



# 渤海银行股份有限公司 CHINA BOHAI BANK CO., LTD.

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

Stock Code : 9668

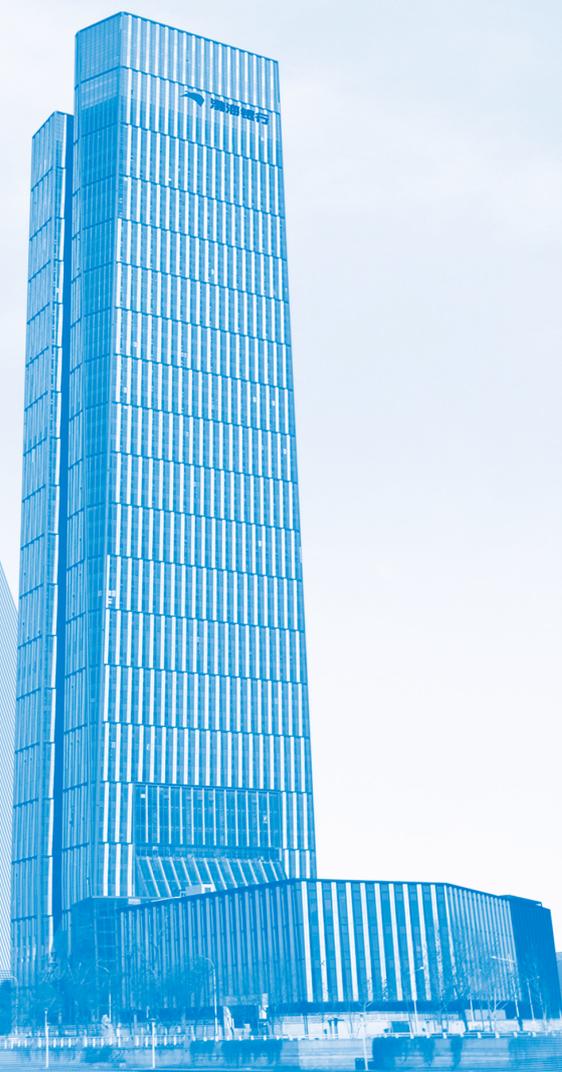
# 2020

INTERIM REPORT



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# Definitions

Articles of Association	the Articles of Association of CHINA BOHAI BANK CO., LTD.
Bank, our Bank, Company, our Company	CHINA BOHAI BANK CO., LTD. (渤海銀行股份有限公司)
CBIRC	China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會)
CBRC	the former China Banking Regulatory Commission (中國銀行業監督管理委員會)
Central Bank	the People's Bank of China
CSRC	China Securities Regulatory Commission (中國證券監督管理委員會)
Domestic Shares	ordinary shares issued by the Bank with a nominal value of RMB1.00 each, which are subscribed for or credited as paid up in Renminbi
Global Offering	the Hong Kong Public Offering and the International Offering, for details, please refer to the Prospectus
H Shares	the overseas listed foreign shares issued by the Bank with a nominal value of RMB1.00 each, which are subscribed for and traded in Hong Kong Dollars and listed and traded on the Hong Kong Stock Exchange
Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
IFRS	International Financial Reporting Standards and International Accounting Standards ("IAS"), the related standards, amendments and interpretations issued by the International Accounting Standards Board ("IASB")
Listing Date	July 16, 2020, the date on which dealings in the H Shares of the Bank commenced on the Hong Kong Stock Exchange
Listing Rules	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
Model Code	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules
Prospectus	the Prospectus of the Global Offering of the Bank
Reporting Period	the six months ended June 30, 2020
SASAC	the State-owned Assets Supervision and Administration Commission of the State Council (中華人民共和國國務院國有資產監督管理委員會)
SFC	the Securities and Futures Commission of Hong Kong
SFO	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

the Fourth “Five Year Plan”

the Plan for Development Strategy of CHINA BOHAI BANK CO., LTD.  
(2021-2025) (渤海銀行股份有限公司2021-2025年發展戰略規劃)

the Third “Five Year Plan”

the Plan for Development Strategy of CHINA BOHAI BANK CO., LTD.  
(2016-2020) (渤海銀行股份有限公司2016-2020年發展戰略規劃)

Tianjin SASAC

the State-owned Assets Supervision and Administration Commission of  
Tianjin People’s Government

## Important

The Board of Directors, the Board of Supervisors, Directors, Supervisors and members of senior management of the Bank undertake that the information contained in this report does not include any false records, misleading statements or material omissions, and assume several and joint liabilities for the truthfulness, accuracy and completeness of the content of this report.

The Bank considered and approved the Interim Report 2020 of the Bank at the 10th meeting of the fifth session of the Board of Directors held on August 28, 2020. 18 Directors should attend the meeting, among which 18 Directors actually attended, of which: ZHANG Bingjun, a non-executive Director, authorized CUI Xuesong, a non-executive Director, to exercise the voting right on his behalf, and MAO Zhenhua, an independent non-executive Director, authorized CHI Guotai, an independent non-executive Director, to exercise the voting right on his behalf. 6 Supervisors of the Bank attended the meeting as non-voting delegates.

LI Fuan, the legal representative and chairman of the Board of Directors of the Bank, QU Hongzhi, the president of the Bank, DU Gang, the person in charge of finance and accounting of the Bank, and WANG Fenglei, the head of the accounting institution, hereby warrant the truthfulness, accuracy and completeness of the financial statements in this report.

The Bank does not propose to distribute dividend or capitalize the capital reserve for the interim period in 2020.

The Bank's 2020 interim financial report is unaudited.

Forward-looking statements such as future plans contained in this report do not constitute substantive commitments made by the Bank to its investors. Investors are cautioned against the investment risks and should understand the difference among plans, forecasts and commitments.

This report describes in detail the major risks that the Bank faces in its operational management, as well as the corresponding measures taken by the Bank. For details, please refer to the section "Management Discussion and Analysis – Comprehensive Risk Management" in this report.

Unless otherwise stated, all financial data and indicators contained in this report are denominated in Renminbi (RMB). Certain amounts and percentage figures included in this report have been subject to rounding adjustments. Any discrepancy between the sum and total amounts in the tables is due to rounding.

This report is prepared in both Chinese and English. Should there be any discrepancy between the Chinese and English versions, the Chinese version shall prevail.

# Corporate Profile

- I. **Legal Chinese Name:** 渤海银行股份有限公司 (Abbreviation: “渤海銀行”)
- II. **Legal English Name:** CHINA BOHAI BANK CO., LTD. (Abbreviation: “CBHB”)
- III. **Legal Representative:** LI Fuan
- IV. **Authorized Representatives:** DU Gang and SO Shuk Yi Betty
- V. **Secretary to the Board of Directors:** ZHAO Zhihong  
**Joint Company Secretaries:** ZHAO Zhihong and SO Shuk Yi Betty
- VI. **Registered Address and Office Address:** 218 Haihe East Road, Hedong District, Tianjin, China  
**Postcode:** 300012  
**International Website:** <http://www.cbhb.com.cn>  
**Customer Service and Complaints Hotline:** (86) 95541, (86) 400 888 8811  
**E-mail:** IR@cbhb.com.cn  
**Tel:** (86) 22-5878 9668  
**Fax:** (86) 22-5831 6529
- VII. **Principal Place of Business in Hong Kong:** Suites 1201-1209 and 1215-1216, 12/F, Two International Finance Centre, Central, Hong Kong
- VIII. **Websites for Information Disclosure:** Website of the Hong Kong Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk)) and website of the Bank ([www.cbhb.com.cn](http://www.cbhb.com.cn))  
**Place where the interim report is kept:** Office of the Board of Directors of the Bank
- IX. **Listing Stock Exchange of H Shares:** Hong Kong Stock Exchange  
**Stock Short Name:** CBHB  
**Stock Code:** 9668
- X. **Share Registrar**  
Domestic Shares: China Securities Depository and Clearing Corporation Limited  
No. 17 Tai Ping Qiao Street, Xicheng District, Beijing  
H Shares: Computershare Hong Kong Investor Services Limited  
Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong
- XI. **Legal Advisors**  
As to PRC Laws: Commerce & Finance Law Offices  
6/F, NCI Tower, A12 Jianguomenwai Avenue, Beijing  
As to Hong Kong Laws: Paul Hastings  
21-22/F, Bank of China Tower, 1 Garden Road, Central, Hong Kong
- XII. **Auditors**  
Domestic Accounting Firm: KPMG Huazhen LLP  
8/F, Tower E2, Oriental Plaza, 1 East Chang’an Avenue, Dongcheng District, Beijing  
International Accounting Firm: KPMG  
8th Floor, Prince’s Building, 10 Chater Road, Central, Hong Kong
- XIII. **Compliance Advisor:** Haitong International Capital Limited  
22/F, Li Po Chun Chambers, 189 Des Voeux Road Central, Hong Kong
- XIV. **Other Relevant Information**  
Initial Registration Date: December 30, 2005  
Unified Social Credit Code: 911200007109339563  
Financial License Institution Serial Number: B0017H112000001

# Summary of Accounting Data and Business Data

## I. KEY ACCOUNTING DATA AND FINANCIAL INDICATORS

(Unit: RMB'000)

	January to June 2020 (Unaudited)	January to June 2019 (Unaudited)	Increase (decrease) for the period as compared to the same period of the previous year (%)
Operating results data:			
Operating income	16,045,199	13,454,705	19.25
Profit before tax	6,285,339	6,079,868	3.38
Net profit	5,046,711	4,922,793	2.52
Indicators per share (RMB):			
Basic earnings per share attributable to Shareholders of the Bank	0.35	0.34	2.94
Diluted earnings per share attributable to Shareholders of the Bank	0.35	0.34	2.94
Financial ratios <sup>(1)</sup> (%):			
Average return on total assets attributable to Shareholders of the Bank	0.85	0.93	a decrease of 0.08 percentage point
Weighted average return on net assets attributable to Shareholders of the Bank <sup>(2)</sup>	15.35	16.87	a decrease of 1.52 percentage points

	June 30, 2020 (Unaudited)	December 31, 2019 (Audited)	Increase (decrease) as at the end of the period as compared to the end of the previous year (%)
Scale indicators:			
Total assets	1,267,627,207	1,116,930,025	13.49
Gross loans and advances to customers <sup>(3)</sup>	818,159,922	708,057,530	15.55
Total liabilities	1,180,104,692	1,034,291,428	14.10
Gross deposits from customers <sup>(3)</sup>	757,655,272	637,934,899	18.77
Total equity	87,522,515	82,638,597	5.91
Net assets per share attributable to Shareholders of the Bank <sup>(4)</sup> (RMB)	4.68	4.34	7.83

Notes: (1) Interim financial ratios are all annualized;

(2) Weighted average return on net assets attributable to Shareholders of the Bank is calculated pursuant to the Compilation Rules for Information Disclosures by Companies that Offer Securities to the Public (No. 9): Calculation and Disclosure of Rate of Return on Equity and Earnings per Share (2010 Revision) (《公開發行證券的公司信息披露編報規則第9號-淨資產收益率和每股收益的計算及披露(2010年修訂)》) issued by the CSRC;

(3) Gross loans and advances to customers and gross deposits from customers exclude interests accrued;

(4) Net assets per share attributable to Shareholders of the Bank equals equity attributable to Shareholders of ordinary shares of the Bank after deducting other equity instruments at the end of the period divided by total share capital at the end of the period.

## II. SUPPLEMENTARY FINANCIAL INDICATORS

(Unit: %)

	January to June 2020	January to December 2019	January to June 2019	Increase (decrease) for the period as compared to the same period of the previous year
Profitability indicators <sup>(1)</sup> :				
Net interest spread <sup>(2)</sup>	2.23	2.03	1.92	an increase of 0.31 percentage point
Net interest margin <sup>(2)</sup>	2.41	2.21	2.06	an increase of 0.35 percentage point
Cost-to-income ratio <sup>(2)</sup>	25.78	29.50	29.83	a decrease of 4.05 percentage points

	June 30, 2020	December 31, 2019	December 31, 2018	Increase (decrease) as at the end of the period as compared to the end of the previous year
Asset quality indicators:				
NPL ratio <sup>(3)</sup>	1.78	1.78	1.84	–
Allowance coverage ratio <sup>(3)</sup>	187.98	187.73	186.96	an increase of 0.25 percentage point
Allowance to gross loan ratio <sup>(3)</sup>	3.35	3.34	3.44	an increase of 0.01 percentage point
Capital adequacy indicators <sup>(4)</sup> :				
Capital adequacy ratio	11.43	13.07	11.77	a decrease of 1.64 percentage points
Tier-one capital adequacy ratio	10.18	10.63	8.61	a decrease of 0.45 percentage point
Core tier-one capital adequacy ratio	7.85	8.06	8.61	a decrease of 0.21 percentage point

Notes: (1) Interim profitability indicators are all annualized;

(2) Net interest spread is calculated as the difference between the average yield on total interest-earning assets and the average cost of total interest-bearing liabilities; net interest margin is calculated by dividing net interest income by the average balance of total interest-earning assets; cost-to-income ratio is calculated by dividing total operating expenses (excluding tax and surcharges) by total operating income;

(3) NPL ratio equals the balance of non-performing loans divided by gross loans and advances to customers (excluding accrued interest); allowance coverage ratio equals the sum of allowance for impairment losses on the loans measured at amortised cost and allowance for impairment losses on the loans measured at fair value through other comprehensive income divided by the NPL balances; Allowance to gross loan ratio equals the sum of allowance for impairment losses on the loans measured at amortised cost and allowance for impairment losses on the loans measured at fair value through other comprehensive income divided by gross loans and advances to customers (excluding accrued interest);

(4) We calculate the capital adequacy ratios for each tier according to the Capital Administrative Measures for Commercial Banks (Provisional) (《商業銀行資本管理辦法(試行)》), China Accounting Standards for Business Enterprises (中國企業會計準則) and other relevant regulations.

# Management Discussion and Analysis

## I. ECONOMIC, FINANCIAL AND REGULATORY ENVIRONMENT OF THE FIRST HALF OF 2020

In the first half of 2020, faced with the severe challenges of the COVID-19 outbreak and complicated internal and external situations, the country holistically advanced the prevention and control of the outbreak as well as the economic and social development under the strong leadership of the CPC Central Committee. Thanks to a string of policies, China's economy has first undergone down and then up and gradually recovered. Particularly since the second quarter, with remarkable results achieved in the prevention and control of the outbreak, the accelerated resumption of work and production of enterprises, the production and living orders have been recovering, and various economic indicators have been gradually improved.

According to data released by National Bureau of Statistics, China's GDP experienced a year-on-year growth of 3.2% in the second quarter, while it experienced a 6.8% decline in the first quarter. All industries showed a rebound trend, and some even achieved positive growth. In the second quarter, as the initiatives to holistically advance the prevention and control of the outbreak as well as the economic and social development yielded results, except for that some service industries materially affected by the outbreak are gradually recovering, the added value of others has realized positive growth, and all the three key demands (i.e. investment, consumption and export demands) have shown significantly greater boost to GDP as compared to the first quarter. Firstly, policies for investment stabilization continued to exert force, markedly diminishing the decline in investment and boosting the economic growth. Secondly, people's life has been recovered in an orderly manner, and policies for consumption promotion have been introduced in succession in various regions, steadily lifting the consumption market. Thirdly, the implementation of policies for foreign trade stabilization has been accelerated, gradually yielding effects. Fourthly, the "Three New" economy represented by new industries, new formats and new business models has blossomed, with new growth drivers continuously promoted, boosting positive growth of the economy.

In terms of financial operations, in the first half of 2020, China's social financing scale increment totaled RMB20.83 trillion, representing an increase of RMB6.22 trillion as compared to the same period of the previous year. Among them, RMB-denominated loans granted to the real economy increased by RMB12.33 trillion, representing a year-on-year growth of RMB2.31 trillion in the increment. As at the end of June, the stock of social financing scale increased by 12.8% year on year, representing a growth of 1.6 percentage points as compared to the same period of last year; M2 increased by 11.1% year on year, representing a growth of 2.6 percentage points as compared to the same period of the previous year; and the balance of RMB-denominated loans increased by 13.2% year on year. The data shows that, in the first half of the year, the growth rates of the aggregates of both the broad money and the social financing scale were significantly higher than that of last year, the financial support to the real economy was at a relatively high level and has been continuing to increase.

Under the guidance of policies and supervision, in the first half of the year, the financial system has firmly followed the overall keynote of "seeking progress while maintaining stability", and financial operations remained steady and robust. Financial institutions took measures such as granting loans with preferential interest rates, adjusting the policies regarding repayment of principal and interest, and reducing fees to support the operation of the real economy and bail enterprises out, and yielded remarkable results. In the first half of the year, financial regulatory authorities continued to prevent and eliminate financial risks, rectify financial chaos, and promote the market development towards a more standardized direction.

## II. DEVELOPMENT STRATEGIES

The Bank's strategic mission is to become a modern wealth and treasury manager offering the best customer experience (客戶最佳體驗的現代財資管家). The Bank is devoted to offering customers comprehensive financial services in a caring way, creating sustainable and stable value for shareholders and establishing an optimum development platform for employees.

Through continuous developing and improving fields including accurate marketing, precise management, lean cooperation, talents cultivation, and culture sincerity building, the Bank intends to achieve high quality realization of our strategic vision by strengthening its customer oriented financial services capabilities that can "work through (穿行)" different ecosystems, "penetrate through (穿透)" centralized management and "pass through (穿越)" relevant financial markets.

The Bank fortifies its strategy execution from six perspectives, namely customers, products, channels, risk control, internationalization, corporate organization structure and cultures. The Bank is determined to transform into a retail bank and transaction bank, and promote high quality development of the Bank: continuously improves customer experience and improves the brand recognition of "wealth and treasury manager (財資管家)" with craftsmanship spirit; keeps expanding product portfolio and continuously improves comprehensive and stewardship-style financial service capability; continuously enhances multi-channel product offering and introduces banking services through its open ecosystems; adheres to a risk management system featuring "integration, vertical, independence, balance and integration (集中、垂直、獨立、制衡、融入)" and further improves risk management capability; continues to develop its international business and steadily promotes cross-border financial services ecosystems; continues to optimize its lean management model, corporate culture and talents recruitment so that it can offer the best customer experience through a high-quality and efficient management and operation system.

## III. SCOPE OF PRINCIPAL BUSINESSES

The principal activities of the Bank include: absorbing public deposits; offering short-term, medium-term and long-term loans; arranging settlement of domestic and international accounts; handling acceptance and discount of bill; issuing financial bonds; acting as agent to issue, settle and underwrite government bonds and proprietary trading bonds issued by financial institutions and government; inter-bank borrowing and lending; trading of foreign currencies on behalf of its customers; selling and purchasing foreign exchange, bank card business; letters of credit and financial guarantees; acting as agent on inward and outward payments; acting as an insurance agent, safe-deposit facilities, derivative trading, securities investment custody, insurance fund custody, selling securities investment fund and other business approved by the banking regulatory institutions of the State Council. (Projects that are subject to approval in accordance with laws shall only be carried out upon approval by relevant authorities)

## IV. GENERAL OPERATING CONDITIONS

During the Reporting Period, on the basis of strengthening the prevention and control of the pandemic, the Bank has earnestly implemented the economic and financial policies of the central government, and fully supported the works in relation to the "Stable Performance in Six Key Areas (namely, employment, finance, foreign trade, foreign investment, domestic investment, and market expectations) (六穩)" and "Security in Six Key Aspects (namely, job, basic living needs, operations of market entities, food and energy security, stable industrial and supply chains, and the normal functioning of primary-level governments) (六保)". With serving the real economy, preventing financial risks and deepening the financial reform as the main line, the Bank strived to ensure the operations, enhance the services, accelerate the business innovation and strengthen the structural adjustment. As a result, the general operations recorded good performance.

### **Business structure continued to optimize with the ability of serving the real economy continued to improve**

As of the end of the Reporting Period, the total assets of the Bank reached RMB1,267,627 million, representing an increase of 13.49% as compared to the beginning of the year. In particular, the gross loans reached RMB818,160 million, representing an increase of 15.55% as compared to the beginning of the year, which is higher than the average growth of total assets. As of the end of the Reporting Period, the total liabilities of the Bank reached RMB1,180,105 million, representing an increase of 14.10% as compared to the beginning of the year, of which gross deposits from customers was RMB757,655 million, representing an increase of 18.77% as compared to the beginning of the year.

### Actively implemented national macro-policies, continued to develop the business of inclusive loans to small and micro enterprises, and fully promoted the transformation and development

During the Reporting Period, the Bank has fully supported the grant of inclusive loans to small and micro enterprises, accurately following the direction of finance serving the real economy. At the end of June 2020, the balance of inclusive finance loans was RMB24,668 million, representing an increase of 68.78% as compared to the beginning of the year, which was 53 percentage points higher than the average growth of general loans. As a result, we have practically and effectively met the financing needs of the real economy, and supported the resumption of work and production of small and micro enterprises.

### Asset quality indicators remained stable

As of the end of the Reporting Period, the non-performing loans of the Bank amounted to RMB14,562 million, representing an increase of RMB1,971 million as compared to the beginning of the year with the NPL ratio of 1.78%, which remained stable as compared to the beginning of the year. The provision for loan losses was sufficient. In particular, the provision for loan impairment of the Bank was RMB27,375 million, representing an increase of RMB3,736 million as compared to the beginning of the year. The allowance to gross loan ratio was 3.35%, and the allowance coverage ratio was 187.98%, with asset quality and provision remaining at satisfactory level.

### Adapted to the national policy of “benefit the real economy (讓利實體)”, continued to reduce financing costs for real economy

During the Reporting Period, the Bank’s operating income cumulatively achieved RMB16,045 million, representing a year-on-year increase of 19.25%; The net profit cumulatively achieved RMB5,047 million, representing a year-on-year increase of 2.52%. During the first half of 2020, the Bank continued to reduce the financing cost of the real economy, and implemented policies accurately for delayed repayment of principal and interest, with an aim to relieve the pressure of enterprises for fund turnover; during the six months ended June 30, 2020, the average yield on wholesale loans decreased by 6 BPs from 5.52% for the same period of the previous year to 5.46%.

## V. ANALYSIS OF FINANCIAL STATEMENTS

### (I) Key Items in the Statement of Profit or Loss and Other Comprehensive Income

#### 1. Changes in items in the statement of profit or loss and other comprehensive income

During the Reporting Period, the Bank realized a net profit of RMB5,047 million, representing a year-on-year increase of 2.52%.

The following table sets forth the changes in key items in the statement of profit or loss and other comprehensive income for the periods indicated:

(Unit: RMB'000)

	January to June 2020 (Unaudited)	January to June 2019 (Unaudited)	Increase (decrease)	Increase (decrease) (%)
Net interest income	13,949,224	10,375,011	3,574,213	34.45
Net non-interest income	2,095,975	3,079,694	(983,719)	(31.94)
Operating income	16,045,199	13,454,705	2,590,494	19.25
Operating expenses	(4,417,196)	(4,241,254)	(175,942)	4.15
Impairment losses on assets	(5,342,664)	(3,112,001)	(2,230,663)	71.68
Share of losses of associate	–	(21,582)	21,582	(100.00)
Profit before taxation	6,285,339	6,079,868	205,471	3.38
Income tax expense	(1,238,628)	(1,157,075)	(81,553)	7.05
Net profit	5,046,711	4,922,793	123,918	2.52

## 2. Net interest income

During the Reporting Period, the net interest income of the Bank amounted to RMB13,949 million, representing a year-on-year increase of 34.45%.

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

During the Reporting Period, the net interest spread of the Bank was 2.23%, representing a year-on-year increase of 0.31 percentage point; and the net interest margin was 2.41%, representing a year-on-year increase of 0.35 percentage point.

The following table sets forth the interest-earning assets and interest-bearing liabilities of the Bank for the periods indicated:

(Unit: RMB'000)

	January to June 2020			January to June 2019		
	Average balance	Interest income (Unaudited)	Average yield (%)	Average balance	Interest income (Unaudited)	Average yield (%)
<b>Assets:</b>						
Loans and advances to customers	768,044,965	22,454,761	5.88	601,435,024	16,979,102	5.69
Financial investments	267,787,571	5,791,865	4.35	272,136,794	6,170,316	4.57
Deposits with the central bank	74,617,658	523,206	1.41	80,708,529	583,196	1.46
Deposits with banks and other financial institutions	25,012,475	122,915	0.99	34,719,598	468,130	2.72
Placements with banks and other financial institutions	12,294,122	172,445	2.82	7,943,145	143,096	3.63
Financial assets held under resale agreements	14,912,331	107,554	1.45	16,976,940	176,293	2.09
<b>Total interest-earning assets</b>	<b>1,162,669,122</b>	<b>29,172,746</b>	<b>5.05</b>	<b>1,013,920,030</b>	<b>24,520,133</b>	<b>4.88</b>
	Average balance	Interest expense (Unaudited)	Average cost (%)	Average balance	Interest expense (Unaudited)	Average cost (%)
<b>Liabilities:</b>						
Deposits from customers	695,553,221	9,357,563	2.71	627,885,169	8,285,176	2.66
Deposits from banks and other financial institutions	84,183,177	1,112,701	2.66	74,104,856	1,156,017	3.15
Placements from banks and other financial institutions	25,246,348	312,517	2.49	18,104,562	284,815	3.17
Financial assets sold under repurchase agreements	20,682,921	187,733	1.83	21,350,692	276,963	2.62
Debt securities issued	207,401,093	3,366,466	3.26	200,295,616	3,783,055	3.81
Borrowing from the central bank	54,447,253	886,542	3.27	21,878,453	359,096	3.31
<b>Total interest-bearing liabilities</b>	<b>1,087,514,013</b>	<b>15,223,522</b>	<b>2.82</b>	<b>963,619,348</b>	<b>14,145,122</b>	<b>2.96</b>
Net interest income		13,949,224			10,375,011	
Net interest spread			2.23			1.92
Net interest margin			2.41			2.06

### (2) Interest income

During the Reporting Period, the interest income of the Bank amounted to RMB29,173 million, representing a year-on-year increase of 18.97%, among which the interest income arising from loans and advances to customers amounted to RMB22,455 million, representing a year-on-year increase of 32.25%; the interest income arising from deposits with the central bank, deposits with banks and other financial institutions and placements with banks and other financial institutions totaled RMB818 million, representing a year-on-year decrease of 31.47%; the interest income arising from financial assets held under resale agreements amounted to RMB108 million, representing a year-on-year decrease of 38.99%; and the interest income arising from financial investments amounted to RMB5,792 million, representing a year-on-year decrease of 6.13%.

