adjustment and discount. Relevant definitions are as follows:

PD refers to the possibility that borrowers are unable to perform their repayment obligation in the next 12 months or during the rest of the lifetime.

LGD refers to the percentage of the risk exposure loss in the event of default. LGD varies with the type of the counterparty in the transaction, and the accessibility of collateral and other credit supports.

EAD refers to the repayment due to the Group when default occurs in the next 12 months or during the rest of the lifetime. The Group's EAD is determined based on the expected repayment arrangements and different types of products will have different EAD. For loans repaid on an instalment basis or in a lump sum, the Group determines the EAD based on the repayment plan as agreed in the contract.

The Group determines the ECL by estimating the PD, LGD and EAD of an individual loan in each period. It multiplies these three values and adjusts their existence (in case of no early repayment or default). This approach can effectively calculate the ECL of each future period. The calculation results of all periods are then discounted to the reporting date and summed up. Discount rates used to calculate the ECL are the actual interest rate or the approximation thereof.

## 40 Financial risk management *(Continued)*

### 40.1 Credit risk *(Continued)*

#### 40.1.4 Policies on provision for expected credit loss *(Continued)*

- (4) Calculation of expected credit loss: description of parameters, assumptions, and estimation techniques *(Continued)*

In reporting periods, there was no significant change in the above estimation techniques or key assumptions.

- (5) Forward-looking information in the expected credit loss model

Through historical data analysis, the Group identifies key economic indicators that affect the credit risk and ECL of each business types, such as China real estate climate index, year-on-year (YOY) growth rate of registered urban unemployment rate, YOY growth rate of money supply (M2), business climate index, YOY accumulated consumer price index and YOY accumulated Balance of Trade.

The Group considers internal and external data, expert forecasts and statistical analysis to determine the relationship between these economic indicators and PD. The Group regularly conducts the forecast on three types of domestic macro scenarios and macro-economic indicators such as optimistic, basic and pessimistic for asset impairment model.

In 2020, the impact of COVID-19 on the macro economy and the banking industry was fully considered in the forward-looking information used by the Group to assess the measurement model of expected credit losses.

- (6) The Group's management have taken other factors that are not included in the model into account, and additional adjustment have been made to the ECL (the "Management overlay") to improve its risk compensation capability.

In the six months ended 30 June 2021, the Group assessed the relevant impacts under the expected credit loss model with consideration to the significant impact of COVID-19 on the macro economy, and increased the loss provision for loan assets receiving relief solutions and loan assets of industries highly affected by COVID-19 to further boost the risk compensation capability. The amount increased is considered to be insignificant compared to the loss provision.

## 40 Financial risk management *(Continued)*

### 40.1 Credit risk *(Continued)*

#### 40.1.4 Policies on provision for expected credit loss *(Continued)*

(7) Grouping for ECL provision

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

The characteristics for grouping are as follows:

Personal loans

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

Corporate loans

- Industry

Exposures evaluated by impairment assessment

- Corporate loans in Stage 3

Credit risk team monitors and reviews the grouping appropriateness regularly.

## 40 Financial risk management (Continued)

### 40.1 Credit risk (Continued)

#### 40.1.5 Maximum exposures to credit risk before considering collateral held or other credit enhancements

| The Group   | As at 30 June 2021 |                  |                  |                   | Total              |
|---|--------------------|------------------|------------------|-------------------|--------------------|
|   | Stage 1            | Stage 2          | Stage 3          | N/A               |                    |
| <b>Assets</b>   |                    |                  |                  |                   |                    |
| Balances with central banks   | 43,189,280         | -                | -                | -                 | 43,189,280         |
| Financial assets held under resale agreements and deposits and placements with banks and other financial institutions | 17,653,236         | -                | -                | -                 | 17,653,236         |
| Loans and advances to customers   | 269,592,248        | 2,239,216        | 788,146          | -                 | 272,619,610        |
| Financial investments   |                    |                  |                  |                   |                    |
| - Financial assets at fair value through profit or loss   | -                  | -                | -                | 43,820,047        | 43,820,047         |
| - Financial investments at amortised cost   | 109,332,560        | 255,836          | -                | -                 | 109,588,396        |
| - Financial investments at fair value through other comprehensive income  | 82,704,289         | 683,355          | 474,028          | 580,386           | 84,442,058         |
| Other financial assets (a)  | 295,361            | -                | -                | -                 | 295,361            |
| Sub-total   | <u>522,766,974</u> | <u>3,178,407</u> | <u>1,262,174</u> | <u>44,400,433</u> | <u>571,607,988</u> |
| <b>Off-balance sheet items</b>  |                    |                  |                  |                   |                    |
| Bank acceptances  | 2,279,629          | 83,330           | 821              | -                 | 2,363,780          |
| Letters of credit   | 230,373            | -                | -                | -                 | 230,373            |
| Guarantees  | 1,599,001          | 8,001            | -                | -                 | 1,607,002          |
| Unused limit of credit cards  | 9,756,332          | 69,425           | 183,396          | -                 | 10,009,153         |
| Sub-total   | <u>13,865,335</u>  | <u>160,756</u>   | <u>184,217</u>   | <u>-</u>          | <u>14,210,308</u>  |
| <b>Total</b>  | <u>536,632,309</u> | <u>3,339,163</u> | <u>1,446,391</u> | <u>44,400,433</u> | <u>585,818,296</u> |