*Interest income arising from loans and advances to customers*

During the Reporting Period, the Bank's interest income arising from loans and advances to customers amounted to RMB22,455 million, representing a year-on-year increase of 32.25%, primarily due to an increase in the average balance of loans (including discounts) and interest rate as compared to the same period of the previous year.

The following table sets forth the average balance, interest income and average yield for components of loans and advances to customers of the Bank for the periods indicated:

(Unit: RMB'000)

	January to June 2020			January to June 2019		
	Average balance	Interest income (Unaudited)	Average yield (%)	Average balance	Interest income (Unaudited)	Average yield (%)
Corporate loans and advances	499,992,529	13,582,539	5.46	406,452,239	11,122,421	5.52
Personal loans	247,693,515	8,518,824	6.92	184,481,279	5,654,572	6.18
Discounted bills	20,358,921	353,398	3.49	10,501,506	202,109	3.88
<b>Gross loans and advances to customers</b>	<b>768,044,965</b>	<b>22,454,761</b>	<b>5.88</b>	<b>601,435,024</b>	<b>16,979,102</b>	<b>5.69</b>

*Interest income arising from deposits with the central bank, deposits with banks and other financial institutions and placements with banks and other financial institutions and interest income arising from financial assets held under resale agreements*

During the Reporting Period, the Bank's interest income arising from deposits with the central bank, deposits with banks and other financial institutions and placements with banks and other financial institutions totaled RMB818 million, representing a year-on-year decrease of 31.47%; and the interest income arising from financial assets held under resale agreements amounted to RMB108 million, representing a year-on-year decrease of 38.99%.

*Interest income arising from financial investments*

During the Reporting Period, the Bank's interest income arising from financial investments amounted to RMB5,792 million, representing a year-on-year decrease of 6.13%.

(3) **Interest expense**

During the Reporting Period, the Bank's interest expense amounted to RMB15,224 million, representing a year-on-year increase of 7.62%.

*Interest expense on deposits from customers*

During the Reporting Period, the Bank's interest expense on deposits from customers amounted to RMB9,358 million, representing a year-on-year increase of 12.94%.

The following table sets forth the average balance, interest expense and average cost on corporate deposits, personal deposits and other deposits of the Bank for the periods indicated:

(Unit: RMB'000)

	January to June 2020			January to June 2019		
	Average balance	Interest expense (Unaudited)	Average cost (%)	Average balance	Interest expense (Unaudited)	Average cost (%)
Corporate deposits	414,013,256	5,208,002	2.53	416,101,493	5,008,580	2.43
Of which: Demand deposits	161,883,881	565,918	0.70	182,036,198	648,465	0.72
Time deposits	252,129,375	4,642,084	3.70	234,065,295	4,360,115	3.76
Personal deposits	71,173,365	966,364	2.73	42,179,026	428,300	2.05
Of which: Demand deposits	23,620,801	41,746	0.36	21,438,465	37,783	0.36
Time deposits	47,552,564	924,618	3.91	20,740,561	390,517	3.80
Pledged deposits and others	210,366,600	3,183,197	3.04	169,604,650	2,848,296	3.39
<b>Gross deposits from customers</b>	<b>695,553,221</b>	<b>9,357,563</b>	<b>2.71</b>	<b>627,885,169</b>	<b>8,285,176</b>	<b>2.66</b>

*Interest expense on borrowing from the central bank, deposits from banks and other financial institutions and placements from banks and other financial institutions and interest expense on financial assets sold under repurchase agreements*

During the Reporting Period, the Bank's interest expense on borrowing from the central bank, deposits from banks and other financial institutions and placements from banks and other financial institutions totaled RMB2,312 million, representing a year-on-year increase of 28.44%; interest expense on financial assets sold under repurchase agreements amounted to RMB188 million, representing a year-on-year decrease of 32.22%.

*Interest expense on debts securities issued*

During the Reporting Period, the Bank's interest expense on debts securities issued amounted to RMB3,366 million, representing a year-on-year decrease of 11.01%.

(4) Impact of changes in volume and interest rate on interest income and interest expense

The following table sets forth the allocation of changes in the interest income and interest expense of the Bank due to changes in volume and changes in rate for the periods indicated:

(Unit: RMB'000)

	January to June 2020 vs. January to June 2019 due to changes in volume	January to June 2020 vs. January to June 2019 due to changes in rate	Net increase (decrease) (%)
Loans and advances to customers	4,908,992	566,667	32.25
Financial investments	(81,561)	(296,890)	(6.13)
Deposits with the central bank	(39,979)	(20,011)	(10.29)
Deposits with banks and other financial institutions	(47,359)	(297,856)	(73.74)
Placements with banks and other financial institutions	61,254	(31,905)	20.51
Financial assets held under resale agreements	(14,859)	(53,880)	(38.99)
<b>Changes in interest income</b>	<b>4,786,488</b>	<b>(133,875)</b>	<b>18.97</b>
Deposits from customers	916,706	155,681	12.94
Deposits from banks and other financial institutions	136,749	(180,065)	(3.75)
Placements from banks and other financial institutions	88,752	(61,050)	9.73
Financial assets sold under repurchase agreements	(5,588)	(83,642)	(32.22)
Debt securities issued	129,697	(546,286)	(11.01)
Borrowing from the central bank	531,786	(4,340)	146.88
<b>Changes in interest expense</b>	<b>1,798,102</b>	<b>(719,702)</b>	<b>7.62</b>
<b>Changes in net interest income</b>	<b>2,988,386</b>	<b>585,827</b>	<b>34.45</b>

Note: Changes in interest income and expense caused by both changes in volume and changes in rate have been allocated to the amount of impact of changes in volume on changes in interest income and expense.

3. Net non-interest income

During the Reporting Period, the net non-interest income of the Bank amounted to RMB2,096 million, representing a year-on-year decrease of RMB984 million or 31.94%, among which the net fee and commission income amounted to RMB1,508 million, representing a year-on-year decrease of RMB1,004 million, and other net non-interest income amounted to RMB588 million, representing a year-on-year increase of RMB20 million.

(1) Net fee and commission income

During the Reporting Period, the net fee and commission income of the Bank amounted to RMB1,508 million, representing a year-on-year decrease of 39.97%, primarily because: firstly, the agency service and consulting service fee income decreased significantly; secondly, with the better development of retail consumer finance loans, the information service fee expenditure largely increased.

The following table sets forth the principal components of the Bank's net fee and commission income for the periods indicated:

(Unit: RMB'000)

	January to June 2020 (Unaudited)	January to June 2019 (Unaudited)	Increase (decrease) (%)
<b>Fee and commission income</b>	<b>2,500,763</b>	<b>2,968,102</b>	<b>(15.75)</b>
Of which: Agency service fees	1,175,843	1,381,805	(14.91)
Custodian service fees	420,017	566,794	(25.90)
Settlement and clearing fees	310,206	207,806	49.28
Consulting service fees	222,832	402,386	(44.62)
Credit commitments and asset management fees	219,387	138,644	58.24
Bank card fees	111,603	63,773	75.00
Others	40,875	206,894	(80.24)
<b>Fee and commission expense</b>	<b>992,342</b>	<b>455,432</b>	<b>117.89</b>
Of which: Information service fees	895,575	324,325	176.14
Consulting service fees	35,395	9,216	284.06
Agency service fees	31,799	51,310	(38.03)
Settlement and clearing fees	15,144	14,035	7.90
Bank card fees	7,104	49,389	(85.62)
Others	7,325	7,157	2.35
<b>Net fee and commission income</b>	<b>1,508,421</b>	<b>2,512,670</b>	<b>(39.97)</b>

(2) Other net non-interest income

During the Reporting Period, other net non-interest income of the Bank amounted to RMB588 million, representing a year-on-year increase of 3.62%.

(Unit: RMB'000)

	January to June 2020 (Unaudited)	January to June 2019 (Unaudited)	Increase (decrease) (%)
Net trading (losses)/gains	(9,655)	82,807	(111.66)
Net gains arising from investment securities	578,423	460,929	25.49
Other operating income	18,786	23,288	(19.33)
<b>Total</b>	<b>587,554</b>	<b>567,024</b>	<b>3.62</b>

#### 4. *Operating expenses*

During the Reporting Period, the operating expenses of the Bank amounted to RMB4,417 million, representing a year-on-year increase of 4.15%.

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

(Unit: RMB'000)

	January to June 2020 (Unaudited)	January to June 2019 (Unaudited)	Increase (decrease) (%)
Staff costs	2,793,394	2,675,505	4.41
Depreciation and amortisation	714,522	684,733	4.35
Taxes and surcharges	214,146	165,523	29.38
Interest expense on lease liabilities	78,506	84,682	(7.29)
Other general and administrative expenses	616,628	630,811	(2.25)
<b>Total</b>	<b>4,417,196</b>	<b>4,241,254</b>	<b>4.15</b>

#### 5. *Impairment losses on assets*

The Bank strictly followed the regulatory requirements to provide impairment losses on assets based on the principle of prudence. During the Reporting Period, the impairment losses on assets provided by the Bank amounted to RMB5,343 million, representing an increase of 71.68% as compared to the same period of the previous year, among which the provision for impairment losses on loans and advances to customers amounted to RMB4,816 million, the provision for impairment losses on financial investments amounted to RMB545 million, and other impairment losses reversed amounted to RMB18 million.

#### 6. *Income tax expense*

During the Reporting Period, the income tax expense of the Bank amounted to RMB1,239 million and the effective tax rate was 19.71%. The income tax expense increased was primarily due to an increase in the profit before tax of the Bank during the Reporting Period.

## (II) Balance Sheet Items

### 1. Items of assets

As of the end of the Reporting Period, the total assets of the Bank amounted to RMB1,267,627 million, representing an increase of 13.49% as compared to the beginning of the year, which was mainly due to an increase in asset scale led by the rapid development of loans and advances to customers.

The following table sets forth the composition of total assets of the Bank as of the dates indicated:

(Unit: RMB'000)

	June 30, 2020		December 31, 2019	
	Amount (Unaudited)	Proportion (%)	Amount (Audited)	Proportion (%)
Cash and deposits with the central bank	83,648,238	6.60	93,013,699	8.33
Deposits with banks and other financial institutions	27,951,462	2.21	14,051,627	1.26
Placements with banks and other financial institutions	4,092,620	0.32	4,410,809	0.39
Derivative financial assets	218,373	0.02	158,709	0.01
Financial assets held under resale agreements	9,987,631	0.79	1,850,258	0.17
Loans and advances to customers	794,524,803	62.68	687,279,098	61.53
Financial investments:				
Financial investments measured at fair value through profit or loss	63,060,628	4.97	36,238,313	3.24
Financial investments measured at fair value through other comprehensive income	66,829,086	5.27	64,967,327	5.82
Financial investments measured at amortised cost	199,932,483	15.77	199,101,251	17.83
Property and equipment	3,710,266	0.29	3,804,211	0.34
Deferred tax assets	7,129,866	0.56	6,365,091	0.57
Other assets	6,541,751	0.52	5,689,632	0.51
<b>Total assets</b>	<b>1,267,627,207</b>	<b>100.00</b>	<b>1,116,930,025</b>	<b>100.00</b>

(1) Loans and advances to customers

As of the end of the Reporting Period, the Bank's gross loans and advances to customers (including discounts) amounted to RMB818,160 million, representing an increase of 15.55% as compared to the beginning of the year.

The following table sets forth the distribution of loans and advances to customers of the Bank by product type as of the dates indicated:

(Unit: RMB'000)

	June 30, 2020		December 31, 2019		Increase (decrease) (%)
	Amount (Unaudited)	Proportion (%)	Amount (Audited)	Proportion (%)	
Corporate loans and advances	520,692,061	63.64	465,224,102	65.70	11.92
Discounted bills	31,897,603	3.90	9,413,518	1.33	238.85
Personal loans	265,570,258	32.46	233,419,910	32.97	13.77
<b>Gross loans and advances to customers</b>	<b>818,159,922</b>	<b>100.00</b>	<b>708,057,530</b>	<b>100.00</b>	<b>15.55</b>

(2) Financial investments

As of the end of the Reporting Period, the financial investments of the Bank amounted to RMB329,822 million, representing an increase of 9.83% as compared to the beginning of the year.

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

(Unit: RMB'000)

	June 30, 2020		December 31, 2019	
	Amount (Unaudited)	Proportion (%)	Amount (Audited)	Proportion (%)
Financial investments measured at fair value through profit or loss	63,060,628	19.12	36,238,313	12.07
Financial investments measured at fair value through other comprehensive income	66,829,086	20.26	64,967,327	21.63
Financial investments measured at amortised cost	199,932,483	60.62	199,101,251	66.30
<b>Total</b>	<b>329,822,197</b>	<b>100.00</b>	<b>300,306,891</b>	<b>100.00</b>

### (3) Financial derivatives transactions

The Bank's financial derivatives transactions mainly consists of interest rate swaps, foreign exchange swaps and foreign exchange forwards. The Bank flexibly uses various financial derivative instruments to hedge exchange rate and interest rate risks, and actively uses financial derivative instruments to hedge transaction risk exposure and manage the portfolio of liability position in order to cooperate with the Bank's liquidity management.

As of the end of the Reporting Period, the contractual amounts and fair value of the main types of unexpired derivative financial instruments held by the Bank are set out as follows:

(Unit: RMB'000)

	June 30, 2020 (Unaudited)			December 31, 2019 (Audited)		
	Contractual/ notional amount	Fair value		Contractual/ notional amount	Fair value	
		Assets	Liabilities		Assets	Liabilities
Exchange rate derivative financial instruments	16,339,443	66,008	(61,063)	16,354,888	58,805	(84,773)
Of which: Exchange rate swaps	15,711,331	50,982	(48,917)	15,694,803	47,843	(75,839)
Exchange rate forwards	628,112	15,026	(12,146)	660,085	10,962	(8,934)
Interest rate derivative financial instruments	221,569,986	121,370	(110,229)	149,834,098	79,267	(68,938)
Of which: Interest rate swaps	221,369,986	121,062	(110,229)	149,834,098	79,267	(68,938)
Interest rate swaps hedging instruments	200,000	308	-	-	-	-
Option	1,867,344	30,995	(28,403)	1,837,080	20,637	(18,047)
<b>Total</b>	<b>239,776,773</b>	<b>218,373</b>	<b>(199,695)</b>	<b>168,026,066</b>	<b>158,709</b>	<b>(171,758)</b>

## 2. Items of liabilities

As of the end of the Reporting Period, the total liabilities of the Bank amounted to RMB1,180,105 million, representing an increase of 14.10% as compared to the beginning of the year, which was mainly due to an increase in total liabilities led by the increase of deposits from customers.

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

(Unit: RMB'000)

	June 30, 2020		December 31, 2019	
	Amount (Unaudited)	Proportion (%)	Amount (Audited)	Proportion (%)
Borrowing from the central bank	59,431,578	5.04	46,905,557	4.54
Deposits from banks and other financial institutions	90,336,820	7.65	78,547,430	7.59
Placements from banks and other financial institutions	26,351,184	2.23	21,500,177	2.08
Derivative financial liabilities	199,695	0.02	171,758	0.02
Financial assets sold under repurchase agreements	22,491,578	1.91	23,069,093	2.23
Deposits from customers	768,363,212	65.11	647,764,551	62.63
Income tax payable	1,012,944	0.09	1,887,990	0.18
Debt securities issued	200,225,160	16.97	196,603,843	19.01
Other liabilities	11,692,521	0.98	17,841,029	1.72
<b>Total liabilities</b>	<b>1,180,104,692</b>	<b>100.00</b>	<b>1,034,291,428</b>	<b>100.00</b>

### *Deposits from customers*

As of the end of the Reporting Period, the deposits from customers of the Bank amounted to RMB768,363 million, representing an increase of 18.62% as compared to the beginning of the year.

The following table sets forth the distribution of deposits from customers of the Bank by product type and customer type as of the dates indicated:

(Unit: RMB'000)

	June 30, 2020		December 31, 2019	
	Amount (Unaudited)	Proportion (%)	Amount (Audited)	Proportion (%)
Corporate deposits	430,865,962	56.08	414,949,501	64.06
Of which: Demand deposits	170,203,332	22.15	170,847,236	26.37
Time deposits	260,662,630	33.93	244,102,265	37.69
Personal deposits	85,261,192	11.10	52,146,661	8.05
Of which: Demand deposits	24,605,013	3.20	18,912,350	2.92
Time deposits	60,656,179	7.90	33,234,311	5.13
Pledged deposits and others	241,528,118	31.43	170,838,737	26.37
Interests accrued	10,707,940	1.39	9,829,652	1.52
<b>Total</b>	<b>768,363,212</b>	<b>100.00</b>	<b>647,764,551</b>	<b>100.00</b>

### **3. Total equity**

As of the end of the Reporting Period, the total equity of the Bank amounted to RMB87,523 million, representing an increase of RMB4,884 million or 5.91% as compared to the end of the previous year, primarily due to an increase of net profit during the Reporting Period.

### **4. Pledge of assets**

Details for the pledge of assets of the Bank as of June 30, 2020 are set out in note 43(f) to the interim financial statements of this report.

### **5. Overdue and outstanding debts**

The Bank had no overdue and outstanding debts as of the end of the Reporting Period.

## VI. ANALYSIS OF CAPITAL ADEQUACY RATIOS

As of the end of the Reporting Period, the Bank calculated the capital adequacy ratios at all levels in accordance with the Capital Administrative Measures for Commercial Banks (Provisional) (《商業銀行資本管理辦法(試行)》) and other relevant regulatory requirements, among which, the core tier-one capital adequacy ratio was 7.85%, the tier-one capital adequacy ratio was 10.18% and the capital adequacy ratio was 11.43%, all of which were in compliance with the regulatory requirements.

In calculating its capital adequacy ratios, the Bank considers itself and the financial institutions it invests directly or indirectly in compliance with the requirements of the Capital Administrative Measures for Commercial Banks (Provisional) (《商業銀行資本管理辦法(試行)》). The items related to capital adequacy ratios at all levels calculated by the Bank in accordance with the Capital Administrative Measures for Commercial Banks (Provisional) (《商業銀行資本管理辦法(試行)》) and the relevant requirements are as follows:

(Unit: RMB'000)

	June 30, 2020	December 31, 2019
Core tier-one capital	67,783,762	62,819,774
Core tier-one capital regulatory deductions	(468,420)	(232,140)
Net core tier-one capital	67,315,342	62,587,634
Other tier-one capital	19,961,604	19,961,604
Net tier-one capital	87,276,946	82,549,238
Tier-two capital	10,781,350	18,914,482
Of which: Qualifying portion of tier-two capital instruments enjoying favorable policies during the transitional period	817,124	946,747
Tier-two capital regulatory deductions	—	—
Net capital	98,058,296	101,463,720
Capital adequacy ratio (%)	11.43	13.07
Tier-one capital adequacy ratio (%)	10.18	10.63
Core tier-one capital adequacy ratio (%)	7.85	8.06

The following table sets forth the risk weighted assets calculated by the Bank in accordance with the Capital Administrative Measures for Commercial Banks (Provisional) (《商業銀行資本管理辦法(試行)》), among which, credit risk weighted assets are calculated using the method of weighing, market risk-weighted assets are calculated using the standardized approach, and operational risk-weighted assets are calculated using basic indicator approach.

(Unit: RMB'000)

	June 30, 2020	December 31, 2019
Credit risk weighted assets	807,102,311	727,158,613
Of which: On-balance-sheet credit risk	750,188,783	664,964,981
Off-balance-sheet credit risk	56,508,694	61,677,273
Counterparty credit risk	404,834	516,359
Market risk-weighted assets	2,782,451	1,454,974
Operational risk-weighted assets	47,739,953	47,739,953
<b>Total</b>	<b>857,624,715</b>	<b>776,353,540</b>

According to the information disclosure requirements on asset securitization in Appendix 15 of the Capital Administrative Measures for Commercial Banks (Provisional) (《商業銀行資本管理辦法(試行)》), as of the end of the Reporting Period, the Bank's on-balance sheet credit risk exposure included RMB29.829 billion of on-balance sheet asset securitization risk exposure and RMB5.966 billion of risk-weighted assets.

## VII. LEVERAGE RATIO

During the Reporting Period, the Bank measured the leverage ratio pursuant to the Administrative Measures on the Leverage Ratio of Commercial Banks (Revised) (《商業銀行槓桿率管理辦法(修訂)》) and relevant regulatory rules as follows:

(Unit: RMB'000)

	June 30, 2020	December 31, 2019
Tier-one capital	87,745,365	82,781,378
Deduction of tier-one capital	(468,420)	(232,140)
Total adjusted on-balance sheet and off-balance sheet assets	1,540,448,907	1,327,961,659
Of which: Total adjusted on-balance sheet assets	1,254,226,830	1,110,875,661
Total adjusted off-balance sheet assets	275,278,697	213,537,311
Others	10,943,380	3,548,687
Leverage ratio (%)	5.67	6.22

Note: "Others" include the assets balance of derivatives and securities financing transactions.

## VIII. SEGMENT REPORTING

The following table shows the segment performance of the Bank by business segment for the periods indicated:

(Unit: RMB'000)

	January to June 2020 (Unaudited)		January to June 2019 (Unaudited)	
	Operating income	Profit before tax	Operating income	Profit before tax
Corporate banking	7,228,214	1,788,822	5,894,439	1,253,482
Retail banking	3,911,595	826,393	2,381,309	235,781
Financial markets	4,874,362	3,726,015	5,141,788	4,681,784
Others	31,028	(55,891)	37,169	(91,179)
<b>Total</b>	<b>16,045,199</b>	<b>6,285,339</b>	<b>13,454,705</b>	<b>6,079,868</b>

The following table shows the segment performance of the Bank by geographic region for the periods indicated:

(Unit: RMB'000)

	January to June 2020 (Unaudited)		January to June 2019 (Unaudited)	
	Operating income	Profit before tax	Operating income	Profit before tax
Northern and Northeastern China	9,825,268	4,422,103	7,902,741	4,046,988
Eastern China	2,576,826	483,786	2,010,461	38,576
Central and Southern China	2,645,814	573,298	2,647,968	1,303,593
Western China	997,291	806,152	893,535	690,711
<b>Total</b>	<b>16,045,199</b>	<b>6,285,339</b>	<b>13,454,705</b>	<b>6,079,868</b>

## IX. LOAN QUALITY ANALYSIS

### (I) Distribution of Loans by Five-category Classification

(Unit: RMB'000)

	June 30, 2020		December 31, 2019	
	Amount	Percentage (%)	Amount	Percentage (%)
Normal loans	779,267,644	95.25	674,702,232	95.29
Special mention loans	24,329,828	2.97	20,763,849	2.93
NPLs	14,562,450	1.78	12,591,449	1.78
Of which: Substandard loans	6,101,044	0.75	4,010,263	0.57
Doubtful loans	6,085,664	0.74	6,365,517	0.90
Loss loans	2,375,742	0.29	2,215,669	0.31
<b>Gross loans and advances to customers</b>	<b>818,159,922</b>	<b>100.00</b>	<b>708,057,530</b>	<b>100.00</b>

### (II) Distribution of Loans and NPLs by Product Type

(Unit: RMB'000)

	June 30, 2020				December 31, 2019			
	Amount (Unaudited)	Percentage (%)	NPL amount	NPL ratio (%)	Amount (Audited)	Percentage (%)	NPL amount	NPL ratio (%)
Corporate loans and advances	520,692,061	63.64	12,299,013	2.36	465,224,102	65.70	11,324,839	2.43
Of which: Short-term								
corporate loans	184,241,132	22.52	9,352,620	5.08	155,725,026	21.99	9,199,181	5.91
Medium- and long-term								
corporate loans	336,450,929	41.12	2,946,393	0.88	309,499,076	43.71	2,125,658	0.69
Discounted bills	31,897,603	3.90	-	-	9,413,518	1.33	-	-
Of which: Bank								
acceptance bills	27,250,223	3.33	-	-	7,111,743	1.00	-	-
Commercial								
acceptance bills	4,647,380	0.57	-	-	2,301,775	0.33	-	-
Personal loans	265,570,258	32.46	2,263,437	0.85	233,419,910	32.97	1,266,610	0.54
Of which: Residential and commercial								
housing loans	144,193,815	17.62	457,607	0.32	127,816,279	18.05	311,538	0.24
Personal								
consumption loans	105,951,440	12.95	1,287,072	1.21	95,605,758	13.50	601,542	0.63
Personal business								
loans	11,852,582	1.45	320,255	2.70	6,711,807	0.95	277,019	4.13
Credit cards	3,572,421	0.44	198,503	5.56	3,286,066	0.47	76,511	2.33
<b>Gross loans and advances to customers</b>	<b>818,159,922</b>	<b>100.00</b>	<b>14,562,450</b>	<b>1.78</b>	<b>708,057,530</b>	<b>100.00</b>	<b>12,591,449</b>	<b>1.78</b>

### (III) Distribution of Corporate Loans and NPLs by Industry

(Unit: RMB'000)

	June 30, 2020				December 31, 2019			
	Amount (Unaudited)	Percentage (%)	NPL amount	NPL ratio (%)	Amount (Audited)	Percentage (%)	NPL amount	NPL ratio (%)
Lease and business services	156,746,995	19.17	991,515	0.63	137,274,963	19.39	647,630	0.47
Real estate	122,015,403	14.91	452,296	0.37	109,253,881	15.43	150,701	0.14
Manufacturing	71,450,510	8.73	6,506,302	9.11	60,302,305	8.52	6,680,759	11.08
Water conservancy, environment and public facilities management	56,226,122	6.87	30,000	0.05	50,870,045	7.18	30,000	0.06
Wholesale and retail	39,799,502	4.86	1,770,903	4.45	37,309,397	5.27	1,561,334	4.18
Construction	21,392,024	2.61	363,597	1.70	19,738,814	2.79	366,972	1.86
Transportations and communications, storage and post	15,271,403	1.87	45,889	0.30	14,567,757	2.06	45,172	0.31
Mining	9,685,528	1.18	391,064	4.04	7,737,664	1.09	411,164	5.31
Production and supply of electricity, heat, gas and water	7,823,565	0.96	49,861	0.64	6,880,007	0.97	49,861	0.72
Finance	5,794,502	0.71	750,000	12.94	5,628,543	0.79	500,000	8.88
Public utilities, social security and social organizations	3,467,000	0.42	–	–	5,287,000	0.75	–	–
Agriculture, forestry, animal husbandry and fishery	2,430,560	0.30	60,000	2.47	1,070,480	0.15	60,000	5.60
Education	2,359,080	0.29	–	–	2,246,370	0.32	–	–
Others	6,229,867	0.76	887,586	14.25	7,056,876	0.99	821,246	11.64
<b>Total corporate loans and advances</b>	<b>520,692,061</b>	<b>63.64</b>	<b>12,299,013</b>	<b>2.36</b>	<b>465,224,102</b>	<b>65.70</b>	<b>11,324,839</b>	<b>2.43</b>

Note: Percentage refers to the ratio of the loan amount of each industry to the Bank's customer loans.

## (IV) Distribution of Loans and NPLs by Geographical Areas

(Unit: RMB'000)

	June 30, 2020				December 31, 2019			
	Amount (Unaudited)	Percentage (%)	NPL amount	NPL ratio (%)	Amount (Audited)	Percentage (%)	NPL amount	NPL ratio (%)
Northern and Northeastern China	377,373,500	46.12	7,331,046	1.94	326,296,386	46.08	7,215,263	2.21
Eastern China	185,232,608	22.64	4,148,247	2.24	159,014,593	22.46	3,405,342	2.14
Central and Southern China	184,230,697	22.52	2,318,248	1.26	167,258,342	23.62	1,277,418	0.76
Western China	71,323,117	8.72	764,909	1.07	55,488,209	7.84	693,426	1.25
<b>Gross loans and advances to customers</b>	<b>818,159,922</b>	<b>100.00</b>	<b>14,562,450</b>	<b>1.78</b>	<b>708,057,530</b>	<b>100.00</b>	<b>12,591,449</b>	<b>1.78</b>

Note: The geographical areas are categorized as follows:

Northern and Northeastern China includes Head Office, Beijing Branch, Tianjin Branch, Tianjin Binhai New District Branch, Tianjin Pilot Free Trade Zone Branch, Dalian Branch, Hohhot Branch, Taiyuan Branch, Shijiazhuang Branch, Changchun Branch and Shenyang Branch.

Eastern China includes Nanjing Branch, Hangzhou Branch, Jinan Branch, Shanghai Branch, Shanghai Pilot Free Trade Zone Branch, Hefei Branch, Suzhou Branch, Qingdao Branch, Ningbo Branch and Nanchang Branch.

Central and Southern China includes Guangzhou Branch, Shenzhen Branch, Shenzhen Qianhai Branch, Hong Kong Representative Office, Changsha Branch, Wuhan Branch, Fuzhou Branch, Zhengzhou Branch, Xiamen Pilot Free Trade Zone Branch, Haikou Branch and Nanning Branch.

Western China includes Chengdu Branch, Xi'an Branch and Chongqing Branch.

## (V) Distribution of Loans and NPLs by Security Type

(Unit: RMB'000)

	June 30, 2020				December 31, 2019			
	Amount (Unaudited)	Percentage (%)	NPL amount	NPL ratio (%)	Amount (Audited)	Percentage (%)	NPL amount	NPL ratio (%)
Collateralized loans	269,240,402	32.91	3,342,930	1.24	236,573,764	33.40	3,005,355	1.27
Pledged loans	82,379,800	10.07	293,531	0.36	71,142,981	10.05	48,531	0.07
Guaranteed loans	272,735,422	33.33	9,216,272	3.38	248,288,907	35.07	8,224,530	3.31
Unsecured loans	161,906,695	19.79	1,709,717	1.06	142,638,360	20.15	1,313,033	0.92
Discounted bills	31,897,603	3.90	-	-	9,413,518	1.33	-	-
<b>Gross loans and advances to customers</b>	<b>818,159,922</b>	<b>100.00</b>	<b>14,562,450</b>	<b>1.78</b>	<b>708,057,530</b>	<b>100.00</b>	<b>12,591,449</b>	<b>1.78</b>

## (VI) Distribution of Loans by Overdue Period

As of the end of the Reporting Period, the Bank's overdue loans amounted to RMB28,921.38 million, representing an increase of RMB7,243.76 million as compared to the beginning of the year.

(Unit: RMB'000)

	June 30, 2020		December 31, 2019	
	Amount (Unaudited)	Percentage (%)	Amount (Audited)	Percentage (%)
Overdue within three months	16,098,618	1.96	10,653,312	1.50
Overdue more than three months to one year	4,307,556	0.53	2,815,404	0.40
Overdue more than one year to three years	4,469,843	0.55	4,645,943	0.66
Overdue more than three years	4,045,366	0.49	3,562,961	0.50
<b>Total overdue loans</b>	<b>28,921,383</b>	<b>3.53</b>	<b>21,677,620</b>	<b>3.06</b>
<b>Gross loans and advances to customers</b>	<b>818,159,922</b>	<b>100.00</b>	<b>708,057,530</b>	<b>100.00</b>

## (VII) Loans to Ten Largest Customers Who Are Single Borrowers

(Unit: RMB'000)

Borrowers	Industry	June 30, 2020			
		Amount	NPL amount	% of net capital base	% of gross loans
Customer A	Manufacturing	8,497,314	–	8.67	1.04
Customer B	Manufacturing	7,752,514	–	7.91	0.95
Customer C	Lease and business services	6,061,580	–	6.18	0.74
Customer D	Lease and business services	5,997,248	–	6.11	0.73
Customer E	Real estate	5,953,920	–	6.07	0.73
Customer F	Lease and business services	4,930,000	–	5.03	0.60
Customer G	Lease and business services	4,900,000	–	5.00	0.60
Customer H	Lease and business services	3,436,000	–	3.50	0.42
Customer I	Lease and business services	3,420,200	–	3.49	0.42
Customer J	Manufacturing	3,397,056	–	3.46	0.41
<b>Total</b>	–	<b>54,345,832</b>	–	<b>55.42</b>	<b>6.64</b>

## (VIII) Restructured Loans

Restructured loans refer to those loans that the financial status of the relevant borrowers deteriorates, or that borrowers are not capable of repaying and therefore certain clauses on the loan contract are adjusted. As of the end of the Reporting Period, the Bank's balance of restructured loans amounted to RMB6,656.0974 million, representing an increase of 2.23% as compared to the beginning of the year.

## (IX) Allowance for Loan Impairment

### 1. Loans and advances to customers measured at amortised cost

(Unit: RMB'000)

	January to June 2020 (Unaudited)	2019 (Audited)	2018 (Audited)
Opening balance	23,600,871	19,449,834	14,217,593
Charge	4,781,651	8,777,247	7,225,606
Transfer out	(867,071)	(3,677,460)	(674,999)
Write-off	(299,216)	(1,040,889)	(1,341,950)
Recoveries	84,139	89,534	11,360
Exchange rate changes	2,978	2,605	12,224
<b>Closing balance</b>	<b>27,303,352</b>	<b>23,600,871</b>	<b>19,449,834</b>

### 2. Loans and advances to customers measured at fair value through other comprehensive income

(Unit: RMB'000)

	January to June 2020 (Unaudited)	2019 (Audited)	2018 (Audited)
Opening balance	37,215	25,233	5,060
Charge	33,958	11,982	20,173
<b>Closing balance</b>	<b>71,173</b>	<b>37,215</b>	<b>25,233</b>

## (X) Large Risk Exposure

The Bank implements the large risk exposure management in accordance with the requirements of the Measures for the Administration of the Large Risk Exposures of Commercial Banks (《商業銀行大額風險暴露管理辦法》).

The scope of large risk exposure covers the exposures to various credit risks in banking books and trading books. As of June 30, 2020, the Bank's main regulatory indicators for the concentrated risk exposure of customers are listed below:

(Unit: RMB'000)

	June 30, 2020			December 31, 2019		
	Total risk exposures	% of net tier 1 capital (%)	% of net capital (%)	Total risk exposures	% of net tier 1 capital (%)	% of net capital (%)
Risk exposures to the largest non-interbank single customer	11,546,537.54	13.23	–	7,589,132.23	9.19	–
Loans to the largest non-interbank single customer	8,497,313.50	–	8.67	6,467,853.75	–	6.37
Risk exposures to the largest non-interbank group customer	9,825,531.73	11.26	–	8,665,626.34	10.50	–
Risk exposures to the largest interbank single customer	9,353,040.90	10.72	–	1,962,726.33	2.38	–
Risk exposures to the largest interbank group customer	9,353,040.90	10.72	–	1,335,121.55	1.62	–

Note: The data in the above table does not include customers and risk exposures that are allowed to be exempted by the Measures for the Administration of the Large Risk Exposures of Commercial Banks.

## X. MAIN BUSINESS OPERATION AND MANAGEMENT

### (I) Corporate Banking Business

During the Reporting Period, the Bank focused on the strategic goal of realizing a CAGR of 50% for customers and a CAGR of 20% for deposits and revenue to make all-out efforts to guarantee the development of new products, refinement of trading functions and implementation of refined management, win customers with brand new ideas, persistence, competitive products and comprehensive financial services that are convenient for operation and powerful in trading functions, and ensure the optimization of customer structure and the prevention and control of frontier risks through efficient management with precision, accuracy and reality.

#### *Customer building*

During the Reporting Period, the Bank firmly adhered to the marketing philosophy of "Customers' Demands First". By "Putting Customers First" and satisfying various needs of customers, the Bank endeavored to create values for customers and offer best customer experience. We made every effort to develop corporate customers in hopes of winning the first battle in 2020. We firmly followed such directions to develop customers with the focus on the real economy and small and micro enterprises, people's livelihood and high-end services, emerging industries and high-tech industries, major projects and major works, and new infrastructure, thereby embodying the mission and responsibility of China Bohai Bank. We strengthened customer-acquisition management to ensure the effectiveness of customer acquisition, enriched our customer-acquisition methods, and improved our customer-acquisition channels by building ecological scenarios to acquire large number of customers.

### ***Liabilities business***

During the Reporting Period, the Bank insisted on “building a bank founded on the basis of deposit (存款立行)” to highlight the importance of stabilizing and increasing deposits. We reinforced the base of deposit sources by developing new customers and expanding the customer pool; improved the quality of deposits by optimizing the customer structure; promoted the increase of customer deposits by innovating business models and enriching product lines; deposited settlement funds by optimizing trading functions and setting up ecological scenarios; and stimulated employees’ initiatives to compete for deposits through the pay-as-you-go system and strict assessment.

### ***Asset business***

During the Reporting Period, the Bank continued to optimize its asset structure, rationally allocate resources, strengthened marketing promotion in key industries such as new infrastructure construction, continued to implement the quota control of the real estate industry, and strengthened access review on overcapacity industries and invisible debt replacement. We actively implemented the development concept of inclusive finance, and effectively increased the financing support for weak links in the private economy, small and micro enterprises, and the “agriculture, rural areas and farmers” fields.

### ***Asset custodian business***

During the Reporting Period, we made steady progress in the custodian business. As of the end of the Reporting Period, the custodian and outsourcing business reached a scale of RMB1,867.849 billion, and yielded a revenue of RMB420 million. According to the latest statistics from the China Banking Association, the Bank ranks 19th among all 27 qualified custodian banks in terms of total assets in custody, and 17th in terms of custodian fee income. We have obtained the custodian qualification for securities investment funds and insurance funds, qualification for engaging in private equity fund business outsourcing services, depository qualification for pre-collected funds of single-purpose commercial prepaid card, and depository qualification for online loan funds. Our custody services cover 21 products of 9 categories.

### ***Transaction banking business***

During the Reporting Period, the trading bank business of the Bank grew steadily on the whole. As of the end of the Reporting Period, the all-jurisdiction balance of bank acceptance bills amounted to RMB234.857 billion, representing an increase of 40.21% as compared to the beginning of the year; the all-jurisdiction balance of letter of credit amounted to RMB68.096 billion, representing an increase of 0.84% as compared to the beginning of the year; and the all-jurisdiction balance of letter of guarantee amounted to RMB13.6 billion, representing a decrease of 36.20% as compared to the beginning of the year. The three off-balance sheet items totaled RMB316.553 billion, representing an increase of 23.48% as compared to the beginning of the year. The Bank’s transaction banking intermediary business realized an income of RMB513 million, representing a year-on-year increase of 45.44%; and international settlement of USD23.555 billion, representing a year-on-year increase of 28%. The all-jurisdiction balance of supply chain business amounted to RMB5.230 billion, and there were a total of 205 core supply chain enterprises and on-chain enterprises.

As of the end of the Reporting Period, there were 575 cash management accounts, with 39 effective cash management customers and 12 scenario-based service customers newly added for the year, achieving an average daily current deposit of more than RMB11 billion; and the Bank approved a credit of RMB5.737 billion of direct lending business under domestic guarantee in total. EUR38,106,500 was withdrawn at opportune windows.

### ***Inclusive finance***

The Bank resolutely implemented the decisions and deployments of the CPC Central Committee and the State Council on inclusive finance, and regarded the development of inclusive finance, support for small and micro enterprises, and targeted poverty alleviation as an important political task. We promoted business development by initiating such measures as strengthening the primary responsibilities of the party committee, revising relevant systems, increasing resource allocation, optimizing service models and innovating processes. When advancing the development of inclusive finance business, the Bank will continue to explore new models of intelligent and ecological inclusive finance, promote digitalized, full-process and refined management and risk control systems, and continuously enrich the inclusive finance products and service systems.

Confronted with the COVID-19 outbreak in the first half of 2020, the Bank fully fulfilled its social responsibilities and achieved rapid development of inclusive finance business. As of the end of the Reporting Period, the Bank had an inclusive finance loan balance of RMB24.668 billion, representing an increase of RMB10.053 billion or 68.78% as compared to the previous year. Our inclusive finance loans as a percentage of the loans increased by 98.40% as compared to the beginning of the year, and the completion rate of credit plans was 228.48%. We secured 37,600 inclusive finance loan customers, representing an increase of 21,700 as compared to the previous year; and accumulatively issued inclusive small and micro enterprise loans at an interest rate of 5.67%.

As of the end of the Reporting Period, the balance of targeted poverty alleviation loans amounted to RMB3.516 billion, representing an increase of RMB64 million or 1.84% as compared to the beginning of the year, equivalent to 211.86% of the annual plan; and the balance of agricultural loans totaled RMB39.235 billion. Meanwhile, the Bank actively promoted the campaign of “Bank-Enterprise Cooperation (百行進萬企)” organized by the China Banking Association, connecting with 3,982 enterprises and granting an accumulative financing amount of RMB78.81 million.

## **(II) Retail Banking Business**

During the Reporting Period, regarding retail banking business, the Bank upheld the development mission of becoming “a modern wealth and treasury manager offering the best customer experience”, continued to promote the banking ecosystem operation and development strategies of “integration of self-development and jointly-developed ecosystems and two empowerments”, dedicated to creating a bank valuing agility and empathy, caring intelligence and ecosystem. The Bank strengthened epidemic prevention measures at offline outlets to ensure the health and safety of staff and customers, and transformed the thinking pattern from offline customer expansion to online service and accurate customer acquisition. By seizing customers, maintaining product quality and controlling risks, the Bank remained rapid and stable growth of retail banking business as a whole. During the Reporting Period, the operating income from retail banking business of the Bank amounted to RMB3.912 billion, representing a year-on-year increase of 64.26%.

### ***Customer development***

Since the planning of developing ecosystem, the Bank continued to explore a development pathway integrating self-development and jointly-developed ecosystems, and built up a chain cycling covering customer expansion, customer acquisition, customer activation, customer retention and customer adherence. During the Reporting Period, in response to the impact of restriction on customer flow caused by the epidemic, the Bank proactively developed the marketing mode of online customer acquisition, ecological customer acquisition and scenario customer acquisition: firstly, we vigorously promoted payroll services and merchant acquiring business to add new customers; secondly, we explored such business forms as intelligent properties and travelling, attracting customer flows by integrating with online accounts system; thirdly, we built up proprietary online lightweight customer acquisition mode through Bohai Cloud Store (渤海雲店), and created a platform connecting physical networks, products, account managers and external cooperative channels. As of the end of the Reporting Period, the number of bank-wide individual customers reached 4,635,600, representing a year-on-year increase of 176,200.

### **Wealth management business**

The Bank was dedicated to building up “a modern wealth and treasury manager offering the best customer experience”, continuously enriched and improved wealth management products, vigorously developed wealth management and agency businesses, scaled up total wealth assets and improved the comprehensive competitiveness of wealth management brand. Firstly, the Bank vigorously promoted deposit business innovation, and facilitated a new breakthrough in deposit business scale by enhancing the attractiveness of the products. During the Reporting Period, a total of 33 products (including personal certificates of deposits and “Bohai Time Deposits”) in 21 tranches were issued by the Bank and two online intelligent deposit products were newly launched, with an accumulative balance of RMB31.850 billion, representing a year-on-year increase of RMB18.830 billion. Secondly, the Bank conducted precision marketing and cross sales through data analysis and customer base profile, thereby constantly improving customers’ comprehensive contribution. Thirdly, the Bank stably enhanced brand competitiveness of wealth management business. During the Reporting Period, the Bank newly issued 985 tranches of wealth management products and raised a fund of RMB162.404 billion. Fourthly, the Bank accelerated the layout of wealth management products, and vigorously promoted the system construction and channel construction of agency businesses including trust, insurance and fund. As of the end of the Reporting Period, the bank-wide personal deposits balance amounted to RMB85.261 billion, representing an increase of RMB33.115 billion or 63.50% as compared to the beginning of the year.

### **Asset business**

During the Reporting Period, the Bank’s retail asset business focused on consolidating quality assets, expanding innovative businesses, supporting the resumption of production and operations of real economy, improved intelligent risk control capability and achieved sound growth of such business as a whole. Firstly, the Bank implemented the 30 policies promulgated by four PRC state ministries on providing financial services to micro, small and medium enterprises, offering favorable credit support to micro and small enterprises related to epidemic prevention and control. Secondly, the Bank vigorously promoted residential mortgage loans, retained quality assets and core customers and consolidated the underlying quality of personal asset business. Thirdly, the Bank focused on the online consumption credit projects that cooperate with leading platform, newly added Merchants Union Consumer Loan, Vipshop Consumption Loan to meet the demand for consumption loans of different groups; launched Lionbridge Rent Loan targeting commercial vehicle finance lease customers, providing powerful financial support for resumption of production and operations. Fourthly, the Bank actively promoted featured online loan products including “Bohai Happy E Loans (渤樂e貸)” and “Bohai Tax-based Business Loans (渤稅經營貸)”, launched “Bohai Bank Merchant Loans (渤銀商戶貸)” and “Bohai Bank E Loans (渤銀電e貸)”, and upgraded “Bohai Bank Housing Flash Loans (渤銀房閃貸)” bank-wide. The Bank also optimized online review and approval process and enhanced business handling effectiveness, thereby assisting micro and small enterprises in economic development. As of June 30, 2020, the “Epidemic Fighter Loans (抗疫勇士貸)” launched in February 2020 had accepted a total of 28,000 applications and granted a credit of RMB1.19 billion in total and a lending of RMB890 million. In order to help newlyweds build homes, we launched an exclusive product, “Newlywed Loans (新婚時貸)”, in the second quarter to solve customers’ difficulties as per the scenario usage. Fifthly, the Bank further deepened the application of big data and artificial intelligence in personal credit management, optimized business strategy models and proactively prevented and resolved credit risks. As of the end of the Reporting Period, the Bank’s total personal loans amounted to RMB265.570 billion, representing a year-on-year increase of RMB32.150 billion and a growth rate of 13.77%, and the NPL ratio for personal loans was 0.85%.

Based on the professional orientation of “making the installment credit cards become the primary choice for customers”, our credit card business continuously expanded and optimized the installment business scenarios. During the Reporting Period, the Bank launched 5 new products, and added 3 special installment consumption scenarios, namely purchases of parking spaces, home innovation and education. The proportion of revenue we received from installment business remained above 50%. As of the end of the Reporting Period, the Bank issued 28,900 credit cards, and the accumulated number of credit cards issued amounted to 270,000, and the accumulated transaction volume reached RMB5.297 billion, representing a year-on-year increase of 38.05%.

### *Customer experience*

During the Reporting Period, confronted with the pressure of epidemic prevention and control, the Bank actively formulated an online, intelligent, contactless, caring service model. Firstly, the Bank improved online service and contactless service, improved the service capability on mobile channels, and innovatively launched new types of service channels such as video business hall (視頻營業廳), Bohai Cloud Studio (渤海雲工作室), Bohai Cloud Store (渤海雲店), Bohai Public Welfare Live Broadcast (渤海公益直播). Secondly, our Customer Service Center ensured a 7 x 24 all-weather, multi-channel integrated services, with the time of teller-operated services through online channel expanding to 7 x 9 service mode; the problem identification rate through intelligent customer service channel reached 96.17%, and the service streaming rate reached 46.23%. Thirdly, the Bank promoted consumer rights protection work, improved consumer protection management system, enhanced the quality and efficiency of complaint handling, optimized online and offline business processes, and continued to improve the customer experience.

## **(III) Financial Market Business**

During the Reporting Period, our financial market working lines overcame the adverse effects brought by the COVID-19 outbreak, took multiple measures to make the most of the limited resources centering on the three main lines of assets, liabilities and products, and highlighted the proposal to “adjust structure, stabilize scale, enrich products, increase revenue, prevent risks and promote transformation” so as to reinforce compliance management, focus on structural adjustment, accelerate product innovation, and deepen transformation and development.

### *Financial management business*

Under the framework of the “New Asset Management Regulations”, we actively adapted our wealth management business to the market and policy changes, continuously enriched our product categories, established a diversified product system, accelerated the enhancement of our R&D capacity and strengthened the standardized asset allocation. During the Reporting Period, the Bank issued 1,021 tranches of wealth management products (excluding structured ones) and raised RMB548.971 billion of funds, representing an increase of 16.29% as compared to the same period of the previous year.

### *Interbank business*

During the Reporting Period, apart from prevention and control of financial risks, the Bank continued to optimize the interbank assets and liabilities business structure. Upholding the philosophy of serving the real economy and supporting small and micro enterprises, the Bank actively assisted its customers in epidemic prevention and control, as well as regularized interbank cooperation, accelerated the transformation of financial market business and returned to the ultimate source of interbank business.

### *Treasury business*

The Bank paid close attention to the market trends, actively carried out various transaction businesses by strengthening market research and judgment, timely captured market opportunities to increase transaction returns, continuously expanded the scale and scope of transactions, and consolidated and enhanced the Bank’s market image. During the Reporting Period, we accumulatively completed RMB3,118.447 billion worth of spot trading, pledged repurchase and credit lending, of which the transaction volume of the spot trading and pledged repurchase ranked 64th in the market; accumulatively completed approximately USD3.119 billion worth of foreign exchange swap market transactions; and accumulatively completed approximately USD117.176 billion worth of foreign currency market lending transactions, ranking 20th in the foreign currency lending market.