## 40 Financial risk management (Continued)

### 40.1 Credit risk (Continued)

#### 40.1.5 Maximum exposures to credit risk before considering collateral held or other credit enhancements (Continued)

| The Group   | As at 31 December 2020 |                  |                  |                   | Total              |
|---|------------------------|------------------|------------------|-------------------|--------------------|
|   | Stage 1                | Stage 2          | Stage 3          | N/A               |                    |
| <b>Assets</b>   |                        |                  |                  |                   |                    |
| Balances with central banks   | 36,144,159             | –                | –                | –                 | 36,144,159         |
| Financial assets held under resale agreements and deposits and placements with banks and other financial institutions | 18,707,434             | –                | –                | –                 | 18,707,434         |
| Loans and advances to customers   | 252,027,424            | 2,027,049        | 587,289          | –                 | 254,641,762        |
| Financial investments   |                        |                  |                  |                   |                    |
| – Financial assets at fair value through profit or loss   | –                      | –                | –                | 36,101,567        | 36,101,567         |
| – Financial investments at amortised cost   | 111,454,975            | 177,889          | 35,069           | –                 | 111,667,933        |
| – Financial investments at fair value through other comprehensive income  | 77,400,061             | 1,165,685        | 811,150          | 566,705           | 79,943,601         |
| Other financial assets (a)  | <u>503,309</u>         | <u>–</u>         | <u>–</u>         | <u>–</u>          | <u>503,309</u>     |
| Sub-total   | <u>496,237,362</u>     | <u>3,370,623</u> | <u>1,433,508</u> | <u>36,668,272</u> | <u>537,709,765</u> |
| <b>Off-balance sheet items</b>  |                        |                  |                  |                   |                    |
| Bank acceptances  | 1,579,874              | –                | 821              | –                 | 1,580,695          |
| Letters of credit   | 245,179                | –                | –                | –                 | 245,179            |
| Guarantees  | 1,222,974              | –                | –                | –                 | 1,222,974          |
| Unused limit of credit cards  | <u>9,465,079</u>       | <u>31,465</u>    | <u>158,610</u>   | <u>–</u>          | <u>9,655,154</u>   |
| Sub-total   | <u>12,513,106</u>      | <u>31,465</u>    | <u>159,431</u>   | <u>–</u>          | <u>12,704,002</u>  |
| <b>Total</b>  | <u>508,750,468</u>     | <u>3,402,088</u> | <u>1,592,939</u> | <u>36,668,272</u> | <u>550,413,767</u> |

(a) Other financial assets include interest receivable and other receivables.

## 40 Financial risk management (Continued)

### 40.1 Credit risk (Continued)

#### 40.1.6 Loans and advances to customers

##### (a) Industry analysis

| The Group  | As at 30 June<br>2021 |               | As at 31 December<br>2020 |               |
|--|-----------------------|---------------|---------------------------|---------------|
|  | Amount                | %             | Amount                    | %             |
| <b>Corporate loans and advances</b>  |                       |               |                           |               |
| Wholesale and retail   | 24,045,802            | 8.56%         | 22,739,694                | 8.68%         |
| Leasing and commercial services  | 26,839,535            | 9.55%         | 24,737,267                | 9.44%         |
| Manufacturing  | 31,272,443            | 11.13%        | 27,023,030                | 10.32%        |
| Construction   | 23,256,589            | 8.28%         | 20,821,976                | 7.95%         |
| Real estate  | 11,829,405            | 4.21%         | 10,804,318                | 4.12%         |
| Finance  | 5,576,551             | 1.98%         | 7,514,009                 | 2.87%         |
| Production and supply of power,<br>gas and water                             | 5,943,324             | 2.12%         | 5,322,414                 | 2.03%         |
| Transportation, logistics and postal<br>services                             | 3,528,968             | 1.26%         | 3,898,019                 | 1.49%         |
| Water, environment and public<br>utilities management                        | 2,490,542             | 0.89%         | 2,101,477                 | 0.80%         |
| Health, social security, and welfare   | 2,587,062             | 0.92%         | 2,539,030                 | 0.97%         |
| Education  | 2,644,256             | 0.94%         | 2,212,017                 | 0.84%         |
| Information transmission, software<br>and IT services                        | 1,082,674             | 0.39%         | 823,027                   | 0.31%         |
| Hotels and catering industries   | 1,744,705             | 0.62%         | 1,381,991                 | 0.53%         |
| Agriculture, forestry, animal<br>husbandry and fishery                       | 1,506,089             | 0.54%         | 1,291,506                 | 0.49%         |
| Residential services and other<br>services                                   | 335,714               | 0.12%         | 378,874                   | 0.14%         |
| Culture, sports, and entertainment   | 33,787                | 0.01%         | 437,245                   | 0.17%         |
| Scientific research and technical<br>services, and geological<br>prospecting | 237,718               | 0.08%         | 254,756                   | 0.10%         |
| Mining   | –                     | 0.00%         | 5,000                     | 0.00%         |
| Public management and social<br>organisations                                | 23,058                | 0.01%         | 13,655                    | 0.01%         |
| <b>Sub-total</b>   | <b>144,978,222</b>    | <b>51.61%</b> | <b>134,299,305</b>        | <b>51.26%</b> |

## 40 Financial risk management (Continued)

### 40.1 Credit risk (Continued)

#### 40.1.6 Loans and advances to customers (Continued)

(a) Industry analysis (Continued)

| The Group                                    | As at 30 June 2021 |                | As at 31 December 2020 |                |
|--|--------------------|----------------|------------------------|----------------|
|  | Amount             | %              | Amount                 | %              |
| <b>Personal loans and advances</b>           |                    |                |                        |                |
| Operational loans                            | 29,815,516         | 10.61%         | 25,609,633             | 9.78%          |
| Property mortgages                           | 40,348,320         | 14.36%         | 37,665,358             | 14.38%         |
| Advances of credit cards                     | 9,242,166          | 3.29%          | 8,223,874              | 3.14%          |
| Consumption loans                            | 27,724,165         | 9.87%          | 26,517,031             | 10.12%         |
| <b>Sub-total</b>                             | <u>107,130,167</u> | <u>38.13%</u>  | <u>98,015,896</u>      | <u>37.42%</u>  |
| <b>Rediscounted bills and other loans</b>    | 28,284,660         | 10.07%         | 29,135,410             | 11.12%         |
| <b>Accrued interest</b>                      | <u>544,871</u>     | <u>0.19%</u>   | <u>531,968</u>         | <u>0.20%</u>   |
| <b>Total loans and advances to customers</b> | <u>280,937,920</u> | <u>100.00%</u> | <u>261,982,579</u>     | <u>100.00%</u> |