### ***Agency business***

The Bank strengthened market research, learned advanced experience, focused on R&D of new products to promote the development of agency product business; carried out product manager training for capital transaction business, built a product manager team, to improve the service professionalism; and leveraged the advantages of interaction between headquarters and branches to provide customers with comprehensive solutions and improve the comprehensive income of the business. During the Reporting Period, the transaction volume of the Bank's foreign exchange business on behalf of customers amounted to approximately USD1.332 billion.

### ***Bills business***

In the first half of 2020, taking advantage of the downward trend in the cost of funds, we secured part of the cost of funds through medium- and long-term repurchase business. We also actively carried out bill market transactions to expand the bill asset returns. As of the end of the Reporting Period, we accumulatively completed RMB113.503 billion worth of discounted bills buyouts, discounted bills sellouts, and bill sold repurchase transactions, representing a year-on-year increase of 15.05%, of which the discount buyout transactions amounted to RMB37.808 billion, representing a year-on-year increase of 199.05%; the discount sellouts amounted to RMB24.512 billion, representing a year-on-year increase of 489.78%, and the sales under repurchase agreements amounted to RMB51.183 billion, representing a year-on-year decrease of 37.47%.

### ***Investment banking business***

During the Reporting Period, our investment banking business continued to develop rapidly, and the main operating indicators for the first half of the year were completed as scheduled. Looking ahead, our investment banking segment will continue to expand its market, product and customer coverage with direct financing fixed-income business, and create value for shareholders and customers.

### ***Interbank credit and agent bank network***

As of the end of the Reporting Period, a total of 238 Chinese and foreign banks and non-bank financial institutions had credit lines in the Bank, including 108 PRC banks with a total credit amount of RMB765.6 billion, 54 foreign banks with a total credit amount of USD7.932 billion, and 76 non-bank financial institutions with a total credit amount of RMB102.9 billion. The Bank had partnered with 64 non-credit business counterparties. In terms of the agent bank construction, we have established agency relationship with 576 head offices and branches of 257 banks in 71 countries and regions.

## **(IV) Financial Technology Business**

During the Reporting Period, the Bank continued to deepen the construction of the ecological banking system, accelerated the empowerment of the ecological platform with financial technology, actively promoted the transformation and reconstruction of business models, channel models, marketing models and business models, and comprehensively improved the financial technology's capacity to expand, acquire, activate, stabilize and maintain customers and the financial service level. During the Reporting Period, the Bank conducted the following initiatives regarding the financial technology:

Firstly, the Bank accelerated financial empowerment of the platform centering on the construction of an ecological bank. Deeply engaged in the construction of the online ecology, the Bank sped up the improvement of the "four major product lines" for retail, wholesale, depository and non-bank financial institutions. In terms of B2C business, we vigorously promoted the construction of the property ecosystem and innovated business service models to meet customer's needs amid the epidemic and constantly accelerated the project docking and expansion; in terms of B2B business, we intensively cultivated in various areas such as the logistics industry, steel trade industry, security industry, medical industry, supply chain finance and government affairs industry, and accelerated the progress of key projects; in terms of depository business, we enhanced the data analysis and offline diversion, and steadily promoted business expansion; in terms of services to non-bank financial institutions, we launched the Golden Account Service (金賬通) products to comprehensively strengthen the financial empowerment of non-interbank licensed financial institutions represented by fund companies.

Secondly, the Bank enhanced our comprehensive service capabilities centering on e-channel construction. We strengthened the construction of the new version of the mobile bank APP, accelerated the research and development of new product functions, strengthened the online construction of offline business, and constantly improved customers' experience. We intensified the promotion of mobile payment business, put the facility for interconnection payment at the bank end into production, developed the Bohai UnionPay QR Code Travel Program, and carried out various marketing activities to increase the mobile payment card binding rate. We accelerated the expansion of payment receiving business, provided customized code plate voice broadcasting service for small and micro merchants, and offered comprehensive payment receiving solutions for key merchants in sectors such as catering.

Thirdly, the Bank improved the abilities of payment and settlement service centering on channel construction. We created new UnionPay collection and authentication channels, removed the "last mile" obstacle for electronic accounts, and gradually improved the online functions of Type II and Type III accounts. We actively carried out the merchant code transformation of UnionPay channels, and strengthened the upgrade and transformation of services of merchant-acquiring side in respect to UnionPay payment channels. We continuously strengthened the optimization and upgrade of online payment functions, improved the construction of online payment channels, and promoted the development of mobile payment business.

Fourthly, the Bank improved our risk early warning capabilities centering on the construction of an anti-fraud system. We continued to optimize the backstage statement function of the anti-fraud system and deploy the anti-order loss business transaction monitoring, thus realizing the refined management of channel equipment in the public area of all our outlets. The monitoring scope of the anti-fraud system covers online opening and trading of Type I, Type II and Type III accounts. We comprehensively enhanced the monitoring of customers' abnormal transaction behaviors and uplifted our risk prevention and early warning capacities.

## **XI. COMPREHENSIVE RISK MANAGEMENT**

### **(I) Overview of Comprehensive Risk Management**

The backbones of the Bank's organizational structure to manage its risks are the Board of Directors, the Risk Management Committee of the Board of Directors (and the Related Party Transactions Control Committee subordinated to it), the Audit and Consumer Rights Protection Committee of the Board of Directors, the Board of Supervisors, senior management and its Risk Control Committee, Assets and Liabilities Management Committee and Information Technology Committee, and relevant functional departments at Head Office, including Risk Management Department, Credit Review and Approval Department and Regional Approval Center, Credit Monitoring Department, Retail Risk Management Department, Assets and Liabilities Management Department, Internal Control and Compliance Department, Legal Affairs Department, and other departments responsible for operational risks, Information Technology Department, the General Office (Public Relations Department), Strategic Development and Investment Management Office, Audit Department and Regional Audit Center, and risk management functional departments of the subsidiaries and branches.

The Board of Directors of the Bank is responsible for the ultimate responsibility for comprehensive risk management and is responsible for fulfilling the establishment of risk culture, formulating risk management strategies, setting risk preferences and ensuring the establishment of risk limits, reviewing and approving major risk management policies and procedures, and supervising senior management to conduct comprehensive risk management, reviewing comprehensive risk management reports, approval of the disclosure of comprehensive risks and various significant risk information, hiring the chief risk management officer, and taking the lead in comprehensive risk management and other responsibilities related to risk management.

The Board of Supervisors of the Bank is responsible for the supervision of comprehensive risk management and is responsible for supervising the performance of the Board of Directors and senior management in risk management and the rectification.

The senior management of the Bank shall assume the responsibilities for implementing comprehensive risk management, implementing the resolutions of the Board of Directors and fulfilling the following duties: establishing an operational management structure applicable to the comprehensive risk management; clarifying the division of risk management responsibilities of the comprehensive risk management department, business department and other departments; building an operational mechanism featuring mutual coordination and effective checks and balances among departments; formulating a clear implementation and accountability mechanism to ensure that the risk management strategies, risk appetites and risk limits are fully conveyed and effectively implemented; setting risk limits according to the risk appetites set by the Board of Directors for various dimensions including, but not limited to, industries, regions, customers and products; formulating risk management policies and procedures, and conducting periodic assessments and making adjustments when necessary; evaluating the management for comprehensive risks and various key risks and reporting to the Board of Directors; establishing a sound management information system and data quality control mechanism; supervising the breach of risk appetites and risk limits and violations of risk management policies and procedures, and handling such cases according to the authorization of the Board of Directors; and other risk management responsibilities.

The Bank has established a risk prevention system consisting of three lines of defense against each main risk to which it is exposed. The first line of defense of risk management is formed by various business departments, divisions, branches and sub-branches, who are directly responsible for carrying out their risk management functions. The second line of defense is departments of risk management line, Assets and Liabilities Management Department, Internal Control and Compliance Department, the General Office (Public Relations Department) and Strategic Development and Investment Management Office, who take the lead in formulating the requisite policies and procedures, and supervising bank-wide risk management measures. The third line of defense of risk management is the Audit departments, who assume audit responsibilities for the performance of our business departments' and risk management departments.

During the Reporting Period, the Bank continued to improve the intelligent and automated management level of the credit risk management system group, made full use of all internal and external information to proactively identify risks and strengthen the construction of system functions. Firstly, we actively pushed forward the "intelligent risk identification project", put into service and promoted the "public opinion detection" function, and facilitated the development of the "guarantee circle identification" and "customer risk profile" functions. Secondly, we developed and put into production the mobile office tool for wholesale credit business, and realized such functions as credit approval, information inquiry, and risk warning on the mobile client terminal. Thirdly, we introduced the intelligent identification tools for financial statements, standardizing and putting online the business declaration access procedures, and enhanced the convenience of system operation and data quality. In addition, the Bank further improved the construction of credit risk measurement models, continued to optimize the corporate customer rating model and the LGD model of the wholesale business debt, and gradually constructed and improved the single corporate customer limit model; and established the real estate credit business decision support model and government debt paying capability evaluation model, improved the auxiliary functions for review while assisting in the refined operation and management of relevant businesses.

The Bank continued to improve its comprehensive risk management system to enhance the forward-looking and effectiveness of risk management. We promoted the implementation of various requirements of the Board of Directors and regulatory authorities, deepened the management of various risks such as credit, liquidity, market, operation, information technology, compliance, strategy, reputation and country, strictly held the bottom line of compliant operations, and continuously improved the effectiveness of risk management, thereby creating a professional and refined comprehensive risk management system.

## (II) Credit Risk

Credit risk refers to the risk of loss of bank business arising from the failure of a borrower or counterparty to perform its obligations as agreed.

The Bank insists on a comprehensive, vertical and independent management mode for credit risks, continuously improving the posting mechanism of risk management personnel. At the head office level, Risk Management Department, Credit Monitoring Department, Retail Risk Management Department, Credit Review and Approval Department and three Regional Approval Centers of Beijing, Shanghai and Guangzhou are established. At the branch level, all tier-one branches appoint a Risk Director to report to the Chief Risk Officer, and establish Risk Management Department, Credit Monitoring Department. Tier-two branches set up Risk Management Department, and some of them have Risk Directors in place.

The Bank balances the benefits and risks through active controls, so that each type of business could achieve benefits matching its risk level at least and the capital could achieve optimal allocation. The Bank has set up a kind of credit decision-making mechanism of "three in one", with the independent responsibility examination, democratic risk review and strict accountability approval as the core, to improve the expertise and independence of credit approval.

In terms of credit risk management and control policies, the Bank actively complied with the guidelines of macro policies and regulatory policies, strengthened the guiding role of credit policy, and issued the 2020 Credit Policies and the annual credit guidelines. Based on the characteristics and development trends of different industries, coupled with in-depth analysis and extensive investigation, we divided the credit allocation requirements into four categories of strategies, namely "encouraged support, balanced proportion, strict control, and compress and exit". The Bank prioritizes the allocation of credit resources into industries in the "encouraged support" category (such as pharmaceutical manufacturing, special equipment manufacturing, education, computerization, communication, and manufacturing of other electronic equipment); extends appropriate credit support to the "balanced proportion" industries (such as retail, agriculture, forestry, and water transportation); constrains credits granted to the "strict control" industries (such as the non-metallic mineral product manufacturing, ferrous metal smelting and calendaring, and non-ferrous metal smelting and calendaring); and reduces the scale of credits granted to, or withdraws credits from, the "compress and exit" industries (such as coal mining and washing, chemical fiber manufacturing, rubber and plastic product manufacturing). Meanwhile, the Bank has steadily promoted the transformation and development of its retail credit business focused on housing mortgage loans, production and operation loans, and consumer loans as its main credit products. It insists on the combination of online and offline businesses and service of the real economy. Combining the regional economic characteristics, it upholds the thoughts of "customer expansion, acquisition, activation, attraction and maintenance" and "sphere and chain, platform, system, ecology and scenario" to continue to improve the inclusive financial service capabilities for retail customers and small and micro enterprises.

For asset management, relying on national industrial policies, we accurately followed the regulatory policies and the guidelines of market consistency, gave full play to the direct financing advantages of asset management businesses, and capitalized on bond investment and fixed-income standardized asset allocation to accelerate asset acquisition and transaction frequency and expand business scale; and fully utilized leverage mechanisms such as pledge and securities loan to explore opportunities for highly liquid assets, reduce asset duration, operate pro-cyclically, and gradually transform our risk appetite from credit risk to liquidity risk and market risk.

With respect to credit approval, we continued to improve the quality and efficiency of approvals, formulated the Guidelines on Credit Review and Approval Work in 2020, which clarified the points to be followed in the review and approval of relevant businesses in key areas and guided the whole bank to strengthen credit risk management for wholesale customers. Additionally, we attached great importance to the transmission of risk appetite, and continued to improve our professional competence and the ability to identify and judge credit risks and compliance risks through effective communication mechanisms and business seminars in specific fields. The retail credit business is driven by cases. We adhered to the basic logic of credit and insisted on independent control of core risk control elements such as the compliance risk, credit risk and operational risk to form the basic review and approval ideas for retail credit proposal business. Through credit enhancement measures such as the introduction of insurance products with personal credit loan guarantee, and guarantees offered by financing guarantee companies and core companies in the ecosystem/supply chain, we effectively diversified and lowered the credit risks.

With respect to the post-disbursement management, we strengthened the supervision and inspection of post-disbursement management in branches to further improve the level of post-disbursement management. We intensified the monitoring and alert management of credit risks, and effectively control substantive risks by implementing key monitoring and alert of risk mitigation proposals for customers. We heightened the risk management and control of key and overcapacity industries such as real estate, and actively adjusted our credit structure for these industries. We implemented dynamic management in list-style, strengthened the continuous tracking and special monitoring for key customers, and continued to use quantitative intelligent risk control tools to conduct dynamic, real-time tracking for retail credit business. We intensified off-site monitoring and on-site inspections in key areas, standardized the operational behaviors, and effectively controlled the operational risks. In accordance with the principle of prudence, the ten-level asset quality classification management was implemented to further consolidate asset quality. As of the end of the Reporting Period, the Bank had an NPL ratio of 1.78% with stable asset quality and controllable credit risks in general. We continued to fully implement new financial instrument standards, followed the principles of prudence, timeliness, effectiveness and objectivity to make allowances for impairment financial assets incorporated into the impairment provision scope, and further increased the impairment provision to strengthen our ability to offset risks in an unfavorable environment where economic growth slows down.

### **(III) Liquidity Risk**

The Bank has established a sound liquidity risk management governance structure, with clear duties for the Board of Directors, senior management, special committees and other relevant management departments. The Board of Directors assumes the ultimate responsibility for liquidity risk management, reviews the Bank's acceptable liquidity risk appetites, management strategies, policies, and procedures, and supervises the effective management and control of liquidity risk, and approves information disclosure contents. As a special committee authorized by the Board of Directors, the Risk Management Committee can perform all responsibilities of liquidity risk management on behalf of the Board of Directors and submit relevant reports to the Board of Directors on a regular basis. The senior management implements specific management work under the liquidity management system and methods approved by the Board of Directors, timely understands and evaluates the liquidity risk level and management status of the Bank, as well as reports to the Board of Directors. The Assets and Liabilities Management Committee at the head office, as a special committee authorized by the senior management, can perform all responsibilities of liquidity risk management on behalf of the senior management. The Asset and Liabilities Management Department at the head office is responsible for leading the organization of liquidity risk management for the Bank, formulating liquidity risk management strategies, policies and procedures, and conducting qualitative and quantitative analysis of liquidity risk and other specific management tasks. The corporate banking business, retail banking business and financial markets business management departments of the head office and branches follow the liquidity risk management policies, appetites, procedures, limits and other management requirements determined by the Board of Directors and senior management to conduct business.

The Bank adheres to prudent liquidity risk management strategies, and clarifies the overall objective, management mode, and main policies and procedures of liquidity risk management. The overall objective of the Bank's liquidity risk management is to reasonably arrange the Bank's asset and liability structure and future cash flows, to fulfill the fund payment needs of each business and to ensure compliance with liquidity regulatory indicators, and to reduce extra costs arising from liquidity as much as possible, including the opportunity cost of reserve funds, market financing premium, and loss on realization of assets. The Bank adopts a centralized approach with respect to its liquidity risk management, in which the head office centrally manages overall liquidity risk across the Bank under the policies and guidance of the Board of Directors, and has established a three-tier liquidity reserve including cash, reserve and high-grade bonds. The Bank, in accordance with internal and external requirements and actual business development, formulates liquidity risk management policies and procedures, such as cash flow estimate and calculation and analysis, liquidity risk limit management, financing management, daytime liquidity risk management, qualified high-quality liquid asset management, liquidity early warning management, stress tests, and emergency plans. Under the premise of ensuring liquidity safety, the Bank effectively balances the relationship among liquidity, safety and efficiency, so as to promote sustainable and healthy development of business.

Under the guidance of the liquidity risk management policies determined by the Board of Directors, the Bank implements effective identification, measurement, monitoring and control of liquidity risk of the whole bank. Based on cash flow gap analysis, the Bank realizes the liquidity risk management and control under normal circumstances with the help of intraday position management, maturity mismatch management, liquid asset portfolio management and financing strategy management. In addition, the Bank strengthens market trend research and judgment, and maintains sufficient high-quality liquid assets with the help of management tools such as stress tests and emergency plans, in order to improve the ability of the Bank to withstand liquidity risk under stress scenarios. In addition to effectively managing intraday positions, the Bank managed cash flow, balancing liquidity and profitability and ensuring safety payment of the Bank relying on the integration management of local and foreign currency. As for liquidity mismatch management, the Bank adopts active management methods, such as continuous optimization of internal limit management, early warning indicators monitoring, and dynamic simulation of regulatory indicators, which not only achieves accurate measurement of static liquidity mismatch, but effectively manages and controls the future liquidity mismatch of the Bank. With regard to liquid asset portfolio management and financing strategy management, the Bank timely monitors and optimizes its asset-liability structure, strengthens active liability management, enhances inter-bank customer relationship management, expands active liability channels, and promotes the steady growth of core liabilities. As to emergency liquidity risk management, the Bank regularly conducts liquidity risk stress tests, carefully evaluates future liquidity needs, maintains sufficient high-quality liquid assets and improves liquidity risk resistance capacity. At the same time, it organizes liquidity crisis response exercises on a regular basis, continuously optimizes the liquidity emergency management system, evaluates the effectiveness of various emergency measures, and ensures the liquidity safety of the whole bank in an emergency environment.

The Bank's liquidity risk is affected by both internal and external latent factors. External factors mainly include macroeconomic trends, changes in monetary policy, fluctuation in capital market, downgrade of external rating and negative public opinion, etc. Internal factors mainly include increase in asset-liability mismatch, deterioration of asset quality, concentrated withdrawal of customers, and decline in profitability. The Bank identifies and analyzes the main factors affecting liquidity risk, and establishes daily risk monitoring and early-warning reporting mechanisms. Besides, it implements forward-looking management and active control of potential liquidity risk that may be caused by the aforementioned risk factors through stress tests and emergency plans.

In order to cope with the influence of changes of macro-economic environment, and fluctuations of capital market and other types of risks, the Bank sets mild, moderate, and severe liquidity risk stress scenarios for main on-balance and off-balance sheet businesses after fully considering various factors that may affect liquidity risk, such as decline in the price of marketable securities, outflow of deposits, and increase in unscheduled repayment of assets. Moreover, the Bank conducts stress tests on a quarterly basis to test the Bank's resistance to potential liquidity risks and achieve forward-looking management of liquidity risks. The Bank's liquidity stress tests take the mature cash flow gap as the key pressure-bearing object and the liquidity ratio as the auxiliary pressure-bearing object. The stress test of mature cash flow gap covers the window periods of 7 days, 30 days and 90 days. During the Reporting Period, the Bank was able to meet the minimum lifetime requirement of not less than 30 days under various stress scenarios, and with the availability of sufficient quality liquid assets which are readily realizable at any time, the Bank could meet the potential liquidity needs under stress conditions.

During the Reporting Period, the Bank's liquidity remained reasonably adequate with stable and controllable liquidity risk level, major liquidity regulatory indicators were met or beyond regulatory requirements, and monitoring indicators operated smoothly. As of the end of June 2020, the Bank's liquidity coverage ratio reached 168.69%, representing an increase of 28.83 percentage points as compared to the end of the previous year; the liquidity ratio was 61.16%, representing a decrease of 2.69 percentage points as compared to the end of the previous year; the net stable funding ratio was 111.98%, representing a decrease of 1.01 percentage points as compared to the end of the previous year; the liquidity matching ratio was 113.48%, representing a decrease of 0.72 percentage point as compared to the end of the previous year.

According to the requirements of the Measures for the Disclosure of Information on Net Stable Funding Ratio by Commercial Banks (《商業銀行淨穩定資金比例信息披露辦法》), the following table sets out the Bank's net stable funding ratio indicator, available stable funds for the numerator item, and stable funds required for the denominator item at the end of June 2020:

(Unit: RMB'000)

	June 30, 2020	March 31, 2020
Net stable funding ratio (%)	111.98	114.36
Available stable funding (in RMB)	790,296,961	766,560,629
Required stable funding (in RMB)	705,748,872	670,318,074

The following table shows the Bank's liquidity coverage ratio indicator:

(Unit: RMB'000)

	June 30, 2020	December 31, 2019
Liquidity coverage ratio (%)	168.69	139.86
Qualified high-quality liquid assets (in RMB)	115,795,424	115,287,480
Net cash outflow in the next 30 days (in RMB)	68,643,755	82,428,321

#### (IV) Market Risk

The Bank, in strict compliance with relevant requirements such as the Guidance on Market Risk Management of Commercial Bank (《商業銀行市場風險管理指引》) and the Guidelines for the Management of Interest Rate Risk in the Banking Book of Commercial Banks (Revised) (《商業銀行銀行賬簿利率風險管理指引(修訂)》), implements an independent and comprehensive market risk (including interest rate risk in the banking book, similarly hereinafter) management mode. The Board of Directors of the Bank is responsible for approving management strategies of market risk, policy and procedure, determining the level of market risk tolerance. The Assets and Liabilities Management Committee under the senior management is in charge of formulating, regularly reviewing and supervising market risk policy and procedure, and process execution, and sets market risk limit according to the Board's risk appetite. The Assets and Liabilities Management Department at our head office is responsible for establishing the necessary market risk identification, measurement, monitoring, reporting and control mechanisms to ensure that the market risk borne by the Bank is controlled within the risk appetite set by the Board of Directors.

The Bank's market risk management is governed by a comprehensive, sound and prudent principle, and its overall goal is to: control the Bank's market risk level within its tolerance, by organically combining the identification, assessment, monitoring and control of market risks with the Bank's major operational and management activities including strategic planning, business decision-making and financial budgeting.

The Bank has formulated the Market Risk Management Policy and Administrative Measures for the Classification of Bank Accounts and Transaction Accounts (Revised) on this basis, actively implemented relevant market risk (including interest rate risk in the banking book) regulatory requirements, and established a market risk management system covering all aspects of market risk identification, measurement, monitoring and control. The Bank uses gap analysis, duration analysis, foreign exchange exposure analysis, and scenario analysis to identify and measure market risk, conducts regular stress tests, and monitors and controls risk through limit management.

In respect of the interest rate risk in the banking book, the Bank primarily applies quantitative methodologies such as gap management, sensitivity analysis and duration analysis to manage it. It has also established a net interest margin analysis system covering static net interest margin monitoring report and dynamic net interest margin prediction model to reinforce the analysis and research and judgment of interest rate trends, and provide decision-making basis for the allocation of asset-liability structure. As for trading books, the Bank mainly measures and controls through Basis Point Value, value at risk (VAR), position limit, duration and stop-loss limits to ensure that the anticipated income of the trading books matches the trading exposure. In response to exchange rate risk, the Bank sets market risk limits, and effectively manages on-balance sheet foreign exchange risk exposure through derivative financial instruments, such as exchange rate swaps and exchange rate forwards, so as to keep the Bank's total foreign currency exposures to a low level. During the Reporting Period, in accordance with regulatory standards, the Bank's interest rate risk measurement indicator, namely the maximum economic value change under the framework of standardized measurement, accounted for 5.3% of tier 1 capital, and the cumulative foreign exchange exposure ratio was 0.52%. Both the interest rate risk and the exchange rate risk were kept within the internal limits and controllable on the whole.

The Bank's market risk-weighted assets measurement uses the standardized approach, and the market risk capital provision covers interest rate risk and specific risks in the trading books, as well as all exchange rate risks and commodity risks. As the Bank's trading position is relatively small, the market risk capital occupation is low.

### ***The Bank's interest rate sensitivity gap***

The Bank's interest rate sensitivity gap is classified according to assets and liabilities on the statement of financial position at carrying amounts, by the earlier of the contractual re-pricing date or the maturity date as follows:

(Unit: RMB'000)

(Unaudited)	Less than three months	Between three months and one year	Between one year and five years	More than five years	Non-interest bearing	Total
Total assets	349,420,121	591,722,888	253,935,879	33,551,622	38,996,697	1,267,627,207
Total liabilities	517,726,033	405,564,513	225,405,513	4,374,115	27,034,518	1,180,104,692
Total interest rate sensitivity gap	(168,305,912)	186,158,375	28,530,366	29,177,507	11,962,179	87,522,515

### *The Bank's interest rate sensitivity*

The following table sets forth the results of the Bank's interest rate sensitivity analysis on net profit and equity with an assumption that all other variables held constant:

(Unit: RMB'000)

	<b>Increase/(decrease) on June 30, 2020 (Unaudited)</b>
Change in net profit	
Up 100 bps parallel shift in yield curves	(689,941)
Down 100 bps parallel shift in yield curves	689,941
Change in equity	
Up 100 bps parallel shift in yield curves	(286,871)
Down 100 bps parallel shift in yield curves	286,871

The sensitivity analysis above is based on a static interest rate risk profile of the Bank's assets and liabilities. This analysis measures only the impact of changes in interest rates within one year, showing how annualized net profit or loss and equity would have been affected by repricing of the Bank's assets and liabilities within the one-year period. The sensitivity analysis is based on the following assumptions:

- Interest rate movements at June 30, 2020 apply to non-derivative financial instruments of the Bank;
- At the end of June 30, 2020, an interest rate movement of 100 basis points at the end of the period is based on the assumption of interest rates movement over the next 12 months;
- There is a parallel shift in the yield curve with the changes in interest rates;
- There are no other changes to the assets and liabilities portfolio;
- Other variables (including exchange rates) remain unchanged; and
- The analysis does not take into account the effect of risk management measures taken by the Bank.

Due to the adoption of the aforementioned assumptions, the actual changes in the Bank's net profit or loss and equity caused by an increase or a decrease in interest rates might vary from the results of this sensitivity analysis.

### *The Bank's exchange rate risk exposure*

The following table sets forth the Bank's foreign exchange rate risk exposure as at June 30, 2020:

(Unit: RMB'000)

<b>(Unaudited)</b>	<b>RMB</b>	<b>USD equivalent to RMB</b>	<b>Other currency equivalent to RMB</b>	<b>Aggregate RMB</b>
Total assets	1,201,396,164	59,635,710	6,595,333	1,267,627,207
Total liabilities	1,100,494,493	72,978,834	6,631,365	1,180,104,692
Net exposure amount of balance sheet	100,901,671	(13,343,124)	(36,032)	87,522,515

## (V) Operational Risk

Operational risk is the risk of losses arising from inadequate or defective internal procedures, personnel and information technology systems, and external events. Operational risk includes legal risk, but excludes strategic risk and reputational risk.

During the Reporting Period, the Bank continued to improve and strengthen the operational risk management system consisting of three lines of defense, comply with regulatory requirements, and take the prevention and control of major operational risk events as the management objective, as well as further standardize the methods and processes of operational risk management. In accordance with the risk-oriented principle, the Bank strengthened the inspection and supervision on key institutions, key positions, key businesses and key links. We carried out both inspection and prevention and achieved prevention through inspection. Through the combination of various routine and special inspections, the risk appetite transmission was normalized and materialized. The Bank optimized the operational risk management system and implemented platform interfacing, so as to improve the efficiency of operational risk management. The Bank followed up the rectification of the management mechanism and specific matters, and actively promoted the supervision, inspection and rectification. During the prevention and control of COVID-19 pandemic, the Bank organized call drills, improved emergency plans, checked preparations for resumption of work at outlets on site, and strengthened business continuity management. In addition, the Bank built an operational risk case database, regularly collected supervisory punishment information, constantly carried out a series of trainings, and actively created a sound operational risk management culture.

## (VI) Capital Management

The Bank implemented a comprehensive capital management, including capital planning, capital allocation and evaluation, capital monitoring and early warning, internal capital adequacy assessment, capital replenishment and emergency measures, capital measurement and reporting, information disclosure, etc. The capital management objectives of the Bank are to stabilize the capital base, enhance capital strength, promote bank value creation with economic capital as the core, achieve a beneficial balance between capital constraints, risk management, and shareholders' returns, and maintain a satisfactory level of capital adequacy, so as to effectively deal with the major risks and unexpected losses faced by the Bank and ensure the steady operation and sustainable and healthy development of the Bank. The Bank calculated, managed and disclosed capital adequacy ratio based on the Capital Administrative Measures for Commercial Banks (Provisional) (《商業銀行資本管理辦法(試行)》) and other relevant regulatory rules.

As of the end of the Reporting Period, capital adequacy ratio indicators at all levels of the Bank met the minimum capital requirements, reserve capital requirements and counter-cyclical capital requirements of the CBIRC. Among them, the capital adequacy ratio was 11.43%, representing a decrease of 1.64 percentage points from the end of last year; the tier-one capital adequacy ratio was 10.18%, representing a decrease of 0.45 percentage point from the end of last year; the core tier-one capital adequacy ratio was 7.85%, representing a decrease of 0.21 percentage point from the end of last year. Capital adequacy ratios at all levels experienced a decrease as compared with the end of last year, mainly due to following reasons, firstly, since 2020, the Bank has actively responded to the macroeconomic policy guidance by increasing credit business investments and improving the quality and efficiency of services that support real economy, resulting in the growth rate of the corresponding risk-weighted assets higher than that of net capital; secondly, during the Reporting Period, the Bank's existing tier-two capital debts were redeemed at maturity and the related reissuance work was still in preparation, resulting in a phased decline in the scale of tier-two capital; thirdly, the Bank moderately increased the disposal of non-performing assets and made adequate provisions to prevent and control credit risk while maintaining a reasonable growth in profit. In response to the needs of business development, the Bank appropriately carried out external capital replenishment, continued to promote the listing process, and formulated a plan for issuance of capital replenishment instruments such as tier-two capital debts of RMB9 billion to maintain sufficient capital at all levels.

In order to achieve the capital management objectives, the Bank adopted the following management measures during the Reporting Period: formulating capital budgeting and medium-term and long-term planning based on development strategy objectives, risk appetite, financial budget and other factors, arranging the asset structure rationally under capital constraints, revitalizing the existing assets, and achieving further capital savings; strengthening the core concept of capital value creation, improving the capital allocation and assessment system with capital efficiency indicator as the core, strengthening the promotion of reform and transformation as well as the guidance and support to key businesses by resource allocation, and continuously improving the efficiency of capital use; perfecting the internal capital evaluation system, improving the comprehensive risk management framework, regularly carrying out internal capital evaluation procedures, and formulating emergency plans in response to stressful situations; rationally replenishing capital, continuing to explore capital instrument innovation, and gradually forming a long-term capital replenishment mechanism that mainly replenishes endogenous capital and supplemented by external capital.

## **(VII) Information Technology Risk**

The Bank has always attached great importance to information technology risk management, and continued to maintain a “low” information technology risk appetite this year. Information technology risk managers at all levels and the three lines of defense actively perform their duties, so as to effectively manage the information technology risk.

During the Reporting Period, the Board of Directors and senior management of the Bank actively performed their duties and carefully reviewed reports on information technology risk; each of the three lines of defense against information technology risk performed their own duties, organized information security self-assessment, technology risk verification and information technology auditing, to promote the improvement of technology risk management. The Bank implemented the regulatory requirements for information technology risk management, discussed and implemented the regulatory rating opinions on information technology, and achieved phased results in various tasks.

During the Reporting Period, the Bank’s information technology risk was properly managed and maintained at a low risk level, and the information technology risk management level has been further improved.

## **(VIII) Compliance Risk**

Compliance risk refers to the risk that may be subject to legal sanctions, regulatory penalties, significant financial loss and reputational loss as a result of failure to comply with the laws, rules and norms.

### ***Compliance risk status***

The Bank’s compliance risk management is composed of the Board of Directors, Board of Supervisors, senior management, Risk Control Committee, Internal Control and Compliance Department, Audit Department, and various business lines and branches and sub-branches. Our Board of Directors is responsible for reviewing and approving our compliance risk management policies and assumes ultimate responsibility for the operational and management activities in compliance with relevant applicable laws and regulations. Our senior management is responsible for formulating and implementing compliance risk management policies and organizing the implementation of compliance risk management. The Internal Control and Compliance Department assists our senior management in leading and promoting the daily management of the compliance risk across the Bank. Each of the business lines is principally responsible for its compliance with the applicable laws and regulations and compliance risk management.

During the Reporting Period, the Bank adhered to the long-term compliance management concept of “system first, process first, people-oriented, and implementation-focused”, continued to improve the compliance risk management system, systematically sorted out and evaluated the institutional norms in implementation, clarified the boundaries of effective regulations and logical levels, and promoted the continuous improvement of internal regulations. In addition, the Bank strengthened compliance audit, strictly controlled compliance risk in advance, provided compliance consulting in a timely manner, and dynamically integrated compliance risk management with case prevention and control and operational risk management. In response to adjustments and changes in the regulatory environment and laws and regulations, the Bank strengthened policy analysis, research and judgment, enhanced risk warning, implemented various regulatory policies, and prevented compliance risk by issuing express and summary of new regulations, legal compliance environmental reports, regulations compilation, internalization of external regulations and other measures; ensured that innovative businesses operate in compliance with laws and regulations by proactively identifying, evaluating and mitigating the compliance risk of new products, new businesses and major projects; increased supervision and inspection of key areas, strengthened problem rectification and accountability, and improved the effectiveness of compliance management.

### ***Anti-money laundering management status***

During the Reporting Period, the Bank earnestly fulfilled the anti-money laundering obligations and actively improved the effectiveness of anti-money laundering work. The Bank issued Guiding Opinions on Anti-Money Laundering Work in 2020 (《關於2020年度反洗錢工作的指導意見》) to clarify the annual plan and work requirements for anti-money laundering, to further strengthen money laundering risk management, and to consolidate the main responsibilities of various departments and institutions. The Bank carried out the investigation and management of customer identification, conducted a comprehensive inspection of existing customers, and prevented and controlled money laundering risk from the source. Besides, the Bank completed self-evaluation of money laundering risk, evaluated the inherent risks of the Bank and the effectiveness of control measures in a scientific, comprehensive and accurate manner, formulated improvement measures and proposed systematic solutions for deficiencies. What’s more, the Bank carried out money laundering risk evaluation on businesses, during which, it conducted money laundering risk evaluation for all business products in the China Bohai Bank Product Catalog (《渤海銀行產品目錄》), assessed risk levels, and formulated corresponding risk prevention and control measures. Furthermore, the Bank conducted special anti-money laundering audit and on-site audit of relevant departments of the head office and some branches, and studied and formulated improvement measures based on audit findings. The Bank also carried out the second phase construction of the anti-money laundering system and the monitoring list system, optimized system functions and monitoring models, and improved system support capability and work efficiency. Moreover, the Bank organized training and publicity, carried out multiple anti-money laundering trainings for employees of the Bank, and launched a publicity month activity for preventing illegal fund-raising activities for the public to actively fulfill social responsibilities.

## **(IX) Strategic Risk**

Strategic risk refers to the risk of affecting the Bank’s current or future profitability, reputation and market position due to inappropriate strategic positioning, improper implementation of strategies, or failure to make timely and necessary adjustments to strategies in line with changes in internal and external competitive environment in the process of formulating and implementing development strategies or making major business decisions closely related to strategies.

During the Reporting Period, the Bank deeply studied the important spirit and instructions of the party, the state and Tianjin Municipal Government, and effectively unified thoughts and actions with the central and municipal party committee's main goals and tasks for economic and financial work in a period in the future, accurately studied and judged the macroeconomic situation at home and abroad, linked up and down, implemented policies accurately, actively responded to the challenges of the epidemic, seized opportunities of on-line and digital development, and orderly promoted the established strategic measures of the Third "Five Year Plan", so as to effectively carry out strategic risk management and promote high-quality development.

During the Reporting Period, the Bank tracked the latest major national strategic deployments and specific requirements in a timely manner, and dynamically reviewed the suitability of the Bank's Third "Five Year Plan" to ensure that the strategic positioning and development direction were consistent with relevant national requirements and do a good job in the end of the Third "Five Year Plan". At the same time, the Bank firmly grasped the strategic initiative, carefully evaluated the implementation of the Third "Five Year Plan". In addition, in accordance with the new macroeconomic situation and in combination with the actual situation of the Bank, the Bank completed the preparation of the Fourth "Five Year Plan" with a new starting point and new standards, and further clarified the long-term development direction and phased goals during the Fourth "Five Year Plan" period to ensure the sustainable and healthy development of the Bank.

## **(X) Reputational Risk**

During the Reporting Period, the Bank's reputational risk management work insisted on proactive action and advance plan, timely and effectively publicized the Bank's responsibilities and actions during the epidemic, and actively and steadily managed media relations and public opinion responses, thus created a favorable public opinion environment for the Bank's successful listing. The overall management level of reputational risk was continuously improved, and no public opinion of concern level or above occurred.

First of all, the Bank actively performed news publicity, demonstrating the Bank's responsibilities during the epidemic. Since the outbreak of the epidemic, the Bank has put prevention and control of the epidemic and guarantee of financial services as the current top priority while continuously strengthening reputational risk management and actively carrying out external news publicity. Through the news media, the Bank showed its experience and practices in fulfilling social responsibilities, launching financial service measures, helping enterprises in difficulty, strengthening technology applications, launching on-line finance, and helping resumption of work and production from many aspects and angles. Many articles were reported by the central and national mainstream media and received extensive attention.

The second was that, in order to create a favorable public opinion environment, the Bank formulated strict crisis response plans, and cooperated with sponsors and Hong Kong public relations companies to monitor public opinion in the mainland.

The third was to create a warm listing atmosphere and build a good brand image. On the day of listing to the next day, the media conducted comprehensive, multi-angle, and wide-coverage reports on listing activities and capital market performance, and the amount of publicity reached more than 2,000. At the same time, various forms of advertising were launched in the cities where the branches are located.

The fourth was to do a solid job of daily work, and reputational risk was effectively managed. In accordance with the work concept of "strengthening awareness, focusing on prevention, rigorous monitoring, proper disposal, positive guidance, and expanding publicity", the Bank continued to proactively manage the reputational risk of the whole bank. The Bank adhered to all-weather and wide-coverage public opinion monitoring for 7\*24 hours, organized public opinion monitoring, and prevented and handled reputational risk caused by business operational risk. The Bank actively carried out news publicity, showcasing a new style of stable and healthy business development, continuous and effective risk prevention and control, and ever-increasing ability to serve the real economy.

## (XI) Country Risk

Country risk refers to the risk that the borrowers or debtors of a country or region are unable or refuse to repay the debts of the Bank, or causes the Bank's business in the country or region to suffer losses, or causes the Bank to suffer other losses due to economic, political and social changes and events. It may be triggered by economic deterioration, political and social turmoil, nationalization or expropriation of property, government repudiation of foreign debts, foreign exchange control or currency depreciation in the country or region.

During the Reporting Period, the Bank continued to improve its country risk management capabilities. Within the framework of regulatory requirements and internal systems, the Bank revised the Country Risk Management Measures of CHINA BOHAI BANK CO., LTD. and formulated the Country Risk Rating and Limit Management Plan for 2020 of China Bohai Bank. As of the end of the Reporting Period, the Bank's country risk exposure amounted to RMB12.102 billion, accounting for 12.35% of the net capital. There was no major country risk exposure in a single country (or region) or risk event that exceeded the country risk limit. The country risk across the Bank was effectively controlled, and country risk appetite was implemented well.

## XII. OUTLOOK FOR THE SECOND HALF OF 2020

### (I) Economic, Financial and Banking Outlook

Looking forward to the second half of the year, as the epidemic is basically under effective control in China and the domestic economy is gradually returning to the right track, the macro-control policies will maintain a "stable" keynote and focus on the "Stable Performance in Six Key Areas (namely, employment, finance, foreign trade, foreign investment, domestic investment, and market expectations) (六稳)" and "Security in Six Key Aspects (namely, job, basic living needs, operations of market entities, food and energy security, stable industrial and supply chains, and the normal functioning of primary-level governments) (六保)", so as to promote the gradual formation of a new economic development pattern with the domestic cycle as the main body and the domestic and international cycles promoting each other. Fiscal policies will be more proactive and pragmatic, and focus on promoting rational growth in quantity and steady improvement in quality of economic development. Prudent monetary policies will be more flexible and appropriate for improving the credit structure and increasing precise support for key areas and weak links of the real economy while speeding up innovation of monetary policy tools that directly relate to the real economy.

In the second half of the year, the banking industry will continue to increase financial support to stabilize enterprises and ensure employment, actively serve the real economy, prevent and resolve financial risk, promote financial reform, and increase credit support to key industries and inclusive small and micro enterprises. At the same time, under the guidance and support of supervision, the banking industry will pay more attention to continuous improvement in capital adequacy ratio, non-performing ratio and provision coverage ratio to enhance the ability to resist risk and improve the quality and efficiency of development.

## **(II) Guiding Ideology and Main Measures of the Bank's Business Development in the Second Half of 2020**

In the second half of 2020, the Bank will continue to adhere to the business development guiding ideology set at the beginning of the year, hold high the great banner of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, and fully implement the various decision-makings and deployments of the Party Central Committee. Under the strong leadership of the Tianjin Municipal Party Committee and Government, the Bank will focus on the various requirements of high-quality development, adhere to the working concept of thriving bank by customers, developing bank by deposit, enriching bank by assets, strengthening bank by technology, leading bank by innovation and protecting bank by risk control. The Bank will seize new opportunities brought by the successful high-quality listing, continuously strengthen the leadership of party building, promote innovation, transformation and upgrading, transform growth momentum, optimize business structure, prevent and resolve risks, enhance internal control and compliance, build talent teams, consolidate corporate culture, promote continuous improvement of core competitiveness, and continue to create a new situation for the high-quality transformation and development of China Bohai Bank.

Major work measures: Firstly, insisting on strengthening the leadership of party building and promoting the enhancement of core competitiveness. The Bank always puts political construction in the first place, continues to strengthen the party organization's ability and determination to direct the direction, seek overall situation and promote reform, and facilitate the deep integration and resonance of party building and business operation. It will further enhance the determination of transformation, the driving force of tackling tough problems and cultural cohesion. Secondly, persisting in serving the real economy and promoting the enhancement of core competitiveness. The Bank will adhere to the requirements of high-quality development, take serving the real economy as the starting point and objective, strengthen service awareness and implement service measures, as well as allocate more financial resources to key areas and weak links of economic and social development. Thirdly, continuing to consolidate the foundation for business development and promoting the enhancement of core competitiveness. It will increase marketing reserves, expand asset scale, strengthen product innovation and customer expansion, and continue to optimize asset structure, liability structure, and profit structure. Fourth, persisting in building an innovation system and promoting the enhancement of core competitiveness. The Bank will continue to leverage the Bank's resource endowments and advantages, steadily promote the innovation and transformation of various business lines and continuously optimize products and services. In addition, it will deepen the promotion of digital transformation, actively deploy financial services and ecological scenarios, and continuously enhance innovation vitality. Fifth, insisting on improving risk prevention and control and promoting the enhancement of core competitiveness. Through creating a comprehensive, proactive, agile and effective risk management culture, the Bank will further improve the comprehensive risk management system, perfect the long-term mechanism of internal control and compliance management, continue to move the prevention and control threshold forward, and continuously consolidate the quality of assets. Sixth, persisting in strengthening basic management and promoting the enhancement of core competitiveness. The Bank will continue to promote multi-channel capital replenishment, coordinate the promotion of core system upgrade, strengthen data governance, accelerate the transformation of smart operation, promote the strengthening of middle and back-office support capabilities, and continue to unlock management potential.

# Changes in Share Capital and Information on Shareholders

## I. CHANGES IN ORDINARY SHARES

There was no change in the Bank's ordinary shares during the Reporting Period. The Bank was listed on the Main Board of the Hong Kong Stock Exchange on July 16, 2020, and the over-allotment option was fully exercised on August 7, 2020. From the end of Reporting Period to the date of this report, changes in the Bank's ordinary shares are as follows:

	June 30, 2020		Changes during the period (shares)	August 28, 2020	
	Number (shares)	Percentage (%)		Number (shares)	Percentage (%)
Domestic Shares	11,561,445,000	80.01	–	11,561,445,000	65.09
Unlisted Foreign Shares	2,888,555,000	19.99	(2,888,555,000)	–	–
H Shares	–	–	6,200,555,000	6,200,555,000	34.91
<b>Total ordinary shares</b>	<b>14,450,000,000</b>	<b>100.00</b>	<b>3,312,000,000</b>	<b>17,762,000,000</b>	<b>100.00</b>

- Notes: (1) As at the end of the Reporting Period, the Bank had 12 shareholders, including 11 holders of Domestic Shares and 1 holder of unlisted Foreign Shares;
- (2) Please refer to "V. Issuance and Listing of Securities" in this Chapter for the issuance and listing of H Shares of the Bank;
- (3) After the approval of the CSRC, the 2,888,555,000 unlisted Foreign Shares of the Bank held by Standard Chartered Bank (Hong Kong) Limited have been converted into H Shares on a one-for-one basis upon the completion of the Global Offering of the Bank, which cannot be transferred within one year from the date on which the Bank was listed.

## II. SHAREHOLDING OF TOP 10 SHAREHOLDERS OF ORDINARY SHARES

As of the end of the Reporting Period, shareholding of top 10 Shareholders of ordinary shares of the Bank was as follows:

No.	Name of Shareholder	Nature of Shareholder	Changes during the Reporting Period (shares)	Number of shares held at the end of the period (shares)	Shareholding percentage (%)	Class of Shares
1	TEDA Investment Holding Co., Ltd.	State-owned legal person	–	3,612,500,000	25.00	Domestic Shares
2	Standard Chartered Bank (Hong Kong) Limited	Overseas legal person	–	2,888,555,000	19.99	Unlisted Foreign Shares
3	China Shipping Investment Co., Ltd.	State-owned legal person	–	1,975,315,000	13.67	Domestic Shares
4	State Development & Investment Corp., Ltd.	State-owned legal person	–	1,686,315,000	11.67	Domestic Shares
5	China Baowu Steel Group Corporation Limited	State-owned legal person	–	1,686,315,000	11.67	Domestic Shares
6	Oceanwide Industry Co., Ltd.	Domestic non-state-owned legal person	–	1,370,706,739	9.49	Domestic Shares
7	Tianjin Shanghui Investment Holding Company Limited	Domestic non-state-owned legal person	–	1,156,000,000	8.00	Domestic Shares
8	Shine Enterprise (Tianjin) Co., Ltd.	Domestic non-state-owned legal person	–	29,424,331	0.20	Domestic Shares
9	Tianjin Xianghe Enterprise Management Consulting Co., Ltd.	Domestic non-state-owned legal person	–	14,712,166	0.10	Domestic Shares
10	Tianjin Firstwood Co., Ltd.	Domestic non-state-owned legal person	–	14,712,166	0.10	Domestic Shares

### III. INFORMATION OF SUBSTANTIAL SHAREHOLDERS

According to the relevant requirements of the Interim Measures for the Equity Management of Commercial Banks (《商業銀行股權管理暫行辦法》) promulgated by the CBRC, as of the end of the Reporting Period, the relevant information of substantial shareholders of the Bank was as follows:

Name of Shareholder	Controlling Shareholder	Actual controller	Pledged or frozen Shares held in the Bank	Nominated Directors/Supervisors
TEDA Investment Holding Co., Ltd.	Tianjin SASAC	Tianjin SASAC	1,000,000,000 Shares pledged	Nominated Director
Standard Chartered Bank (Hong Kong) Limited	Standard Chartered PLC	Standard Chartered PLC	–	Nominated Director
China Shipping Investment Co., Ltd.	COSCO SHIPPING Development Co., Ltd.	SASAC	–	Nominated Director
State Development & Investment Corp., Ltd.	SASAC	SASAC	–	Nominated Director
China Baowu Steel Group Corporation Limited	SASAC	SASAC	–	Nominated Director
Oceanwide Industry Co., Ltd.	China Oceanwide Holdings Group Co., Ltd.	LU Zhiqiang	–	Nominated Director
Tianjin Shanghui Investment Holding Company Limited	–	–	–	Nominated Director

Note: Each substantial shareholder of the Bank did not authorize any other person to or accept any other person's authorization to hold shares of the Bank, and there were no other ultimate beneficiaries or persons acting in concert.