(b) Type of collateral analysis

| The Group            | As at 30 June 2021 | As at 31 December 2020 |
|----------------------|--------------------|------------------------|
| Collateralised loans | 148,993,876        | 134,641,697            |
| Pledged loans        | 39,637,141         | 39,107,865             |
| Guaranteed loans     | 58,856,929         | 54,441,652             |
| Unsecured loans      | <u>32,905,103</u>  | <u>33,259,397</u>      |
| Sub-total            | 280,393,049        | 261,450,611            |
| Accrued interest     | <u>544,871</u>     | <u>531,968</u>         |
| <b>Total</b>         | <u>280,937,920</u> | <u>261,982,579</u>     |

## 40 Financial risk management (Continued)

### 40.1 Credit risk (Continued)

#### 40.1.6 Loans and advances to customers (Continued)

(c) Concentration analysis by geographical regions

| The Group        | As at<br>30 June 2021 |                | As at<br>31 December 2020 |                |
|------------------|-----------------------|----------------|---------------------------|----------------|
|                  | Amount                | %              | Amount                    | %              |
| Dongguan         | 223,345,573           | 79.50%         | 214,171,472               | 81.75%         |
| Zhanjiang        | 15,976,884            | 5.69%          | 14,320,357                | 5.47%          |
| Others           | 41,070,592            | 14.62%         | 32,958,782                | 12.58%         |
| Accrued interest | 544,871               | 0.19%          | 531,968                   | 0.20%          |
| <b>Total</b>     | <b>280,937,920</b>    | <b>100.00%</b> | <b>261,982,579</b>        | <b>100.00%</b> |

Concentration analysis of overdue loans and advances to customers by geographical regions

| The Group    | As at<br>30 June 2021 |                | As at<br>31 December 2020 |                |
|--------------|-----------------------|----------------|---------------------------|----------------|
|              | Amount                | %              | Amount                    | %              |
| Dongguan     | 2,399,435             | 79.27%         | 1,506,259                 | 59.11%         |
| Zhanjiang    | 369,942               | 12.22%         | 352,520                   | 13.83%         |
| Others       | 257,498               | 8.51%          | 689,457                   | 27.06%         |
| <b>Total</b> | <b>3,026,875</b>      | <b>100.00%</b> | <b>2,548,236</b>          | <b>100.00%</b> |

## 40 Financial risk management (Continued)

### 40.1 Credit risk (Continued)

#### 40.1.6 Loans and advances to customers (Continued)

(d) Analysis by overdue days and impairment evaluation

(1) The maximum credit risk exposures of loans and advances are analysed by overdue days as follows:

| The Group<br>Corporate loans and advances | As at 30 June 2021 |                  |                | Total              |
|---|--------------------|------------------|----------------|--------------------|
|   | Stage 1            | Stage 2          | Stage 3        |                    |
| Overdue days                              |                    |                  |                |                    |
| Not overdue                               | 166,923,657        | 3,511,555        | 1,761,167      | 172,196,379        |
| Between 0 and 30 days                     | 10,319             | 213,471          | 74,197         | 297,987            |
| Between 30 and 60 days                    | -                  | 18,611           | 11,739         | 30,350             |
| Between 60 and 90 days                    | -                  | 29,469           | 1,678          | 31,147             |
| More than 90 days/Default                 | -                  | -                | 1,023,843      | 1,023,843          |
| <b>Total</b>                              | 166,933,976        | 3,773,106        | 2,872,624      | 173,579,706        |
| Provision for ECL                         | (2,319,355)        | (2,102,211)      | (2,231,344)    | (6,652,910)        |
| <b>Net amount</b>                         | <u>164,614,621</u> | <u>1,670,895</u> | <u>641,280</u> | <u>166,926,796</u> |

| The Group<br>Personal loans and advances | As at 30 June 2021 |                |                | Total              |
|--|--------------------|----------------|----------------|--------------------|
|  | Stage 1            | Stage 2        | Stage 3        |                    |
| Overdue days                             |                    |                |                |                    |
| Not overdue                              | 105,305,810        | 359,922        | 48,934         | 105,714,666        |
| Between 0 and 30 days                    | 198,415            | 209,434        | 9,350          | 417,199            |
| Between 30 and 60 days                   | -                  | 237,723        | 12,699         | 250,422            |
| Between 60 and 90 days                   | -                  | 108,935        | 94,728         | 203,663            |
| More than 90 days/Default                | -                  | -              | 772,264        | 772,264            |
| <b>Total</b>                             | 105,504,225        | 916,014        | 937,975        | 107,358,214        |
| Provision for ECL                        | (526,597)          | (347,694)      | (791,109)      | (1,665,400)        |
| <b>Net amount</b>                        | <u>104,977,628</u> | <u>568,320</u> | <u>146,866</u> | <u>105,692,814</u> |

## 40 Financial risk management (Continued)

### 40.1 Credit risk (Continued)

#### 40.1.6 Loans and advances to customers (Continued)

(d) Analysis by overdue days and impairment evaluation (Continued)

- (1) The maximum credit risk exposures of loans and advances are analysed by overdue days as follows: (Continued)

| The Group<br>Corporate loans and advances | As at 31 December 2020 |                  |                | Total              |
|---|------------------------|------------------|----------------|--------------------|
|   | Stage 1                | Stage 2          | Stage 3        |                    |
| Overdue days                              |                        |                  |                |                    |
| Not overdue                               | 158,443,070            | 3,187,454        | 924,868        | 162,555,392        |
| Between 0 and 30 days                     | 10,606                 | 81,041           | 14,080         | 105,727            |
| Between 30 and 60 days                    | –                      | 26,659           | 7,000          | 33,659             |
| Between 60 and 90 days                    | –                      | 39,681           | 25,486         | 65,167             |
| More than 90 days/Default                 | –                      | –                | 985,988        | 985,988            |
| <b>Total</b>                              | 158,453,676            | 3,334,835        | 1,957,422      | 163,745,933        |
| Provision for ECL                         | (2,406,004)            | (1,755,896)      | (1,523,624)    | (5,685,524)        |
| <b>Net amount</b>                         | <u>156,047,672</u>     | <u>1,578,939</u> | <u>433,798</u> | <u>158,060,409</u> |

| The Group<br>Personal loans and advances | As at 31 December 2020 |                |                | Total             |
|--|------------------------|----------------|----------------|-------------------|
|  | Stage 1                | Stage 2        | Stage 3        |                   |
| Overdue days                             |                        |                |                |                   |
| Not overdue                              | 96,549,633             | 274,358        | 54,960         | 96,878,951        |
| Between 0 and 30 days                    | 208,096                | 135,811        | 25,626         | 369,533           |
| Between 30 and 60 days                   | –                      | 164,662        | 77,622         | 242,284           |
| Between 60 and 90 days                   | –                      | 70,067         | 130,908        | 200,975           |
| More than 90 days/Default                | –                      | –              | 544,903        | 544,903           |
| <b>Total</b>                             | 96,757,729             | 644,898        | 834,019        | 98,236,646        |
| Provision for ECL                        | (777,977)              | (196,788)      | (680,528)      | (1,655,293)       |
| <b>Net amount</b>                        | <u>95,979,752</u>      | <u>448,110</u> | <u>153,491</u> | <u>96,581,353</u> |

## 40 Financial risk management (Continued)

### 40.1 Credit risk (Continued)

#### 40.1.6 Loans and advances to customers (Continued)

(d) Analysis by overdue days and impairment evaluation (Continued)

- (2) Overdue loans and advances to customers are set out by collateral type and overdue days as follows:

| The Group            | As at 30 June 2021                        |  |   |                               | Total            |
|----------------------|---|--|---|-------------------------------|------------------|
|                      | Overdue between 1 and 90 days (inclusive) | Overdue between 90 days and 1 year (inclusive) | Overdue between 1 and 3 years (inclusive) | Overdue for more than 3 years |                  |
| Unsecured loans      | 417,121                                   | 185,147  | 125,919                                   | 17,658                        | 745,845          |
| Guaranteed loans     | 207,175                                   | 47,172   | 157,309                                   | 103,775                       | 515,431          |
| Collateralised loans | 606,472                                   | 448,027  | 335,757                                   | 58,610                        | 1,448,866        |
| Pledged loans        | -   | -  | 6,598                                     | 310,135                       | 316,733          |
| <b>Total</b>         | <b>1,230,768</b>                          | <b>680,346</b>                                 | <b>625,583</b>                            | <b>490,178</b>                | <b>3,026,875</b> |

| The Group            | As at 31 December 2020                    |  |   |                               | Total            |
|----------------------|---|--|---|-------------------------------|------------------|
|                      | Overdue between 1 and 90 days (inclusive) | Overdue between 90 days and 1 year (inclusive) | Overdue between 1 and 3 years (inclusive) | Overdue for more than 3 years |                  |
| Unsecured loans      | 400,081                                   | 149,112  | 57,043                                    | 14,790                        | 621,026          |
| Guaranteed loans     | 149,125                                   | 54,754   | 188,803                                   | 73,084                        | 465,766          |
| Collateralised loans | 468,139                                   | 422,977  | 242,535                                   | 8,787                         | 1,142,438        |
| Pledged loans        | -   | 2,440  | 267,717                                   | 48,849                        | 319,006          |
| <b>Total</b>         | <b>1,017,345</b>                          | <b>629,283</b>                                 | <b>756,098</b>                            | <b>145,510</b>                | <b>2,548,236</b> |

## 40 Financial risk management (Continued)

### 40.1 Credit risk (Continued)

#### 40.1.6 Loans and advances to customers (Continued)

- (e) Loans and advances to customers impaired/at Stage 3

The total amounts of loans and advances to customers impaired/at Stage 3 are set out as follows:

| The Group                       | As at<br>30 June<br>2021 | As at<br>31 December<br>2020 |
|---------------------------------|--------------------------|------------------------------|
| Corporate loans and advances    | 2,872,624                | 1,957,422                    |
| Personal loans and advances     | 937,975                  | 834,019                      |
| <b>Total</b>                    | <b>3,810,599</b>         | <b>2,791,441</b>             |
| <b>Fair value of collateral</b> |                          |                              |
| – Corporate loans and advances  | 1,048,773                | 627,441                      |
| – Personal loans and advances   | 459,733                  | 423,318                      |
| <b>Total</b>                    | <b>1,508,506</b>         | <b>1,050,759</b>             |

The fair value of collateral is determined based on the latest available external valuation prices, adjusted for the current experiences of collateral realisation and market conditions.

## 40 Financial risk management (Continued)

### 40.1 Credit risk (Continued)

#### 40.1.6 Loans and advances to customers (Continued)

##### (e) Loans and advances to customers impaired/at Stage 3 (Continued)

Concentration of loans and advances to customers impaired/at Stage 3 by geographical regions

| The Group    | As at 30 June 2021 |                | As at 31 December 2020 |                |
|--------------|--------------------|----------------|------------------------|----------------|
|              | Amount             | %              | Amount                 | %              |
| Dongguan     | 3,415,019          | 89.62%         | 2,423,087              | 86.80%         |
| Zhanjiang    | 186,404            | 4.89%          | 189,805                | 6.80%          |
| Others       | 209,176            | 5.49%          | 178,549                | 6.40%          |
| <b>Total</b> | <b>3,810,599</b>   | <b>100.00%</b> | <b>2,791,441</b>       | <b>100.00%</b> |

As at 30 June 2021, the Group's loans and advances to customers impaired/at Stage 3 accounted for 1.36% (31 December 2020: 1.07%) of total loans.

##### (f) Restructured loans and advances to customers

Restructured loans refer to loans with renegotiated contract terms due to the change of borrower, guarantee or repayment. The Group reaches agreements with these borrowers in consideration of their financial difficulties or other condition. As at 30 June 2021, the Group's balances of restructured loans and advances to customers was RMB159 million (31 December 2020: RMB126 million).

#### 40.1.7 Foreclosed assets

Foreclosed assets are disposed once they are sold and gains from the sale can be used to decrease the balance of liabilities. Usually the Group does not use recovered foreclosed assets for business activities. As at the end of the reporting period, foreclosed assets were listed under other assets.

## 40 Financial risk management (Continued)

### 40.1 Credit risk (Continued)

#### 40.1.8 Debt instrument investments

The credit risks of debt instrument investments are classified mainly based on their external credit ratings.