### IV. INTERESTS AND SHORT POSITIONS OWNED BY SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS IN THE BANK'S SHARES UNDER HONG KONG LAWS AND REGULATIONS

As the H Shares of the Bank were not listed on the Hong Kong Stock Exchange as at June 30, 2020, Divisions 2 and 3 of Part XV of the SFO and Section 336 of the SFO were not applicable to the Bank during the Reporting Period. To the best knowledge of the Directors or chief executives of the Bank, as at the date of this report, the following persons (other than the Directors, Supervisors and chief executives of the Bank) had or were deemed to have interests and short positions in the Shares or underlying Shares of the Bank which would be required to be disclosed to our Bank and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or would be required to be kept in the register under Section 336 of the SFO, such as follows:

Name of Shareholder	Nature of interest	Class of Shares	Long positions/ short positions	Number of Shares directly or indirectly held (shares)	Interest in the Bank (%)	The relevant class of Shares (%)
TEDA Investment Holding Co., Ltd. (天津泰達投資控股有限公司) <sup>(1)</sup>	Beneficial owner	Domestic Shares	Long positions	3,612,500,000	20.34	31.25
Standard Chartered PLC (渣打集團有限公司) <sup>(2)</sup>	Interest in controlled corporations	H Shares	Long positions	2,888,555,000	16.26	46.59
Standard Chartered Bank (Hong Kong) Limited (渣打銀行(香港)有限公司)	Beneficial owner	H Shares	Long positions	2,888,555,000	16.26	46.59
China COSCO Shipping Corporation Limited (中國遠洋海運集團有限公司) <sup>(3)</sup>	Interest in controlled corporations	Domestic Shares	Long positions	1,975,315,000	11.12	17.09
China Shipping Group Company Limited (中國海運集團有限公司) <sup>(3)</sup>	Interest in controlled corporations	Domestic Shares	Long positions	1,975,315,000	11.12	17.09
COSCO SHIPPING Development Co., Ltd. (中遠海運發展股份有限公司) <sup>(3)</sup>	Interest in controlled corporations	Domestic Shares	Long positions	1,975,315,000	11.12	17.09
China Shipping Investment Co., Ltd. (中海集團投資有限公司)	Beneficial owner	Domestic Shares	Long positions	1,975,315,000	11.12	17.09

Name of Shareholder	Nature of interest	Class of Shares	Long positions/ short positions	Number of Shares directly or indirectly held (shares)	Interest in the Bank (%)	The relevant class of Shares (%)
State Development & Investment Corp., Ltd. (國家開發投資集團有限公司) <sup>(4)</sup>	Beneficial owner	Domestic Shares	Long positions	1,686,315,000	9.49	14.59
China Baowu Steel Group Corporation Limited (中國寶武鋼鐵集團有限公司) <sup>(5)</sup>	Beneficial owner	Domestic Shares	Long positions	1,686,315,000	9.49	14.59
LU Zhiqiang (盧志強) <sup>(6)</sup>	Interest in controlled corporations	Domestic Shares	Long positions	1,370,706,739	7.72	11.86
HUANG Qiongzi (黃瓊姿) <sup>(6)</sup>	Interest of spouse	Domestic Shares	Long positions	1,370,706,739	7.72	11.86
Tohigh Holdings Co., Ltd. (通海控股有限公司) <sup>(6)</sup>	Interest in controlled corporations	Domestic Shares	Long positions	1,370,706,739	7.72	11.86
Oceanwide Group Co., Ltd. (泛海集團有限公司) <sup>(6)</sup>	Interest in controlled corporations	Domestic Shares	Long positions	1,370,706,739	7.72	11.86
China Oceanwide Holdings Group Co., Ltd. (中國泛海控股集團有限公司) <sup>(6)</sup>	Interest in controlled corporations	Domestic Shares	Long positions	1,370,706,739	7.72	11.86
Oceanwide Industry Co., Ltd. (泛海實業股份有限公司)	Beneficial owner	Domestic Shares	Long positions	1,370,706,739	7.72	11.86
China Huadian Group Co., Ltd. (中國華電集團有限公司) <sup>(7)</sup>	Interest in controlled corporations	Domestic Shares	Long positions	1,156,000,000	6.51	10.00
China Huadian Group Capital Holdings Co., Ltd. (中國華電集團資本控股有限公司) <sup>(7)</sup>	Interest in controlled corporations	Domestic Shares	Long positions	1,156,000,000	6.51	10.00
China Huadian Group Finance Co., Ltd. (中國華電集團財務有限公司) <sup>(7)</sup>	Interest in controlled corporations	Domestic Shares	Long positions	1,156,000,000	6.51	10.00
Huaxin International Trust Co., Ltd. (華鑫國際信託有限公司) <sup>(7)</sup>	Interest in controlled corporations	Domestic Shares	Long positions	1,156,000,000	6.51	10.00
Ningbo Meishan Bonded Port Zone Yuanche Enterprise Management and Consulting Co., Ltd. (寧波梅山保稅港區遠澈企業管理諮詢有限公司) <sup>(7)</sup>	Interest in controlled corporations	Domestic Shares	Long positions	1,156,000,000	6.51	10.00
Wuhu Yuanfuchangshuo Equity Investment Partnership Enterprise (Limited Partnership) (蕪湖遠福昌樂股權投資合夥企業(有限合夥)) <sup>(7)</sup>	Interest in controlled corporations	Domestic Shares	Long positions	1,156,000,000	6.51	10.00
Guangzhou Qiushi Asset Management Co., Ltd. (廣州秋石資產管理有限公司) <sup>(7)</sup>	Interest in controlled corporations	Domestic Shares	Long positions	1,156,000,000	6.51	10.00
Huatian Investment Co., Ltd. (華田投資有限公司) <sup>(7)</sup>	Interest in controlled corporations	Domestic Shares	Long positions	1,156,000,000	6.51	10.00
Tianjin Rongsheng Xinye Investment and Development Co., Ltd. (天津融昇鑫業投資發展有限公司) <sup>(7)</sup>	Interest in controlled corporations	Domestic Shares	Long positions	1,156,000,000	6.51	10.00
Tianjin Shanghui Investment Holding Company Limited (天津商匯投資(控股)有限公司)	Beneficial owner	Domestic Shares	Long positions	1,156,000,000	6.51	10.00
Yichang HEC Health Pharmaceutical Co., Ltd. (宜昌東陽光健康藥業有限公司)	Beneficial owner	H Shares	Long positions	322,920,500	1.82	5.21

Notes:

- (1) TEDA Investment Holding Co., Ltd. is jointly held by Tianjin SASAC (天津市國資委), Tianjin Fiscal Investment Management Center (天津市財政投資管理中心) and Tianjin State-owned Assets Operation Co., Ltd. (天津市國有資產經營有限責任公司) as to 93.34%, 6.21% and 0.45%, respectively.
- (2) Standard Chartered Bank (Hong Kong) Limited is wholly-owned by Standard Chartered PLC, and therefore Standard Chartered PLC is deemed to be interested in all the Shares held by Standard Chartered Bank (Hong Kong) Limited for the purpose of the SFO.
- (3) China Shipping Investment Co., Ltd. is wholly-owned by COSCO SHIPPING Development Co., Ltd., and in turn owned by China Shipping Group Company Limited as to approximately 39.28%. China Shipping Group Company Limited is wholly-owned by China COSCO Shipping Corporation Limited, and in turn owned by SASAC and National Council for Social Security Fund as to 90% and 10%, respectively. As such, each of China COSCO Shipping Corporation Limited, China Shipping Group Company Limited and COSCO SHIPPING Development Co., Ltd. is deemed to be interested in all the Shares held by China Shipping Investment Co., Ltd for the purpose of the SFO.
- (4) State Development & Investment Corp., Ltd. is owned by SASAC and National Council for Social Security Fund as to 90% and 10%, respectively.
- (5) China Baowu Steel Group Corporation Limited is wholly-owned by SASAC.
- (6) Oceanwide Industry Co., Ltd. is owned by China Oceanwide Holdings Group Co., Ltd. and Oceanwide Group Co., Ltd. as to 60% and 40%, respectively. China Oceanwide Holdings Group Co., Ltd. is owned by Oceanwide Group Co., Ltd. and Tohigh Holdings Co., Ltd. as to 98% and 2%, respectively. Oceanwide Group Co., Ltd. is wholly-owned by Tohigh Holdings Co., Ltd. Tohigh Holdings Co., Ltd. is owned by Mr. LU Zhiqiang, Ms. HUANG Qiongzi (spouse of Mr. LU Zhiqiang), and Ms. LU Xiaoyun (daughter of Mr. LU Zhiqiang and Ms. HUANG Qiongzi, over 18 years old) as to 77.14%, 11.43% and 11.43%, respectively.

As such, each of Mr. LU Zhiqiang, Ms. HUANG Qiongzi, Tohigh Holdings Co., Ltd., Oceanwide Group Co., Ltd. and China Oceanwide Holdings Group Co., Ltd. is deemed to be interested in all the Shares held by Oceanwide Industry Co., Ltd. for the purpose of the SFO.

- (7) Tianjin Shanghui Investment Holding Company Limited is owned by Tianjin Rongsheng Xinye Investment and Development Co., Ltd. as to 43.90%, and in turn owned by Huatian Investment Co., Ltd. as to 71.32%. Huatian Investment Co., Ltd. is owned as to 95% by Guangzhou Qiushi Asset Management Co., Ltd., and in turn owned by Wuhu Yuanfuchangshuo Equity Investment Partnership Enterprise (Limited Partnership) as to 90%. Wuhu Yuanfuchangshuo Equity Investment Partnership Enterprise (Limited Partnership) is owned by Huaxin International Trust Co., Ltd. as its limited partner as to 80%, and controlled by Ningbo Meishan Bonded Port Zone Yuanche Enterprise Management and Consulting Co., Ltd. as its general partner. Huaxin International Trust Co., Ltd. is in turn owned by China Huadian Group Capital Holdings Co., Ltd. and China Huadian Group Finance Co., Ltd. as to 69.84% and 30.16%, respectively. China Huadian Group Capital Holdings Co., Ltd. is wholly-owned by China Huadian Group Co., Ltd., and more than one-third of voting power at general meeting of China Huadian Group Finance Co., Ltd. is held by China Huadian Group Co., Ltd. China Huadian Group Co., Ltd. is wholly-owned by SASAC.

As such, each of China Huadian Group Co., Ltd., China Huadian Group Capital Holdings Co., Ltd., China Huadian Group Finance Co., Ltd., Huaxin International Trust Co., Ltd., Ningbo Meishan Bonded Port Zone Yuanche Enterprise Management and Consulting Co., Ltd., Wuhu Yuanfuchangshuo Equity Investment Partnership Enterprise (Limited Partnership), Guangzhou Qiushi Asset Management Co., Ltd., Huatian Investment Co., Ltd. and Tianjin Rongsheng Xinye Investment and Development Co., Ltd. is deemed to be interested in all the Shares held by Tianjin Shanghui Investment Holding Company Limited for the purpose of the SFO.

Save as disclosed above, the Bank is not aware of any other person (other than Directors, Supervisors and chief executives of the Bank) who has any interest or short position in its shares at the date of this report which will be required to be entered in the register under section 336 of the SFO.

## V. ISSUANCE AND LISTING OF SECURITIES

The H Shares of the Bank were listed on the Hong Kong Stock Exchange on July 16, 2020. The offer price was determined to be HK\$4.80 per Offer Share (excluding brokerage of 1%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005%). The Bank issued a total of 2,880,000,000 H Shares in the Global Offering. Nine cornerstone investors (each an independent third party and not a connected person) in aggregate subscribed for 839,592,500 H Shares issued by the Bank. After deducting the underwriting fees and commissions and estimated expenses payable by the Bank in relation to the Global Offering without considering the effect of the exercise of the over-allotment option, the net proceeds from the Global Offering received by the Bank were approximately HK\$13,470.6 million.

On August 7, 2020, the over-allotment option described in the Prospectus was fully exercised by the Joint Representatives (as defined in the Prospectus), on behalf of the International Underwriters, in respect of an aggregate of 432,000,000 H Shares, representing 15% of the Offer Shares initially available under the Global Offering before any exercise of the over-allotment option to, among other things, cover the over-allocation in the International Offering. The over-allotment shares were issued and allotted at HK\$4.80 per H Share (exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005%). The listing of and dealings in the over-allotment shares commenced on the Main Board of the Hong Kong Stock Exchange on August 12, 2020. The additional net proceeds received by the Bank from the issue and allotment of the over-allotment shares after deduction of the underwriting fees and commissions and estimated expenses payable by the Bank in connection with the exercise of the over-allotment option were approximately HK\$2,031.5 million, representing the net price of approximately HK\$4.70 per H Share.

As at the date of this report, all net proceeds from the Global Offering of the Bank have been utilized for the intended use as disclosed in the Prospectus of the Bank. The net proceeds from the Global Offering of the Bank (after deduction of underwriting fees and commissions and expenses payable by the Bank in relation to the Global Offering) have been used to strengthen our capital base to support the ongoing growth of our business.

## VI. PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE BANK

From the Listing Date of the Bank to the date of this report, except for 2,880,000,000 H Shares issued by the Bank on the Listing Date and 432,000,000 H Shares issued by the Bank on August 12, 2020, the Bank has not purchased, sold or redeemed any listed securities of the Bank.

# Directors, Supervisors, Members of Senior Management, Employees and Branches

## I. DIRECTORS, SUPERVISORS AND MEMBERS OF SENIOR MANAGEMENT

As of the date of this report, the Directors, Supervisors and members of senior management of the Bank are as follows:

The Board of Directors of the Bank consists of eighteen Directors, including four executive Directors: LI Fuan, QU Hongzhi, LI Yi and DU Gang, eight non-executive Directors: ZHANG Bingjun, CUI Xuesong, FUNG Joi Lun Alan, YUAN Wei, YE Baishou, HU Aimin, ZHANG Xifang and ZHANG Yunji and six independent non-executive Directors: MAO Zhenhua, CHI Guotai, MU Binrui, TSE Yat Hong, WANG Ren and ZHU Ning.

The Board of Supervisors of the Bank consists of six Supervisors, including three employees' representative Supervisors: WANG Chunfeng, FENG Jiankuan and FAN Zhigui, and three external Supervisors: QI Ershi, DIAO Qinyi and HUI Yung Chris.

The senior management of the Bank consists of five members, including: QU Hongzhi, the president, LI Yi, WU Siqi and DU Gang, vice presidents and ZHAO Zhihong, secretary to the Board of Directors and the chief risk officer.

## II. CHANGES IN DIRECTORS, SUPERVISORS AND MEMBERS OF SENIOR MANAGEMENT OF THE BANK

During the Reporting Period, the changes in the Bank's Directors were as follows:

On November 14, 2019, the 56th Shareholders' general meeting of the Bank elected ZHANG Xifang as Director of the Bank. On January 15, 2020, the CBIRC issued the Reply of the CBIRC to the Qualifications of ZHANG Xifang of China Bohai Bank (Yin Bao Jian Fu [2020] No. 37) (《中國銀保監會關於渤海銀行張喜芳任職資格的批覆》(銀保監覆[2020]37號)) to approve the qualifications of ZHANG Xifang as Director.

On December 16, 2019, the Resolution on the Election of Directors of the Fifth Session of the Board of Directors of the Bank was reviewed and approved at the 57th Shareholders' general meeting of the Bank, which approved 18 Directors of the fifth session of the Board of Directors, including: LI Fuan, ZHANG Bingjun, CUI Xuesong, FUNG Joi Lun Alan, YUAN Wei, YE Baishou, HU Aimin, ZHANG Xifang, ZHANG Yunji, QU Hongzhi, LI Yi, DU Gang, MAO Zhenhua, CHI Guotai, MU Binrui, TSE Yat Hong, WANG Ren and ZHU Ning. On January 23, 2020, the CBIRC issued the Reply of the CBIRC to the Qualifications of QU Hongzhi, DU Gang and CUI Xuesong of China Bohai Bank (Yin Bao Jian Fu [2020] No. 69) (《中國銀保監會關於渤海銀行屈宏志、杜剛、崔雪松任職資格的批覆》(銀保監覆[2020]69號)) to approve the qualifications of CUI Xuesong, QU Hongzhi and DU Gang as Directors. On June 11, 2020, the CBIRC issued the Reply of the CBIRC to the Qualifications of TSE Yat Hong, WANG Ren and ZHU Ning of China Bohai Bank (Yin Bao Jian Fu [2020] No. 350) (《中國銀保監會關於渤海銀行謝日康、汪韜、朱寧任職資格的批覆》(銀保監覆[2020]350號)) to approve the qualifications of TSE Yat Hong, WANG Ren and ZHU Ning as independent Directors.

During the Reporting Period, there was no change in the Supervisors of the Bank.

During the Reporting Period, the changes in members of senior management of the Bank were as follows:

On December 16, 2019, QU Hongzhi was appointed as president at the 1st meeting of the fifth session of the Board of Directors of the Bank. On January 23, 2020, the CBIRC issued the Reply of the CBIRC to the Qualifications of QU Hongzhi, DU Gang and CUI Xuesong of China Bohai Bank (Yin Bao Jian Fu [2020] No. 69) (《中國銀保監會關於渤海銀行屈宏志、杜剛、崔雪松任職資格的批覆》(銀保監覆[2020]69號)) to approve the qualifications of QU Hongzhi as president.

On February 4, 2020, the 3rd meeting of the fifth session of the Board of Directors of the Bank reviewed and approved ZHAO Zhihong's position as the chief risk officer of the Bank. The Bank has filed the adjustment and change of the chief risk officer with the CBIRC.

### III. CHANGES IN THE INFORMATION OF DIRECTORS AND SUPERVISORS

Mr. CUI Xuesong, a non-executive Director of the Bank, ceased to serve as director of Tianjin PEPSI-COLA Beverage Company Limited (天津百事可樂飲料有限公司).

Mr. HU Aimin, a non-executive Director of the Bank, served as director of Baosteel Group Finance Co., Ltd. (寶鋼集團財務有限責任公司).

Mr. ZHANG Xifang, a non-executive Director of the Bank, served as chairman and ceased to serve as vice chairman of China Minsheng Trust Co., Ltd. (中國民生信託有限公司).

### IV. DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES' INTERESTS IN THE BANK

As the H Shares of the Bank were not yet listed on the Hong Kong Stock Exchange as at June 30, 2020, section 352 of the SFO and the Model Code were not applicable to the Bank during the Reporting Period. As at the date of this report, none of our Directors, Supervisors and chief executive had any interests or short positions in the Shares, underlying Shares or debentures of our Bank or any associated corporations (within the meaning of Part XV of the SFO) which were required to be entered in the register kept by the Bank pursuant to section 352 of the SFO, or which were required to be notified to the Bank and the Hong Kong Stock Exchange pursuant to the Model Code.

### V. STAFF

As of the end of the Reporting Period, the Bank had 9,862 employees, including 4,735 male employees and 5,127 female employees. The age structure, education background and professional post structure of the employees are as follows:

#### (I) Age Structure of Employees

Age	Number of employees	Structure (%)
Aged 30 or below	2,393	24.26
Aged 31-35	2,992	30.34
Aged 36-40	2,121	21.51
Aged 41-45	1,064	10.79
Aged 46-50	905	9.18
Aged over 50	387	3.92
<b>Total</b>	<b>9,862</b>	<b>100.00</b>

#### (II) Education Background of Employees

Education background/degree	Number of employees	Structure (%)
Postgraduate/Master's degree and above	2,155	21.85
Undergraduate/Bachelor's degree	7,351	74.54
College and lower	356	3.61
<b>Total</b>	<b>9,862</b>	<b>100.00</b>

### (III) Professional Post Structure of Employees

Professional post	Number of employees	Structure (%)
Corporate banking	2,325	23.58
Retail banking	2,269	23.01
Financial markets	254	2.58
FinTech	117	1.19
Finance and assets & liabilities	272	2.76
Risk management	711	7.21
Audit (including three audit centers), legal, internal control & compliance	321	3.25
Business operation	2,048	20.77
Information technology	459	4.65
Others	1,086	11.00
<b>Total</b>	<b>9,862</b>	<b>100.00</b>

In addition to the employees with whom the Bank has entered into labor contracts, as of the end of the Reporting Period, the Bank also engaged 320 dispatched workers through third-party human resources agencies and they generally hold non-essential positions at the Bank.

## VI. REMUNERATION POLICY FOR EMPLOYEES

Under the guidance of the Bank's development strategy and business objectives, the Bank's remuneration policy actively promotes remuneration performance reform, establishes a remuneration system based on the principles of strategy, value and performance, establishes and improves a sound incentive and restraint mechanism to enhance the efficiency of remuneration resource allocation. The Bank implements risk responsibilities, and strictly executes the deferred payment and recourse deduction system of performance remuneration for employees in positions that have a significant impact on risks.

## VII. STAFF TRAINING

During the Reporting Period, the Bank aimed to effectively improve the quality of employees, accelerated transformation and development, and improved the scientific level of education and training. The Bank conscientiously studied the spirit of the 19th National Congress of the Communist Party of China, formulated education and training plans for party members to promote the standardization and normalization of education and training; explored new ways of online education for party members, and carried out multi-level and multi-series training. Staff training focused on the strategy of "Bohai New Infrastructure", and actively promoted the development of a new training system. The Bank actively overcame the impact of the epidemic, adjusted training methods, and vigorously organized online training. Taking advantage of the wide audience reach of online training, the Bank combined training with strategic transformation to directly promote boutique courses by members of senior management of the Bank, as well as experts and scholars to the majority of employees. External learning platforms were introduced to popularize new technologies and knowledge to improve employees' qualities in operations and competence, incorporating promotion of business development and resolving the practical problems faced by cadres and employees into the training efforts. During the Reporting Period, the party school of the head office implemented 14 courses and trained 11,929 employees; 313 business courses were implemented online and offline at training centers and trained 265,688 employees; 282 live webcast training courses were held with 24,348 viewers; and 729 online exams were held with 2,783,671 participants.

## VIII. BRANCHES

Head Office/Branch	Number of employees	Total assets (RMB'000)	Address	Tier-two branches and sub-branches under jurisdiction	Total number of employees in the institutions under jurisdiction
Head office	1,409	519,348,295	218 Haihe East Road, Hedong District, Tianjin	–	–
Tianjin Branch	347	143,016,514	218 Haihe East Road, Hedong District, Tianjin	0/24	630
Tianjin Binhai New District Branch	138	15,060,921	North District, Financial Street, No. 9 Shengda Street, Tianjin Economic and Technological Development Area	0/06	108
Tianjin Pilot Free Trade Zone Branch	18	12,223,941	No. 3 Building, Financial Center, No. 158 West 3rd Road, Tianjin Pilot Free Trade Zone (Airport Economic Area)	0/01	26
Beijing Branch	340	82,768,501	1F-3F, East Tower C, Chemsunny World Trade Center, 28 Fuxingmennei Street, Xicheng District, Beijing	1/17	382
Hangzhou Branch	185	44,674,059	Bohai Bank Building, No. 117 Tiyuchang Road, Xiacheng District, Hangzhou City, Zhejiang Province	3/10	295
Taiyuan Branch	167	32,792,648	No. 308, Changzhi Road, Xiaodian District, Taiyuan City, Shanxi Province	1/06	157
Chengdu Branch	196	24,020,294	No. 87, Jinrongcheng South Road, High-Tech Zone, Chengdu City, Sichuan Province	1/05	158
Jinan Branch	188	40,951,769	Building 3, Lushang Olympic City, 9777 Jingshi East Road, Jinan City, Shandong Province	4/05	248
Shanghai Branch	185	29,928,397	No. 68 Yincheng Middle Road, Pudong New Area, Shanghai	0/10	173
Shanghai Pilot Free Trade Zone Branch	87	16,185,124	No. 1229 Century Avenue, Shanghai Pilot Free Trade Zone	–	–
Shenzhen Branch	164	37,488,163	No. 4009 Shennan Avenue, Futian District, Shenzhen, Guangdong Province	0/09	149
Shenzhen Qianhai Branch	97	17,682,997	Block B, CNOOC Building (Shenzhen), No. 3168 Houhaibin Road, Nanshan District, Shenzhen, Guangdong Province	–	–
Nanjing Branch	205	46,606,587	No. 213 Jiangdong Middle Road, Jianye District, Nanjing City, Jiangsu Province	5/06	339
Suzhou Branch	136	18,804,335	Jianwu Financial Center Building, No.710 Zhongyuan Road, Suzhou Industrial Park, Jiangsu Province	0/02	44

Head Office/Branch	Number of employees	Total assets (RMB'000)	Address	Tier-two branches and sub-branches under jurisdiction	Total number of employees in the institutions under jurisdiction
Dalian Branch	178	26,670,769	Yifang Building, No. 9 Yan'an Road, Zhongshan District, Dalian City, Liaoning Province	1/07	185
Guangzhou Branch	185	36,892,197	Nanya Zhonghe Plaza, 57 Linjiang Avenue, Tianhe District, Guangzhou City, Guangdong Province	4/06	277
Changsha Branch	163	19,653,660	Jiasheng Business Plaza, No. 289 Laodong West Road, Changsha City, Hunan Province	3/02	139
Shijiazhuang Branch	152	22,264,288	18 Zhonghua South Street, Shijiazhuang City, Hebei Province	3/01	191
Wuhan Branch	191	33,268,075	No. 29 Xinhua Road, Jiangnan District, Wuhan City, Hubei Province	2/03	141
Hohhot Branch	111	16,014,304	No. 85, Xinhua East Street, Xincheng District, Hohhot, Inner Mongolia Autonomous Region	1/02	66
Fuzhou Branch	110	17,270,611	Huaban Building, No. 363 Jiangbin Middle Avenue, Taijiang District, Fuzhou City, Fujian Province	1/01	46
Hefei Branch	108	10,519,657	No. 269 Suixi Road, North First Ring, Hefei City, Anhui Province	0/01	15
Zhengzhou Branch	155	30,259,215	No. 88 Jinshui East Road, Zhengdong New District, Zhengzhou City, Henan Province	0/01	37
Xi'an Branch	113	33,161,547	No. 36 Jinye Road, High-Tech Zone, Xi'an City, Shaanxi Province	0/01	26
Changchun Branch	87	12,638,278	No. 2699, Xi'an Road, Lvyuan District, Changchun City, Jilin Province	–	–
Chongqing Branch	90	15,180,310	Building 2, Lifan Center, No. 6, Juxiyanan Square, Jiangbei District, Chongqing	–	–
Shenyang Branch	82	6,319,255	No. 32 Yingbin Street, Shenhe District, Shenyang City, Liaoning Province	1/00	28
Xiamen Pilot Free Trade Zone Branch	59	4,319,186	Building A, Cross-strait Trade Center, No.s 1-9 Yunan 4th Road, Xiamen Area of China (Fujian) Pilot Free Trade Zone (Bond Area), Xiamen City, Fujian Province	–	–
Haikou Branch	62	3,148,542	S5 Podium Building, Guorui City, No. 11 Guoxing Avenue, Meilan District, Haikou City, Hainan Province	–	–

Head Office/Branch	Number of employees	Total assets (RMB'000)	Address	Tier-two branches and sub-branches under jurisdiction	Total number of employees in the institutions under jurisdiction
Qingdao Branch	66	5,067,735	Office Building T8, Shangshi Center, 195 East Hong Kong Road, Laoshan District, Qingdao City, Shandong Province	-	-
Ningbo Branch	62	5,657,778	1F-3F, Emeke Building, No.188 Dazha Road, Jiangbei District, Ningbo City, Zhejiang Province	-	-
Nanning Branch	61	2,794,433	1F-5F, Podium Building, King's International Merchant Center, 59 Jinhua Road, Qingxiu District, Nanning City, Guangxi Zhuang Autonomous Region	-	-
Nanchang Branch	67	6,850,288	Cuilin Building, 1266 Fenghe Middle Avenue, Honggutan New District, Nanchang City, Jiangxi Province	-	-
Hong Kong Representative Office <sup>Note</sup>	38	53,697	Suites 1201-1209 and 1215-1216, 12/F, Two International Finance Centre, Central, Hong Kong	-	-
Adjustment on aggregation	-	(121,929,163)	-	-	-
<b>Total</b>	<b>6,002</b>	<b>1,267,627,207</b>	-	-	<b>3,860</b>

Note: As at the date of this report, the Bank has been granted a banking license by the Hong Kong Monetary Authority, please refer to "Important Events – Subsequent Events" in this report.

# Corporate Governance

## I. OVERVIEW OF CORPORATE GOVERNANCE

During the Reporting Period, all corporate governance entities of the Bank performed their respective duties and responsibilities, communicated with each other and governed harmoniously, which further improved the level and efficiency of corporate governance.

During the Reporting Period, the Bank convened a total of 28 meetings of various types, including 1 general meeting, at which 8 resolutions were considered and approved and 3 reports were heard; 7 meetings of the Board of Directors, at which 49 resolutions were considered and approved and 6 reports were heard; and 16 meetings of special committees under the Board of Directors (including: 3 meetings of the Risk Management Committee, 5 meetings of the Related Party Transactions Control Committee, 2 meetings of the Audit and Consumer Rights Protection Committee, 4 meetings of the Nomination and Remuneration Committee, and 2 meetings of the Development Strategy and Inclusive Finance Committee), at which 47 resolutions were considered and approved and 2 reports were heard; 2 meetings of the Board of Supervisors, at which 11 resolutions were considered and approved and 9 reports were heard; and 2 meetings of special committees under the Board of Supervisors (including: 1 meeting of the Nomination Committee and 1 meeting of the Supervision Committee), at which 2 resolutions were considered and approved and 3 reports were heard.

## II. INTRODUCTION TO THE GENERAL MEETING

The Bank held its 2019 Annual General Meeting in Tianjin on March 27, 2020, which was attended by shareholders' representatives representing 100% of the total number of voting shares, with 6 Directors, 1 proposed Director, 6 Supervisors and the secretary to the Board of Directors of the Bank attending the meeting. 8 resolutions were considered and approved at the meeting and the matters considered included: the Bank's Final Accounts Report for 2019, Profit Distribution Plan for 2019, Work Report of the Board of Directors for 2019, Work Report of the Board of Supervisors for 2019, Budget Report for 2020, Financial Bond Issuance Plan for 2020, Tier-two Capital Bond Issuance Plan for 2020, and Loan Waiver Authorization Plan.

The meeting also reviewed 3 written reports, including the Bank's 2019 Report on Related Party Transactions and Management of Related Party Transactions (2019年度關聯交易及關聯交易管理情況報告), the Board of Supervisors' 2019 Assessment Report on the Performance of Duties of the Board of Directors, Senior Management and their Members (監事會對董事會、高級管理層及其成員2019年度履職評價報告), and the Board of Supervisors' 2019 Report on Self-Evaluation and Assessment of the Performance of Duties of Supervisors (2019年度監事會自我評價和監事履職評價報告).

The convening, holding and voting procedures of the above meetings were in compliance with relevant laws and regulations, the Articles of Association of the Bank and the Rules of Procedure of Shareholders' General Meeting. The lawyers witnessed the meetings and issued legal opinions.

## III. WORK OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Bank's Articles of Association stipulates that the independent non-executive Directors of the Bank shall represent at least one third of the total members of the Board. The chairmen of the Risk Management Committee under the Board of Directors (and the Related Party Transactions Control Committee subordinated to it), the Audit and Consumer Rights Protection Committee, and the Nomination and Remuneration Committee are all independent non-executive Directors. As at the date of this report, there are a total of 6 independent non-executive Directors in the Bank's Board of Directors, and the qualifications, number and proportion of independent non-executive Directors are in compliance with regulatory requirements. During the Reporting Period, the independent non-executive Directors of the Bank fulfilled their duties of integrity and diligence towards the Bank and all shareholders, thought independently and deeply, expressed their independent opinions objectively and impartially, performed their duties independently under the principles of fairness, impartiality and openness, attended all the meetings of the Board of Directors held during the Reporting Period that should be attended, and complied with regulatory requirements on in-person attendance rate. The independent non-executive Directors expressed their independent opinions on the completeness and authenticity of the Bank's information disclosure, the legality and fairness of material related party transactions and the appointment and dismissal of members of senior management. During the Reporting Period, the independent non-executive Directors did not raise any objection to relevant matters of the Bank.

## IV. WORK OF EXTERNAL SUPERVISORS

The Bank's Articles of Association stipulates that the Bank shall have 3 external Supervisors. The chairmen of the Nomination Committee and the Supervision Committee under the Board of Supervisors are all external supervisors. During the Reporting Period, the external Supervisors of the Bank strictly complied with the laws, regulations and the Bank's Articles of Association, attended meetings of the Board of Supervisors and special committees on time, actively observed the general meeting, meetings of the Board of Directors and special committees, carefully reviewed the resolutions before the meetings, actively spoke at the meetings and provided professional advice to the Board of Directors and senior management. During the intersessional period, they paid close attention to the Bank's business development, carefully studied the Bank's information reports and other materials, performed their duties conscientiously and diligently, and mainly carried out the following tasks: attended all meetings of the Board of Supervisors held during the Reporting Period that should be attended, and complied with regulatory requirements on in-person attendance rate; presided over and convened 1 meeting of the Nomination Committee and the Supervision Committee of the Board of Supervisors, respectively; observed 1 meeting of the general meeting, 3 meetings of the Board of Directors and 3 meetings of special committees under the Board of Directors; reviewed the voting materials of the meetings of the Board of Directors and its special committees by correspondence, and supervised the operation of the meetings, and the performance of duties by directors during the meetings; reviewed the Bank's monthly financial statements and monitored significant changes in financial aspects; reviewed and revised the working rules of special committees to promote system improvement of the Board of Supervisors.

## V. INTERNAL CONTROL

The Bank has established a "four-in-one" internal control system consisting of process execution, functional management, second-line supervision and internal audit. Under the system, the Bank sticks to the bottom line of internal control, focuses on management priorities, grasps key areas, and adheres to the "comprehensive, whole-process, and whole-workforce" control principle in internal control management, compliance support, operational risk prevention, case prevention and control, anti-money laundering management, business continuity management, auditing and inspection and other aspects, to promote compliant and orderly management and steady development of all operations.

During the Reporting Period, the Bank proactively implemented the decisions and deployments of the Party Committee, the Board of Directors and senior management of the Head Office, with the aim of serving the Bank's transformation and development, successful listing and the successful conclusion of the Third "Five Year Plan", overcame the difficulties of the COVID-19 outbreak, shouldered its responsibility and made solid progress, so as to further enhance the quality and efficiency of the Bank's internal control and compliance management. The Bank held a kick-off meeting to further deepen the bank-wide campaign against gang crime, anti-money laundering management and case prevention and control, emphasizing the significance of the bottom line of the three tasks and clarifying the direction and tone of work. We strengthened the construction of the "Big Compliance" system, enriched the connotations and denotations of internal control and compliance management, and further clarified the management system in which each of the first and second lines of defense performed their respective duties and responsibilities. We launched a number of fundamental improvement works for the original mechanism, and enhanced the empowerment of technology to improve management efficiency. We strengthened the management of employee conduct, regularly carried out the investigation of abnormal employee conduct, and refined the investigation requirements to prevent moral risks. We proactively provided multi-level compliance education and trainings, released a series of training courses, set up a special training for members of senior management, enhanced the awareness of all staff of compliant operations, and started the publication of the Internal Control and Compliance Risk Alert to strengthen the construction of compliance culture.

## VI. INTERNAL AUDIT

The Bank adopts a risk-based model in internal audit. Based on the division of audit units and regular risk assessment of audit units, the Bank determines audit items according to regulatory requirements, risk level and the principle of materiality, formulates annual plan for internal audit work, and actively performs the duties of audit and oversight on key businesses and major risk areas within its scope of responsibility. By tracking the rectification of audit findings, the Bank strives to promote the continuous improvement of the Bank's internal control and risk management system.

During the Reporting Period, the audit department of the Bank carried out 4 special audits in accordance with the plan for internal audit work approved by the Audit and Consumer Rights Protection Committee under the Board of Directors, the work arrangements of the Board of Supervisors and regulatory requirements, focusing on the Bank's central tasks, and completed exit audits in a timely manner according to the Bank's actual situation. In response to the control weaknesses identified by internal audits, relevant departments or branches formulated remedial measures, and the audit department of the Bank has tracked the implementation of the remedial measures. The tracking results showed that, as of the end of the Reporting Period, the problems identified by internal audits of the Bank had been basically rectified before the deadline.

## VII. AMENDMENTS TO THE ARTICLES OF ASSOCIATION

In order to meet the needs of the Bank's overseas initial public offering and listing, the Bank has made amendments to the Articles of Association according to the requirements of the listing of H Shares, which have come into effect on the Listing Date of the Bank upon deliberation and approval of the Shareholders' general meeting of the Bank and approval of the CBIRC.

## VIII. SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Bank has adopted the Model Code as the code governing securities transactions by Directors and Supervisors of the Bank. As the Bank's H Shares were not yet listed on the Hong Kong Stock Exchange as at June 30, 2020, the Model Code was not applicable to the Bank during the Reporting Period. Having made specific inquiries with all Directors and Supervisors, the Directors and Supervisors of the Bank confirmed that they have complied with the Model Code from the Listing Date to the date of this report.

## IX. COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Bank has adopted the applicable code provisions set out in the Corporate Governance Code in Appendix 14 to the Listing Rules. As the Bank's H Shares were not yet listed on the Hong Kong Stock Exchange as at June 30, 2020, the Corporate Governance Code was not applicable to the Bank during the Reporting Period. The Bank has complied with the code provisions set out in the Corporate Governance Code in Appendix 14 to the Listing Rules from the Listing Date. The Bank has also complied with certain recommended best practices set out in the Code.

# Important Events

## I. USE OF PROCEEDS RAISED

The H Shares of the Bank were listed on the Hong Kong Stock Exchange on July 16, 2020, and the over-allotment option set out in the Prospectus was fully exercised on August 7, 2020. The net proceeds from the Global Offering received by the Bank amounted to approximately HK\$15,502.1 million. As at the date of this report, all our net proceeds from the Global Offering have been utilized for the intended use as disclosed in the Prospectus of the Bank. The net proceeds from the Global Offering of the Bank (after deduction of underwriting fees and commissions and expenses payable by the Bank in relation to the Global Offering) have been used to strengthen our capital base to support the ongoing growth of our business.

For the issuance of H Shares of the Bank, please refer to “Changes in Share Capital and Information on Shareholders – V. Issuance and Listing of Securities” of this report.

## II. MATERIAL LITIGATIONS AND ARBITRATIONS

As of the end of the Reporting Period, the Bank was involved in a number of legal proceedings in its ordinary course of business, most of which were dispute litigations initiated by the Bank as the plaintiff for the recovery of NPLs, and there were a total of 47 litigations with the amount in dispute (principal) of over RMB30 million each. There were dispute cases (including litigations and arbitrations) against the Bank pending final judgments, and there were 3 dispute litigations with the amount in dispute of over RMB10 million each, involving approximately RMB141 million. The Bank considers that the above-mentioned litigations and arbitrations will not have any material and adverse impact on our financial and operating results.

## III. INCREASE OR REDUCTION IN THE REGISTERED CAPITAL, ACQUISITION AND DISPOSAL OF ASSETS AND BUSINESS MERGER

During the Reporting Period, there was no change in the registered capital of the Bank, nor were there any material acquisition and disposal of assets or business merger.

## IV. IMPLEMENTATION OF EQUITY INCENTIVE PLANS

During the Reporting Period, the Bank did not implement any equity incentive plan.

## V. MATERIAL RELATED PARTY TRANSACTIONS

During the Reporting Period, the Bank had no material related party transactions. All continuing related party transactions of the Bank were de minimis transactions under the requirements of the Hong Kong Stock Exchange. All related party transactions of the Bank were conducted based on business principles and in accordance with the relevant laws and regulations and the review and approval procedures of the Bank. The related party transactions between the Bank and related parties were conducted in strict adherence to the principles of good faith and fairness and on terms no more favourable than similar transactions of non-related parties, and therefore were in the interests of the Bank and its Shareholders as a whole. During the Reporting Period, the Bank further improved the related party transactions management system, optimized the related party transactions management mechanism, enhanced the informatization of related party transactions management and earnestly performed the report audit obligations for related party transactions, and reported to the CBIRC and the Board of Supervisors of the Bank in accordance with the requirements of regulatory authorities such as the CBIRC and the Hong Kong Stock Exchange. Please refer to “Review Report and Interim Financial Report – Notes to the Unaudited Interim Financial Statements” in this report for the related party transactions as defined under the laws, regulations and accounting standards of the PRC.

## **VI. MATERIAL CONTRACTS AND THEIR PERFORMANCE**

### **(I) Material Custody, Contracting or Leasing Matters**

During the Reporting Period, the Bank had no material custody, contracting or leasing matters which were required to be disclosed.

### **(II) Material Guarantees**

During the Reporting Period, save as normal operation activities, the Bank had no material guarantee matters which were required to be disclosed.

### **(III) Other Material Contracts**

During the Reporting Period, the Bank had no other material contract matters which were required to be disclosed.

## **VII. MAJOR INVESTMENT AND FUTURE MAJOR INVESTMENT PLAN**

During the Reporting Period, the Bank had no major equity investment or major equity investment plans.

## **VIII. PENALTIES IMPOSED ON THE BANK AND ITS DIRECTORS, SUPERVISORS AND MEMBERS OF SENIOR MANAGEMENT**

During the Reporting Period, the Bank had not been subject to penalty imposed by regulatory authorities which would have material impact on the Bank's operation and management; the Bank's Directors, Supervisors or members of senior management had not been subject to penalty.

## **IX. SUBSEQUENT EVENTS**

The H Shares of the Bank were listed on the Hong Kong Stock Exchange on July 16, 2020. For details, please refer to "Changes in Share Capital and Information on Shareholders – V. Issuance and Listing of Securities" of this report.

The Bank was granted a banking license by the Hong Kong Monetary Authority on August 6, 2020 and has thus become a licensed bank in Hong Kong. As at the date of this report, the Hong Kong branch has not yet commenced business.

On August 18, 2020, the Bank issued three-year special financial bonds for loans to small and micro enterprises with face value of RMB10 billion. The fixed coupon interest rate per annum is 3.55%. For details, please refer to the relevant announcement of the Bank dated August 20, 2020 published on the website of the Hong Kong Stock Exchange and the website of the Bank.

## **X. REVIEW OF INTERIM RESULTS**

The Bank's external auditor KPMG has reviewed the interim financial report prepared by the Bank in accordance with the disclosure requirements set out in the IFRS and the Listing Rules; meanwhile, the Audit and Consumer Rights Protection Committee under the Board of the Bank has reviewed and approved the Bank's results and financial report for the six months ended June 30, 2020.

## **XI. PUBLICATION OF THE INTERIM REPORT**

The English and Chinese versions of the interim report prepared by the Bank pursuant to the IFRS and the Listing Rules are available on the website of the Hong Kong Stock Exchange and the Bank's website.

# Review Report and Interim Financial Report

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## **Review Report to the Board of Directors of CHINA BOHAI BANK CO., LTD.** (A joint stock company incorporated in the People's Republic of China with limited liability)

### **Introduction**

We have reviewed the interim financial report set out on pages 66 to 175, which comprises the statement of financial position of CHINA BOHAI BANK CO., LTD. (the "Bank") as at 30 June 2020 and the related statement of profit or loss and other comprehensive income, the statement of changes in equity and the cash flow statement for the six-months period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standard 34, Interim Financial Reporting, issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of the interim financial report in accordance with International Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report 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 the Hong Kong Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*, issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial report consists of making enquiries, 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 Hong Kong 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 report as at 30 June 2020 is not prepared, in all material respects, in accordance with International Accounting Standard 34, Interim Financial Reporting.

#### **KPMG**

*Certified Public Accountants*

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

28 August 2020

## Unaudited Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	Six months ended 30 June	
		2020 (Unaudited)	2019 (Unaudited)
Interest income		29,172,746	24,520,133
Interest expense		(15,223,522)	(14,145,122)
<b>Net interest income</b>	3	<b>13,949,224</b>	10,375,011
Fee and commission income		2,500,763	2,968,102
Fee and commission expense		(992,342)	(455,432)
<b>Net fee and commission income</b>	4	<b>1,508,421</b>	2,512,670
Net trading (losses)/gains	5	(9,655)	82,807
Net gains arising from investment securities	6	578,423	460,929
Other operating income	7	18,786	23,288
<b>Operating income</b>		<b>16,045,199</b>	13,454,705
Operating expenses	8	(4,417,196)	(4,241,254)
Impairment losses on assets	9	(5,342,664)	(3,112,001)
Share of losses of associate		–	(21,582)
<b>Profit before taxation</b>		<b>6,285,339</b>	6,079,868
Income tax	10	(1,238,628)	(1,157,075)
<b>Net profit</b>		<b>5,046,711</b>	4,922,793
<b>Earnings per share</b>			
– Basic and diluted (RMB yuan)	11	0.35	0.34

The notes on pages 74 to 175 form part of these interim financial report.

## Unaudited Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	Six months ended 30 June	
		2020 (Unaudited)	2019 (Unaudited)
<b>Net profit</b>		<b>5,046,711</b>	4,922,793
<b>Other comprehensive income:</b>			
Items that may be reclassified subsequently to profit or loss:			
Change in fair value of debt instruments measured at fair value through other comprehensive income	32	<b>27,858</b>	(105,963)
Credit losses of debt instruments measured at fair value through other comprehensive income	32	<b>(190,845)</b>	356,244
Reserve from cash flow hedging instruments	32	<b>194</b>	–
<b>Other comprehensive income, net of tax</b>		<b>(162,793)</b>	250,281
<b>Total comprehensive income</b>		<b>4,883,918</b>	5,173,074

The notes on pages 74 to 175 form part of these interim financial report.

# Unaudited Statement of Financial Position

As at 30 June 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	At 30 June 2020 (Unaudited)	At 31 December 2019 (Audited)
<b>Assets</b>			
Cash and deposits with the central bank	12	<b>83,648,238</b>	93,013,699
Deposits with banks and other financial institutions	13	<b>27,951,462</b>	14,051,627
Placements with banks and other financial institutions	14	<b>4,092,620</b>	4,410,809
Derivative financial assets	15	<b>218,373</b>	158,709
Financial assets held under resale agreements	16	<b>9,987,631</b>	1,850,258
Loans and advances to customers	17	<b>794,524,803</b>	687,279,098
Financial investments:	18		
– Financial investments measured at fair value through profit or loss		<b>63,060,628</b>	36,238,313
– Financial investments measured at fair value through other comprehensive income		<b>66,829,086</b>	64,967,327
– Financial investments measured at amortised cost		<b>199,932,483</b>	199,101,251
Property and equipment	20	<b>3,710,266</b>	3,804,211
Deferred tax assets	21	<b>7,129,866</b>	6,365,091
Other assets	22	<b>6,541,751</b>	5,689,632
<b>Total assets</b>		<b>1,267,627,207</b>	1,116,930,025
<b>Liabilities and equity</b>			
<b>Liabilities</b>			
Borrowing from the central bank	23	<b>59,431,578</b>	46,905,557
Deposits from banks and other financial institutions	24	<b>90,336,820</b>	78,547,430
Placements from banks and other financial institutions	25	<b>26,351,184</b>	21,500,177
Derivative financial liabilities	15	<b>199,695</b>	171,758
Financial assets sold under repurchase agreements	26	<b>22,491,578</b>	23,069,093
Deposits from customers	27	<b>768,363,212</b>	647,764,551
Income tax payable		<b>1,012,944</b>	1,887,990
Debt securities issued	28	<b>200,225,160</b>	196,603,843
Other liabilities	29	<b>11,692,521</b>	17,841,029
<b>Total liabilities</b>		<b>1,180,104,692</b>	1,034,291,428

The notes on pages 74 to 175 form part of these interim financial report.

## Unaudited Statement of Financial Position

As at 30 June 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	At 30 June 2020 (Unaudited)	At 31 December 2019 (Audited)
<b>Equity</b>			
Share capital	30	<b>14,450,000</b>	14,450,000
Other equity instruments	31	<b>19,961,604</b>	19,961,604
Other comprehensive income	32	<b>806,700</b>	969,493
Surplus reserve	33	<b>5,009,612</b>	5,009,612
General reserve	33	<b>14,081,733</b>	14,081,733
Retained earnings	34	<b>33,212,866</b>	28,166,155
<b>Total equity</b>		<b>87,522,515</b>	82,638,597
<b>Total liabilities and equity</b>		<b>1,267,627,207</b>	1,116,930,025

**Li Fuan**  
*Legal Representative  
Chairman of the  
Board of Directors*

**Qu Hongzhi**  
*President  
Executive Director*

**Du Gang**  
*The person in charge  
of accounting affairs*

**Wang Fenglei**  
*The person in charge  
of accounting  
department*

**(Company stamp)**

The notes on pages 74 to 175 form part of these interim financial report.

# Unaudited Statement of Changes in Equity

For the six months ended 30 June 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	Share capital	Other equity instruments	Other comprehensive income	Surplus reserve	General reserve	Retained earnings	Total
Balance at 31 December 2019		14,450,000	19,961,604	969,493	5,009,612	14,081,733	28,166,155	82,638,597
Changes in equity for the period:								
Net profit for the period		-	-	-	-	-	5,046,711	5,046,711
Other comprehensive income	32	-	-	(162,793)	-	-	-	(162,793)
Total comprehensive income		-	-	(162,793)	-	-	5,046,711	4,883,918
Balance at 30 June 2020 (Unaudited)		14,450,000	19,961,604	806,700	5,009,612	14,081,733	33,212,866	87,522,515

	Note	Share capital	Other comprehensive income	Surplus reserve	General reserve	Retained earnings	Total
Balance at 31 December 2018		14,450,000	283,412	4,176,059	12,641,306	24,308,344	55,859,121
Changes in equity for the period:							
Net profit for the period		-	-	-	-	4,922,793	4,922,793
Other comprehensive income	32	-	250,281	-	-	-	250,281
Total comprehensive income		-	250,281	-	-	4,922,793	5,173,074
Balance at 30 June 2019 (Unaudited)		14,450,000	533,693	4,176,059	12,641,306	29,231,137	61,032,195

The notes on pages 74 to 175 form part of these interim financial report.

## Unaudited Statement of Changes in Equity

For the six months ended 30 June 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	Share capital	Other equity instruments	Other comprehensive income	Surplus reserve	General reserve	Retained earnings	Total
Balance at 31 December 2018		14,450,000	-	283,412	4,176,059	12,641,306	24,308,344	55,859,121
Changes in equity for the period:								
Net profit for the period		-	-	-	-	-	8,192,756	8,192,756
Other comprehensive income	32	-	-	686,081	-	-	-	686,081
Total comprehensive income		-	-	686,081	-	-	8,192,756	8,878,837
Capital contribution by other equity instruments holders	31	-	19,961,604	-	-	-	-	19,961,604
Appropriation of profit								
- Appropriation to surplus reserve	33	-	-	-	833,553	-	(833,553)	-
- Appropriation to general reserve	33	-	-	-	-	1,440,427	(1,440,427)	-
- Cash dividends paid to shareholders	34	-	-	-	-	-	(2,060,965)	(2,060,965)
Balance at 31 December 2019 (Audited)		14,450,000	19,961,604	969,493	5,009,612	14,081,733	28,166,155	82,638,597

The notes on pages 74 to 175 form part of these interim financial report.