- (a) The exposures of financial investments at amortised cost are analysed as follows:

| The Group             | As at 30 June 2021 |                |          |                    |
|-----------------------|--------------------|----------------|----------|--------------------|
|                       | Stage 1            | Stage 2        | Stage 3  | Total              |
| <b>Credit ratings</b> |                    |                |          |                    |
| AA to AAA             | 27,677,730         | –              | –        | 27,677,730         |
| CCC+ to AA–           | –                  | 259,962        | –        | 259,962            |
| Default               | –                  | –              | –        | –                  |
| Unrated (i)           | 81,758,552         | –              | –        | 81,758,552         |
| <b>Total</b>          | 109,436,282        | 259,962        | –        | 109,696,244        |
| Provision for ECL     | (103,725)          | (4,123)        | –        | (107,848)          |
| <b>Net book value</b> | <u>109,332,557</u> | <u>255,839</u> | <u>–</u> | <u>109,588,396</u> |

| The Group             | As at 31 December 2020 |                |               |                    |
|-----------------------|------------------------|----------------|---------------|--------------------|
|                       | Stage 1                | Stage 2        | Stage 3       | Total              |
| <b>Credit ratings</b> |                        |                |               |                    |
| AA to AAA             | 19,770,183             | –              | –             | 19,770,183         |
| CCC+ to AA–           | –                      | 181,001        | –             | 181,001            |
| CCC and below         | –                      | –              | 53,038        | 53,038             |
| Default               | –                      | –              | –             | –                  |
| Unrated (i)           | 91,784,675             | –              | –             | 91,784,675         |
| <b>Total</b>          | 111,554,858            | 181,001        | 53,038        | 111,788,897        |
| Provision for ECL     | (99,883)               | (3,112)        | (17,969)      | (120,964)          |
| <b>Net book value</b> | <u>111,454,975</u>     | <u>177,889</u> | <u>35,069</u> | <u>111,667,933</u> |

## 40 Financial risk management (Continued)

## 40.1 Credit risk (Continued)

## 40.1.8 Debt instrument investments (Continued)

- (b) The exposures of financial investments at fair value through other comprehensive income are analysed as follows:

| The Group             | As at 30 June 2021 |                |                |                   |
|-----------------------|--------------------|----------------|----------------|-------------------|
|                       | Stage 1            | Stage 2        | Stage 3        | Total             |
| <b>Credit ratings</b> |                    |                |                |                   |
| AA to AAA             | 15,495,484         | –              | –              | 15,495,484        |
| CCC+ to AA–           | –                  | 683,355        | –              | 683,355           |
| CCC and below         | –                  | –              | 34,741         | 34,741            |
| Default               | –                  | –              | 439,287        | 439,287           |
| Unrated (i)           | <u>67,208,805</u>  | <u>–</u>       | <u>–</u>       | <u>67,208,805</u> |
| <b>Net book value</b> | <u>82,704,289</u>  | <u>683,355</u> | <u>474,028</u> | <u>83,861,672</u> |

| The Group             | As at 31 December 2020 |                  |                |                   |
|-----------------------|------------------------|------------------|----------------|-------------------|
|                       | Stage 1                | Stage 2          | Stage 3        | Total             |
| <b>Credit ratings</b> |                        |                  |                |                   |
| AA to AAA             | 19,869,750             | –                | –              | 19,869,750        |
| CCC+ to AA–           | –                      | 1,165,685        | –              | 1,165,685         |
| CCC and below         | –                      | –                | 240,630        | 240,630           |
| Default               | –                      | –                | 570,520        | 570,520           |
| Unrated (i)           | <u>57,530,311</u>      | <u>–</u>         | <u>–</u>       | <u>57,530,311</u> |
| <b>Net book value</b> | <u>77,400,061</u>      | <u>1,165,685</u> | <u>811,150</u> | <u>79,376,896</u> |

- (i) The Group's unrated debt instrument investments 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.

## 40 Financial risk management *(Continued)*

### 40.2 Fair value of financial assets and liabilities

(a) *Fair value hierarchy*

The Group classifies financial assets and financial liabilities into the following three levels based on the extent to which inputs to valuation techniques used to measure fair value of the financial assets and financial liabilities are observable.

Level 1: fair value measurements are those derived from quoted prices (unadjusted) in an active market for identical assets or liabilities;

Level 2: fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3: fair value measurements are not based on observable market data.

## 40 Financial risk management (Continued)

### 40.2 Fair value of financial assets and liabilities (Continued)

(b) *Financial instruments not measured at fair value*

The tables below summarise the carrying amounts and fair values of financial assets and liabilities not measured at fair value. Financial assets and liabilities with similar carrying amounts and fair values, such as balances with central banks, financial assets held under resale agreements and deposits and placements with banks and other financial institutions, loans and advances to customers, borrowings from central banks, due to customers, financial assets sold under repurchase agreements and deposits and placements from banks and other financial institutions, and certificates of interbank deposit, are not included.

| The Group                               | As at 30 June 2021 |             |            |             |         |
|---|--------------------|-------------|------------|-------------|---------|
|   | Carrying amount    | Fair value  | Including: |             |         |
|   |                    |             | Level 1    | Level 2     | Level 3 |
| <b>Financial assets</b>                 |                    |             |            |             |         |
| Financial investments at amortised cost | 109,588,396        | 110,786,061 | -          | 110,032,344 | 753,717 |
| <b>Financial liabilities</b>            |                    |             |            |             |         |
| Bonds issued                            | 55,191,184         | 54,440,322  | -          | 54,440,322  | -       |

| The Group                               | As at 31 December 2020 |             |            |             |           |
|---|------------------------|-------------|------------|-------------|-----------|
|   | Carrying amount        | Fair value  | Including: |             |           |
|   |                        |             | Level 1    | Level 2     | Level 3   |
| <b>Financial assets</b>                 |                        |             |            |             |           |
| Financial investments at amortised cost | 113,205,711            | 111,181,020 | -          | 110,131,813 | 1,049,207 |
| <b>Financial liabilities</b>            |                        |             |            |             |           |
| Bonds issued                            | 50,249,237             | 50,251,395  | -          | 50,251,395  | -         |

## 40 Financial risk management (Continued)

### 40.2 Fair value of financial assets and liabilities (Continued)

(c) Financial instruments measured at fair value

| The Group  | As at 30 June 2021 |                    |                   | Total              |
|--|--------------------|--------------------|-------------------|--------------------|
|  | Level 1            | Level 2            | Level 3           |                    |
| <b>Financial assets</b>  |                    |                    |                   |                    |
| Loans and advances to customers at fair value through other comprehensive income | –                  | –                  | 26,742,866        | 26,742,866         |
| Financial assets at fair value through profit or loss                            |                    |                    |                   |                    |
| – Debt securities  | –                  | 16,952,532         | –                 | 16,952,532         |
| – Fund investments   | 20,377,395         | –                  | –                 | 20,377,395         |
| – Rights to earnings on credit assets  | –                  | –                  | 6,490,120         | 6,490,120          |
| Financial investments at fair value through other comprehensive income           |                    |                    |                   |                    |
| – Debt securities  | –                  | 83,367,825         | 205,415           | 83,573,240         |
| – Direct financing instruments for WMPs  | –                  | –                  | 19,819            | 19,819             |
| – Rights to earnings on credit assets  | –                  | –                  | 268,613           | 268,613            |
| – Unlisted equity  | –                  | –                  | 580,386           | 580,386            |
| Total  | <u>20,377,395</u>  | <u>100,320,357</u> | <u>34,307,219</u> | <u>155,004,971</u> |
| <b>Financial liabilities</b>   |                    |                    |                   |                    |
| Financial liabilities at fair value through profit or loss                       | –                  | 376,030            | –                 | 376,030            |

## 40 Financial risk management (Continued)

### 40.2 Fair value of financial assets and liabilities (Continued)

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

| The Group  | As at 31 December 2020 |                   |                   |                    |
|--|------------------------|-------------------|-------------------|--------------------|
|  | Level 1                | Level 2           | Level 3           | Total              |
| <b>Financial assets</b>  |                        |                   |                   |                    |
| Loans and advances to customers at fair value through other comprehensive income | –                      | –                 | 27,817,116        | 27,817,116         |
| Financial assets at fair value through profit or loss                            |                        |                   |                   |                    |
| – Debt securities  | –                      | 12,142,543        | –                 | 12,142,543         |
| – Fund investments   | 20,496,877             | –                 | –                 | 20,496,877         |
| – Rights to earnings on credit assets  | –                      | –                 | 3,434,843         | 3,434,843          |
| – Others   | –                      | –                 | 27,304            | 27,304             |
| Financial investments at fair value through other comprehensive income           |                        |                   |                   |                    |
| – Debt securities  | –                      | 78,339,683        | 364,975           | 78,704,658         |
| – Direct financing instruments for WMPs  | –                      | –                 | 226,063           | 226,063            |
| – Rights to earnings on credit assets  | –                      | –                 | 446,175           | 446,175            |
| – Unlisted equity  | –                      | –                 | 566,705           | 566,705            |
| <b>Total</b>   | <u>20,496,877</u>      | <u>90,482,226</u> | <u>32,883,181</u> | <u>143,862,284</u> |
| <b>Financial liabilities</b>   |                        |                   |                   |                    |
| Financial liabilities at fair value through profit or loss                       | –                      | 238,841           | –                 | 238,841            |

## 40 Financial risk management *(Continued)*

### 40.2 Fair value of financial assets and liabilities *(Continued)*

#### *(c) Financial instruments measured at fair value (Continued)*

The fair values of financial assets and liabilities are determined as follows:

- If traded in active markets, fair values of financial assets and financial liabilities with standard terms and conditions are determined with reference to quoted market bid prices and ask prices, respectively;
- If not traded in active markets, fair values of financial assets and financial liabilities are determined by using valuation techniques. These valuation techniques include the use of recent transaction prices of the same or similar instruments, discounted cash flow analysis and generally accepted pricing models.

The Group has established an independent valuation process for financial assets and liabilities. Financial Market Department and Investment Banking and Wealth Management Department are responsible for carrying out the valuation of financial assets and financial liabilities. Valuation methods, parameters, assumptions and results are independently verified by the Department of Comprehensive Risk Management and Compliance; valuation results are obtained following the valuation process and accounted for in accordance with the accounting rules by the Operation Management Department; information on financial assets and liabilities for disclosure purposes is prepared by the Financial Accounting Department based on the independently reviewed valuation results. Valuation policies and procedures for various kinds of financial instruments are approved by the Group's Risk Management Committee. Any changes in valuation policies and procedures are required to be submitted to the Risk Management Committee for approval before being put into practice. For the period ended 30 June 2021 and the year ended 31 December 2020, there were no significant transfers between the fair value levels.

## 40 Financial risk management (Continued)

### 40.2 Fair value of financial assets and liabilities (Continued)

(c) *Financial instruments measured at fair value (Continued)*

Information about the Level 3 fair value measurement using material unobservable inputs is as follows:

| The Group  | As at 30 June 2021 |                      |   |
|--|--------------------|----------------------|---|
|  | Fair value         | Valuation technique  | Unobservable inputs Item                                |
| Loans and advances to customers at fair value through other comprehensive income | 26,742,866         | Discounted cash flow | Risk-adjusted discount rate cash flow                   |
| Financial assets at fair value through profit or loss                            |                    |                      |   |
| – Rights to earnings on credit assets  | 6,490,120          | Discounted cash flow | Risk-adjusted discount rate cash flow                   |
| Financial investments at fair value through other comprehensive income           |                    |                      |   |
| – Debt securities  | 205,415            | Discounted cash flow | Risk-adjusted discount rate cash flow                   |
| – Direct financing instruments for WMPs  | 19,819             | Discounted cash flow | Risk-adjusted discount rate cash flow                   |
| – Rights to earnings on credit assets  | 268,613            | Discounted cash flow | Risk-adjusted discount rate cash flow                   |
| – Unlisted equity investments  | 580,386            | Market approach      | Price to book ratio (P/B)<br>Haircuts for low liquidity |

## 40 Financial risk management (Continued)

### 40.2 Fair value of financial assets and liabilities (Continued)

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

Information about the Level 3 fair value measurement using material unobservable inputs is as follows: (Continued)

| The Group  | As at 31 December 2020 |                      |   |
|--|------------------------|----------------------|---|
|  | Fair value             | Valuation technique  | Unobservable inputs Item                                |
| Loans and advances to customers at fair value through other comprehensive income | 27,817,116             | Discounted cash flow | Risk-adjusted discount rate cash flow                   |
| Financial assets at fair value through profit or loss                            |                        |                      |   |
| – Rights to earnings on credit assets  | 3,434,843              | Discounted cash flow | Risk-adjusted discount rate cash flow                   |
| – Others   | 27,304                 | Discounted cash flow | Risk-adjusted discount rate cash flow                   |
| Financial investments at fair value through other comprehensive income           |                        |                      |   |
| – Debt securities  | 364,975                | Discounted cash flow | Risk-adjusted discount rate cash flow                   |
| – Direct financing instruments for WMPs  | 226,063                | Discounted cash flow | Risk-adjusted discount rate cash flow                   |
| – Rights to earnings on credit assets  | 446,175                | Discounted cash flow | Risk-adjusted discount rate cash flow                   |
| – Unlisted equity investments  | 566,705                | Market approach      | Price to book ratio (P/B)<br>Haircuts for low liquidity |

## 40 Financial risk management (Continued)

### 40.2 Fair value of financial assets and liabilities (Continued)

#### (c) Financial instruments measured at fair value (Continued)

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

The fair value of financial instruments is, in certain circumstances, measured using valuation models which incorporate assumptions that are not supported by prices from observable current market transactions in the same instrument and are not based on observable market data. The following table shows the sensitivity of fair value due to parallel movement of plus or minus 1 percent of change in fair value to reasonably possible alternative assumptions.

| The Group  | As at 30 June 2021   |                |                               |                |
|--|----------------------|----------------|-------------------------------|----------------|
|  | Effect on net profit |                | Effect on revaluation reserve |                |
|  | Favourable           | (Unfavourable) | Favourable                    | (Unfavourable) |
| Loans and advances to customers at fair value through other comprehensive income | -                    | -              | 270,978                       | (270,906)      |
| Financial assets at fair value through profit or loss                            |                      |                |                               |                |
| - Rights to earnings on credit assets  | 83,695               | (83,201)       | -                             | -              |
| Financial investments at fair value through other comprehensive income           |                      |                |                               |                |
| - Debt securities  | -                    | -              | 2,004                         | (2,005)        |
| - Direct financing instruments for WMPs  | -                    | -              | 204                           | (204)          |
| - Rights to earnings on credit assets  | -                    | -              | 2,580                         | (2,582)        |
| - Unlisted equity investments  | -                    | -              | 10,213                        | (10,112)       |

## 40 Financial risk management (Continued)

### 40.2 Fair value of financial assets and liabilities (Continued)

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

| The Group  | As at 31 December 2020 |                |                               |                |
|--|------------------------|----------------|-------------------------------|----------------|
|  | Effect on net profit   |                | Effect on revaluation reserve |                |
|  | Favourable             | (Unfavourable) | Favourable                    | (Unfavourable) |
| Loans and advances to customers at fair value through other comprehensive income | -                      | -              | 224,399                       | (224,395)      |
| Financial assets at fair value through profit or loss                            |                        |                |                               |                |
| - Rights to earnings on credit assets  | 44,511                 | (44,442)       | -                             | -              |
| - Others   | 336                    | (336)          | -                             | -              |
| Financial investments at fair value through other comprehensive income           |                        |                |                               |                |
| - Debt securities  | -                      | -              | 3,569                         | (3,549)        |
| - Direct financing instruments for WMPs  | -                      | -              | 2,261                         | (2,261)        |
| - Rights to earnings on credit assets  | -                      | -              | 4,953                         | (4,942)        |
| - Unlisted equity investments  | -                      | -              | 10,104                        | (10,004)       |

## 40 Financial risk management (Continued)

### 40.2 Fair value of financial assets and liabilities (Continued)

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

The movement of Level 3 fair value measurements is as follows:

| The Group  | 1 January 2021    | Transfer into Level 3 | Purchases, sales and settlements | Total gains or losses |                       | 30 June 2021               |  | Unrealised gains or losses included in profit or loss for assets and liabilities held at the end of the period |
|--|-------------------|-----------------------|----------------------------------|-----------------------|-----------------------|----------------------------|--|--|
|  |                   |                       |                                  | Purchases             | Sales and settlements | Recorded in profit or loss | Recorded in other comprehensive income |  |
| <b>Assets</b>  |                   |                       |                                  |                       |                       |                            |  |  |
| Loans and advances to customers at fair value through other comprehensive income | 27,817,116        | -                     | 23,678,242                       | (24,751,761)          | -                     | (731)                      | 26,742,866                             | -  |
| Financial assets at fair value through profit or loss                            |                   |                       |                                  |                       |                       |                            |  |  |
| - Rights to earnings on credit assets  | 3,434,843         | -                     | 3,148,513                        | (125,548)             | 32,312                | -                          | 6,490,120                              | 32,312   |
| - Others   | 27,304            | -                     | -                                | -                     | (27,304)              | -                          | -                                      | -  |
| Sub-total  | 3,462,147         | -                     | 3,148,513                        | (125,548)             | 5,008                 | -                          | 6,490,120                              | 32,312   |
| Financial investments at fair value through other comprehensive income           |                   |                       |                                  |                       |                       |                            |  |  |
| - Debt securities  | 364,975           | -                     | -                                | -                     | -                     | (159,560)                  | 205,415                                | -  |
| - Direct financing instruments for WMPs  | 226,063           | -                     | -                                | (205,840)             | -                     | (404)                      | 19,819                                 | -  |
| - Rights to earnings on credit assets  | 446,175           | -                     | -                                | -                     | -                     | (177,562)                  | 268,613                                | -  |
| - Unlisted equity investments  | 566,705           | -                     | -                                | -                     | -                     | 13,681                     | 580,386                                | -  |
| Sub-total  | 1,603,918         | -                     | -                                | (205,840)             | -                     | (323,845)                  | 1,074,233                              | -  |
| <b>Total</b>   | <b>32,883,181</b> | <b>-</b>              | <b>26,826,755</b>                | <b>(25,083,149)</b>   | <b>5,008</b>          | <b>(324,576)</b>           | <b>34,307,219</b>                      | <b>32,312</b>  |

## 40 Financial risk management (Continued)

### 40.2 Fair value of financial assets and liabilities (Continued)

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

| The Group  | 1 January         | Acquisition of   | Transfer into  | Purchases, sales and |                       | Total gains or losses      |  | 31 December       | Unrealised gains or losses included in profit or loss for assets and liabilities held at the end of the year |
|--|-------------------|------------------|----------------|----------------------|-----------------------|----------------------------|--|-------------------|--|
|  | 2020              | a subsidiary     | Level 3        | Purchases            | Sales and settlements | Recorded in profit or loss | Recorded in other comprehensive income | 2020              |  |
| <b>Assets</b>  |                   |                  |                |                      |                       |                            |  |                   |  |
| Loans and advances to customers at fair value through other comprehensive income | 17,968,481        | 1,444,963        | -              | 24,310,566           | (17,968,480)          | -                          | 2,061,586                              | 27,817,116        | -  |
| Financial assets at fair value through profit or loss                            |                   |                  |                |                      |                       |                            |  |                   |  |
| - Rights to earnings on credit assets  | 3,130,299         | -                | -              | 6,032,018            | (3,130,299)           | (2,597,175)                | -                                      | 3,434,843         | (2,597,175)  |
| - Others   | 29,337            | -                | -              | -                    | -                     | (2,033)                    | -                                      | 27,304            | (2,450)  |
| Sub-total  | 3,159,636         | -                | -              | 6,032,018            | (3,130,299)           | (2,599,208)                | -                                      | 3,462,147         | (2,599,625)  |
| Financial investments at fair value through other comprehensive income           |                   |                  |                |                      |                       |                            |  |                   |  |
| - Debt securities  | 381,121           | -                | 112,803        | -                    | -                     | -                          | (128,949)                              | 364,975           | -  |
| - Direct financing instruments for WMPs  | 612,927           | -                | -              | 205,840              | (592,010)             | -                          | (694)                                  | 226,063           | -  |
| - Rights to earnings on credit assets  | 601,569           | -                | -              | 432,848              | (577,774)             | -                          | (10,468)                               | 446,175           | -  |
| - Unlisted equity investments  | 563,149           | -                | -              | -                    | -                     | -                          | 3,556                                  | 566,705           | -  |
| Sub-total  | 2,158,766         | -                | 112,803        | 638,688              | (1,169,784)           | -                          | (136,555)                              | 1,603,918         | -  |
| <b>Total</b>   | <b>23,286,883</b> | <b>1,444,963</b> | <b>112,803</b> | <b>30,981,272</b>    | <b>(22,268,563)</b>   | <b>(2,599,208)</b>         | <b>1,925,031</b>                       | <b>32,883,181</b> | <b>(2,599,625)</b>   |

## 40 Financial risk management *(Continued)*

### 40.3 Capital management

The Group's capital management objectives are as follows:

- maintain an adequate capital base to support the development of its business;
- support the Group's financial stability and profitable growth;
- allocate capital through an efficient and risk based approach to optimize risk-adjusted return to shareholders; and
- safeguard the long-term sustainability of the Group's franchise so that it can continue to provide sufficient owner returns and benefits for other stakeholders.

Capital adequacy ratio and the use of regulatory capital are monitored quarterly by the Bank's management with employing techniques based on the guidelines developed by the Basel Committee, as implemented by the CBIRC, for supervisory purposes. The required information is filed with the CBIRC on a quarterly basis.

The Bank calculated the capital adequacy ratio based on the Rules for Regulating the Capital Adequacy of Commercial Banks (Trial) issued by CBIRC in June 2012. According to the approach, the Bank calculated the credit risk-weighted assets measurement by the weighted method, market risk-weighted assets measurement by the standard method, and operation risk-weighted assets measurement by the basic indicator method.

As at the end of the reporting period, the capital adequacy ratios and related components of the Group illustrated below are computed based on the Group's statutory Financial Report prepared in accordance with PRC GAAP.

## 40 Financial risk management (Continued)

### 40.3 Capital management (Continued)

The capital adequacy ratio of 30 June 2021 and 31 December 2020 under the Rules for Regulating the Capital Adequacy of Commercial Banks (Trial) is as follows:

|                                    | As at<br>30 June<br>2021 | As at<br>31 December<br>2020 |
|------------------------------------|--------------------------|------------------------------|
| Core tier 1 capital                | 38,824,184               | 37,017,880                   |
| Core tier 1 capital deductions     | (550,197)                | (543,201)                    |
| Net core tier 1 capital            | 38,273,987               | 36,474,679                   |
| Other tier 1 capital               | 137,695                  | 116,300                      |
| Net tier 1 capital                 | 38,411,682               | 36,590,979                   |
| Tier 2 capital                     | 7,933,569                | 7,676,173                    |
| Net capital                        | 46,345,251               | 44,267,152                   |
| Total risk-weighted assets         | 331,959,890              | 316,197,405                  |
| Core tier 1 capital adequacy ratio | 11.53%                   | 11.54%                       |
| Tier 1 capital adequacy ratio      | 11.57%                   | 11.57%                       |
| Capital adequacy ratio             | 13.96%                   | 14.00%                       |

## 41 Events after the reporting period

### 41.1 Special dividend

Pursuant to the resolutions of the shareholders general meeting on 25 April 2019, the Bank declared a special cash dividend of RMB1.5 per ten shares to its shareholders before the completion of the global offering and the listing. Following that, pursuant to the resolutions of the Board of Directors on 6 September 2021, the Bank confirmed to declare the special cash dividend to its shareholders whose name appear on the Bank's register of members on 31 August 2021. The total amount of such dividend is approximately RMB861.1 million, which is paid after the entering into of the Price Determination Agreement and before the listing date.



东莞农村商业银行  
DRC Bank