# Unaudited Cash Flow Statement

For the six months ended 30 June 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	Six months ended 30 June	
		2020 (Unaudited)	2019 (Unaudited)
<b>Cash flows from operating activities</b>			
Profit before tax		<b>6,285,339</b>	6,079,868
<i>Adjustments for:</i>			
Impairment losses on assets		<b>5,342,664</b>	3,112,001
Depreciation and amortisation		<b>714,522</b>	684,733
Net gains arising from investment securities		<b>(578,423)</b>	(460,929)
Interest expense on debts securities issued		<b>3,366,466</b>	3,783,055
Net trading losses/(gains)		<b>9,655</b>	(82,807)
Interest income arising from financial investments		<b>(5,791,865)</b>	(6,170,316)
Interest expense on lease liabilities		<b>78,506</b>	84,682
Net gains on disposal of property and equipment		<b>(122)</b>	(15)
Share of losses of associate		<b>-</b>	21,582
		<b>9,426,742</b>	7,051,854
<i>Changes in operating assets</i>			
Net decrease in deposits with banks and other financial institutions with maturity over 3 months		<b>1,660,000</b>	3,990,000
Net (increase)/decrease in deposits with the central bank		<b>(238,058)</b>	2,867,999
Net decrease/(increase) in placement with banks and other institutions		<b>1,000,725</b>	(436,680)
Net (increase)/decrease in financial assets held for trading		<b>(9,425,076)</b>	125,391
Net increase in loans and advances to customers		<b>(111,670,289)</b>	(74,170,067)
Net increase in other operating assets		<b>(1,649,918)</b>	(4,563,300)
		<b>(120,322,616)</b>	(72,186,657)
<i>Changes in operating liabilities</i>			
Net increase/(decrease) in borrowings from the central bank		<b>11,900,000</b>	(7,500,000)
Net increase in deposits from banks and other financial institutions		<b>11,786,338</b>	23,759,950
Net increase/(decrease) in placements from banks and other financial institutions		<b>4,886,008</b>	(4,022,711)
Net decrease in financial assets sold under repurchase agreements		<b>(579,866)</b>	(1,856,398)
Net increase in deposits from customers		<b>119,720,373</b>	65,599,779
Net (decrease)/increase in other operating liabilities		<b>(4,758,876)</b>	2,229,108
		<b>142,953,977</b>	78,209,728
Net cash flows generated from operating activities before tax		<b>32,058,103</b>	13,074,925
Income tax paid		<b>(2,824,185)</b>	(1,512,614)
<b>Net cash flows generated from operating activities</b>		<b>29,233,918</b>	11,562,311

The notes on pages 74 to 175 form part of these interim financial report.

**Unaudited Cash Flow Statement**  
**For the six months ended 30 June 2020**  
(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	Six months ended 30 June	
		2020 (Unaudited)	2019 (Unaudited)
<b>Cash flows from investing activities</b>			
Proceeds from disposal sale and redemption of investments		<b>121,783,535</b>	127,966,258
Proceeds received from investment activities		<b>5,407,200</b>	6,683,201
Proceeds from disposal of property and equipment and other assets		<b>183</b>	32
Payments on acquisition of investments		<b>(141,605,559)</b>	(122,229,476)
Payments on acquisition of property and equipment, intangible assets and other assets		<b>(169,074)</b>	(190,624)
<b>Net cash flows (used in)/generated from investing activities</b>		<b>(14,583,715)</b>	12,229,391
<b>Cash flows from financing activities</b>			
Proceeds from debt securities issued		<b>176,817,254</b>	205,937,090
Repayment of debt securities issued		<b>(173,430,295)</b>	(233,262,667)
Interest paid on debt securities issued		<b>(3,132,108)</b>	(3,898,369)
Interest paid on lease liabilities		<b>(78,506)</b>	(84,682)
Repayment of lease liabilities		<b>(300,108)</b>	(305,008)
<b>Net cash flows generated used in financing activities</b>		<b>(123,763)</b>	(31,613,636)
<b>Effect of foreign exchange rate changes on cash and cash equivalents</b>		<b>191,669</b>	(16,780)
<b>Net increase/(decrease) in cash and cash equivalents</b>	37(a)	<b>14,718,109</b>	(7,838,714)
<b>Cash and cash equivalents as at 1 January</b>		<b>42,694,864</b>	68,852,350
<b>Cash and cash equivalents as at 30 June</b>	37(b)	<b>57,412,973</b>	61,013,636
Interest received		<b>27,923,903</b>	24,575,020
Interest paid (excluding interest expense on debt securities issued)		<b>(10,356,044)</b>	(10,363,054)

The notes on pages 74 to 175 form part of these interim financial report.

# Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi (“RMB”), unless otherwise stated)

## 1 Background information

CHINA BOHAI BANK CO., LTD. (the “Bank”) is a national joint-stock commercial bank established in Tianjin on 30 December 2005.

The Bank has been approved by the former China Banking Regulatory Commission (the “CBRC”) to hold financial business permit (No. B0017H112000001) and approved by the Tianjin Administration for Market Regulation for the business license (No. 911200007109339563).

On 16 July 2020, the Bank’s H shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (Stock code: 9668).

The Bank commenced its operation on 16 February 2006. As at 30 June 2020, the Bank has established 33 tier-one branches (including Suzhou, Qingdao and Ningbo Branches under direct management of the head office), 31 tier-two branches, 126 sub-branches, and 1 overseas representative office. The total number of outlets reached 240, including 191 branches and sub-branches, and 49 small and micro community sub-branches.

## 2 Basis of preparation and accounting policies

### Basis of preparation

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard (“IAS”) 34, *Interim Financial Reporting*, issued by the International Accounting Standards Board (“IASB”). It was authorised for issue by the Bank’s Board of Directors on 28 August 2020.

This interim financial report contains financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Bank since the 2019 annual financial statements. The interim financial statements and selected notes thereon do not include all the information required for a full set of financial statements prepared in accordance with International Financial Reporting Standards (“IFRSs”).

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*, issued by the Hong Kong Institution of Certified Public Accountants.

The financial information relating to the financial year ended 31 December 2019 that is included in the interim financial report as comparative information does not constitute the Bank’s statutory annual financial statements for that financial year but is derived from those financial statements.

## Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi ("RMB"), unless otherwise stated)

## 2 Basis of preparation and accounting policies *(continued)*

### Accounting judgements and estimates

The preparation of an interim financial report in conformity with IAS 34 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 on a year to date basis. The significant judgements made by management in applying the Bank's accounting policies and the key sources of estimation uncertainty were the same as those applied in the preparation of the financial statements for the year ended 31 December 2019. Actual results may differ from these estimates.

### Significant accounting policies

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2019 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2020 annual financial statements.

The IASB has issued the following amendments to IFRSs (including IASs) that are first effective for the current accounting period of the Bank.

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

The adoption of the amendments has no material impact on the financial position and the financial performance of the Bank.

The Bank has not applied any new standard, amendment or interpretation that is not yet effective for the current accounting period.

## Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi (“RMB”), unless otherwise stated)

### 3 Net interest income

	Six months ended 30 June	
	2020 (Unaudited)	2019 (Unaudited)
<b>Interest income arising from</b>		
Deposits with the central bank	<b>523,206</b>	583,196
Deposits with banks and other financial institutions	<b>122,915</b>	468,130
Placements with banks and other financial institutions	<b>172,445</b>	143,096
Loans and advances to customers		
– Corporate loans and advances	<b>13,582,539</b>	11,122,421
– Personal loans	<b>8,518,824</b>	5,654,572
– Discounted bills	<b>353,398</b>	202,109
Financial assets held under resale agreements	<b>107,554</b>	176,293
Financial investments	<b>5,791,865</b>	6,170,316
Sub-total	<b>29,172,746</b>	24,520,133
<b>Interest expense arising from</b>		
Borrowing from the central bank	<b>(886,542)</b>	(359,096)
Deposits from banks and other financial institutions	<b>(1,112,701)</b>	(1,156,017)
Placements from banks and other financial institutions	<b>(312,517)</b>	(284,815)
Deposits from customers	<b>(9,357,563)</b>	(8,285,176)
Financial assets sold under repurchase agreements	<b>(187,733)</b>	(276,963)
Debt securities issued	<b>(3,366,466)</b>	(3,783,055)
Sub-total	<b>(15,223,522)</b>	(14,145,122)
<b>Net interest income</b>	<b>13,949,224</b>	10,375,011

Interest income arising from impaired loans for the six months ended 30 June 2020 and 2019 amounted to RMB126 million and RMB116 million, respectively.

## Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi ("RMB"), unless otherwise stated)

### 4 Net fee and commission income

#### (a) Income and expense streams:

	Six months ended 30 June	
	2020 (Unaudited)	2019 (Unaudited)
<b>Fee and commission income</b>		
Agency service fees	1,175,843	1,381,805
Custodian service fees	420,017	566,794
Settlement and clearing fees	310,206	207,806
Consulting service fees	222,832	402,386
Credit commitments and asset management fees	219,387	138,644
Bank card fees	111,603	63,773
Others	40,875	206,894
Sub-total	2,500,763	2,968,102
<b>Fee and commission expense</b>		
Information service fees	(895,575)	(324,325)
Consulting service fees	(35,395)	(9,216)
Agency service fees	(31,799)	(51,310)
Settlement and clearing fees	(15,144)	(14,035)
Bank card fees	(7,104)	(49,389)
Others	(7,325)	(7,157)
Sub-total	(992,342)	(455,432)
<b>Net fee and commission income</b>	<b>1,508,421</b>	<b>2,512,670</b>

#### (b) Disaggregation of income:

	Six months ended 30 June (Unaudited)			
	2020		2019	
	At a point in time	Over time	At a point in time	Over time
Agency service fees	306,075	869,768	323,766	1,058,039
Custodian service fees	–	420,017	–	566,794
Settlement and clearing fees	777	309,429	821	206,985
Consulting service fees	–	222,832	–	402,386
Credit commitments and asset management fees	79,639	139,748	27,472	111,172
Bank card fees	28,582	83,021	17,820	45,953
Others	7,239	33,636	172,186	34,708
Total	422,312	2,078,451	542,065	2,426,037

## Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi ("RMB"), unless otherwise stated)

### 5 Net trading (losses)/gains

	Six months ended 30 June	
	2020 (Unaudited)	2019 (Unaudited)
Net gains/(losses) from derivative instruments	<b>44,464</b>	(262,694)
Exchange (losses)/gains	<b>(65,708)</b>	321,768
Net gains from trading of precious metals	<b>7</b>	7
Net (losses)/gains from debt securities	<b>(3,007)</b>	9,645
Net gains from loans and advances at fair value through profit or loss	<b>14,589</b>	14,081
<b>Total</b>	<b>(9,655)</b>	82,807

### 6 Net gains arising from investment securities

	Six months ended 30 June	
	2020 (Unaudited)	2019 (Unaudited)
Net gains of financial investments measured at fair value through profit or loss	<b>517,248</b>	417,364
Net gains of financial investments measured at fair value through other comprehensive income	<b>34,566</b>	17,740
Net gains on disposal of financial investments measured at amortised cost	<b>26,609</b>	16,825
Dividend income	<b>-</b>	9,000
<b>Total</b>	<b>578,423</b>	460,929

### 7 Other operating income

	Six months ended 30 June	
	2020 (Unaudited)	2019 (Unaudited)
Government grants	<b>10,421</b>	10,070
Rental income	<b>6,518</b>	5,418
Long-term unwithdrawn items income	<b>704</b>	995
Net gains on disposal of property and equipment	<b>122</b>	31
Penalty income	<b>63</b>	-
Distributorship income	<b>-</b>	6,060
Others	<b>958</b>	714
<b>Total</b>	<b>18,786</b>	23,288

## Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi ("RMB"), unless otherwise stated)

### 8 Operating expenses

	Six months ended 30 June	
	2020 (Unaudited)	2019 (Unaudited)
Staff costs		
– Salaries, bonuses and allowances	<b>2,104,498</b>	1,904,919
– Social insurance and annuity	<b>223,383</b>	303,379
– Housing allowances	<b>206,770</b>	158,759
– Staff welfares	<b>78,914</b>	74,880
– Employee education expenses and labour union expenses	<b>66,029</b>	50,841
– Others	<b>113,800</b>	182,727
Sub-total	<b>2,793,394</b>	2,675,505
Depreciation and amortisation	<b>714,522</b>	684,733
Taxes and surcharges	<b>214,146</b>	165,523
Interest expense on lease liabilities	<b>78,506</b>	84,682
Other general and administrative expenses	<b>616,628</b>	630,811
Total	<b>4,417,196</b>	4,241,254

Expenses relating to short-term leases and leases of low-value assets were RMB7 million and RMB4 million for the six months ended 30 June 2020 and 2019.

### 9 Impairment losses on assets

	Six months ended 30 June	
	2020 (Unaudited)	2019 (Unaudited)
Deposits with banks and other financial institutions	<b>(125,074)</b>	152,557
Placements with banks and other financial institutions	<b>61,483</b>	2,317
Financial assets held under resale agreements	<b>2,361</b>	(2,282)
Loans and advances to customers	<b>4,815,609</b>	2,670,997
Financial investments	<b>545,374</b>	265,667
Credit commitments	<b>42,911</b>	22,745
Total	<b>5,342,664</b>	3,112,001

## Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi (“RMB”), unless otherwise stated)

### 10 Income tax expense

#### (a) Income tax:

	Note	Six months ended 30 June	
		2020 (Unaudited)	2019 (Unaudited)
Current tax		<b>1,949,140</b>	1,608,066
Deferred tax	21(b)	<b>(710,512)</b>	(450,991)
<b>Total</b>		<b>1,238,628</b>	1,157,075

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

	Note	Six months ended 30 June	
		2020 (Unaudited)	2019 (Unaudited)
Profit before taxation		<b>6,285,339</b>	6,079,868
Statutory tax rate		<b>25%</b>	25%
Income tax calculated at statutory tax rate		<b>1,571,335</b>	1,519,967
Non-deductible expenses		<b>118,502</b>	41,791
Non-taxable income	(i)	<b>(452,197)</b>	(412,764)
Others		<b>988</b>	8,081
<b>Income tax</b>		<b>1,238,628</b>	1,157,075

- (i) The non-taxable income mainly represents the interest income arising from the People’s Republic of China (“PRC”) government bonds, municipal debts, and dividend income from funds.

## Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi ("RMB"), unless otherwise stated)

### 11 Basic and diluted earnings per share

	Note	Six months ended 30 June	
		2020 (Unaudited)	2019 (Unaudited)
Net profit attributable to ordinary equity holders of the Bank		<b>5,046,711</b>	4,922,793
Weighted average number of ordinary shares (in thousands)	(a)	<b>14,450,000</b>	14,450,000
Basic and diluted earnings per share attributable to ordinary equity holders of the Bank (in RMB)		<b>0.35</b>	0.34

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

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

	Six months ended 30 June	
	2020 (Unaudited)	2019 (Unaudited)
Number of ordinary shares at the beginning of the period	<b>14,450,000</b>	14,450,000
Weighted average number of ordinary shares issued during the period	–	–
Weighted average number of ordinary shares	<b>14,450,000</b>	14,450,000

## Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi (“RMB”), unless otherwise stated)

### 12 Cash and deposits with the central bank

	Note	At 30 June 2020 (Unaudited)	At 31 December 2019 (Audited)
Cash on hand		632,524	429,952
Deposits with the central bank			
– Statutory deposit reserves	(a)	64,398,966	64,105,857
– Surplus deposit reserves	(b)	18,242,225	28,043,847
– Fiscal deposits		345,831	400,882
Sub-total		82,987,022	92,550,586
Interests accrued		28,692	33,161
Total		83,648,238	93,013,699

- (a) The Bank places statutory deposit reserves with the People’s Bank of China (“PBoC”) in accordance with relevant regulations. As at the end of the reporting period, the statutory deposit reserve ratios applicable to the Bank were as follows:

	At 30 June 2020 (Unaudited)	At 31 December 2019 (Audited)
Reserve ratio for RMB deposits	9.0%	10.5%
Reserve ratio for foreign currency deposits	5.0%	5.0%

The statutory deposit reserves are not available for the Bank’s daily business.

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

## Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi ("RMB"), unless otherwise stated)

### 13 Deposits with banks and other financial institutions Analysed by type and location of counterparty

	At 30 June 2020 (Unaudited)	At 31 December 2019 (Audited)
Deposits in mainland China		
– Banks	<b>18,622,057</b>	10,931,354
Sub-total	<b>18,622,057</b>	10,931,354
Deposits outside mainland China		
– Banks	<b>9,379,482</b>	3,257,458
Sub-total	<b>9,379,482</b>	3,257,458
Interests accrued	<b>5,512</b>	43,440
Less: Provision for impairment losses	<b>(55,589)</b>	(180,625)
Total	<b>27,951,462</b>	14,051,627

### 14 Placements with banks and other financial institutions Analysed by type and location of counterparty

	At 30 June 2020 (Unaudited)	At 31 December 2019 (Audited)
Placements in mainland China		
– Banks	<b>4,107,720</b>	4,400,725
Sub-total	<b>4,107,720</b>	4,400,725
Interests accrued	<b>55,273</b>	18,952
Less: Provision for impairment losses	<b>(70,373)</b>	(8,868)
Total	<b>4,092,620</b>	4,410,809

## Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi (“RMB”), unless otherwise stated)

### 15 Derivative financial instruments

A derivative is a financial instrument, the value of which changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other similar variables. The Bank uses derivative financial instruments mainly including forwards, swaps and option contracts.

The notional amount of a derivative represents the amount of an underlying asset upon which the value of the derivative is based. It indicates the volume of business transacted by the Bank but does not reflect the risk.

The notional amount and fair value of unexpired derivative financial instruments held by the Bank are set out in the following tables:

	30 June 2020 (Unaudited)		
	Notional amount	Fair value	
		Assets	Liabilities
Interest rate swaps	221,569,986	121,370	(110,229)
Exchange rate swaps	15,711,331	50,982	(48,917)
Option contracts	1,867,344	30,995	(28,403)
Exchange rate forwards	628,112	15,026	(12,146)
<b>Total</b>	<b>239,776,773</b>	<b>218,373</b>	<b>(199,695)</b>

	31 December 2019 (Audited)		
	Notional amount	Fair value	
		Assets	Liabilities
Interest rate swaps	149,834,098	79,267	(68,938)
Exchange rate swaps	15,694,803	47,843	(75,839)
Option contracts	1,837,080	20,637	(18,047)
Exchange rate forwards	660,085	10,962	(8,934)
<b>Total</b>	<b>168,026,066</b>	<b>158,709</b>	<b>(171,758)</b>

## Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi ("RMB"), unless otherwise stated)

### 15 Derivative financial instruments *(continued)*

#### Cash flow hedges

The Bank's cash flow hedges consist of interest rate swap contracts that are used to protect against exposures to variability of future cash flows.

Among the above derivative financial instruments, those designated as hedging instruments in cash flow hedges are set out below.

As at 30 June 2020 (Unaudited)							
	Notional amounts with remaining life of					Fair Values	
	Within a month	Over a month but within three months	Over three months but within a year	Over a year but within five years	Over five years	Assets	Liabilities
Interest rate swap	-	-	-	200,000	-	308	-
Total	-	-	-	200,000	-	308	-

Details of the Bank's hedged risk exposures in cash flow hedges and the corresponding effect on equities are as follows:

As at 30 June 2020 (Unaudited)					
	Carrying amount of hedged items		Effect of hedging instruments on other comprehensive income during the current period	Accumulated effect of hedging instruments on other comprehensive income	Line items in the statement of financial position
	Assets	Liabilities			
Loans	200,000	-	194	194	Loans and advances to customers
Total	200,000	-	194	194	

The gain and loss arising from the ineffective portion of cash flow hedges were immaterial for the six months ended 30 June 2020. (Six months ended 30 June 2019: Nil)

## Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi (“RMB”), unless otherwise stated)

### 16 Financial assets held under resale agreements

#### (a) Analysed by type and location of counterparty

	At 30 June 2020 (Unaudited)	At 31 December 2019 (Audited)
In mainland China		
– Banks	7,984,812	1,850,000
– Other financial institutions	2,001,900	–
Sub-total	9,986,712	1,850,000
Interests accrued	3,686	664
Less: Provision for impairment losses	(2,767)	(406)
Total	9,987,631	1,850,258

#### (b) Analysed by type of collateral held

	At 30 June 2020 (Unaudited)	At 31 December 2019 (Audited)
Debt securities		
– Commercial Banks and other financial institutions	6,431,312	1,850,000
– Government	3,555,400	–
Sub-total	9,986,712	1,850,000
Interests accrued	3,686	664
Less: Provision for impairment losses	(2,767)	(406)
Total	9,987,631	1,850,258

## Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi ("RMB"), unless otherwise stated)

### 17 Loans and advances to customers

#### (a) Analysed by nature

	At 30 June 2020 (Unaudited)	At 31 December 2019 (Audited)
<b>Loans and advances to customers measured at amortised cost:</b>		
Corporate loans and advances	520,307,343	464,465,437
Personal loans		
– Residential and commercial housing loans	144,193,815	127,816,279
– Personal consumption loans	105,951,440	95,605,758
– Personal business loans	11,852,582	6,711,807
– Credit cards	3,572,421	3,286,066
Sub-total	265,570,258	233,419,910
Interests accrued	3,668,233	2,822,439
Less: Provision for loans and advances to customers measured at amortised cost	(27,303,352)	(23,600,871)
Sub-total	762,242,482	677,106,915
<b>Loans and advances to customers measured at fair value through other comprehensive income:</b>		
Discounted bills	31,897,603	9,413,518
<b>Loans and advances to customers measured at fair value through profit or loss:</b>		
Corporate loans and advances	384,718	758,665
Net loans and advances to customers	794,524,803	687,279,098

## Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi (“RMB”), unless otherwise stated)

### 17 Loans and advances to customers *(continued)*

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

	At 30 June 2020 (Unaudited)		
	Amount	Percentage	Loans and advances secured by collaterals
Lease and business services	156,746,995	19.17%	29,695,049
Real estate	122,015,403	14.91%	86,827,965
Manufacturing	71,450,510	8.73%	36,882,819
Water conservancy, environment and public facilities management	56,226,122	6.87%	7,548,342
Wholesale and retail	39,799,502	4.86%	17,041,999
Construction	21,392,024	2.61%	10,161,945
Transportations and communications, storage and post	15,271,403	1.87%	6,372,939
Mining	9,685,528	1.18%	18,644
Production and supply of electricity, heat, gas and water	7,823,565	0.96%	464,605
Financial services	5,794,502	0.71%	894,416
Public utilities, social security and social organizations	3,467,000	0.42%	680,000
Agriculture, forestry, animal husbandry and fishery	2,430,560	0.30%	388,980
Education	2,359,080	0.29%	967,190
Others	6,229,867	0.76%	1,762,066
Sub-total of corporate loans and advances	520,692,061	63.64%	199,706,959
Personal loans	265,570,258	32.46%	151,913,243
Discounted bills	31,897,603	3.90%	31,897,603
Gross loans and advances to customers	818,159,922	100.00%	383,517,805

## Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi ("RMB"), unless otherwise stated)

### 17 Loans and advances to customers *(continued)*

#### (b) Loans and advances to customers (excluding interests accrued) analysed by industry sector *(continued)*

	At 31 December 2019 (Audited)		
	Amount	Percentage	Loans and advances secured by collaterals
Lease and business services	137,274,963	19.39%	22,875,794
Real estate	109,253,881	15.43%	75,891,752
Manufacturing	60,302,305	8.52%	26,801,152
Water conservancy, environment and public facilities management	50,870,045	7.18%	6,972,536
Wholesale and retail	37,309,397	5.27%	19,409,665
Construction	19,738,814	2.79%	10,661,925
Transportations and communications, storage and post	14,567,757	2.06%	5,942,711
Mining	7,737,664	1.09%	38,744
Production and supply of electricity, heat, gas and water	6,880,007	0.97%	378,207
Financial services	5,628,543	0.79%	637,750
Public utilities, social security and social organizations	5,287,000	0.75%	690,000
Education	2,246,370	0.32%	439,302
Agriculture, forestry, animal husbandry and fishery	1,070,480	0.15%	198,500
Others	7,056,876	0.99%	1,992,782
Sub-total of corporate loans and advances	465,224,102	65.70%	172,930,820
Personal loans	233,419,910	32.97%	134,785,925
Discounted bills	9,413,518	1.33%	9,413,518
Gross loans and advances to customers	708,057,530	100.00%	317,130,263

## Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi (“RMB”), unless otherwise stated)

### 17 Loans and advances to customers *(continued)*

#### (b) Loans and advances to customers (excluding interests accrued) analysed by industry sector *(continued)*

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

	At 30 June 2020 (Unaudited)					
	Credit-impaired loans and advances	Expected credit losses over the next 12 months	Expected credit loss that assessed for loans and advances that are not credit-impaired	Expected credit loss that assessed for loans and advances that are credit-impaired	Impairment losses charged during the period	Written-off during the period
Lease and business services	991,515	(1,634,586)	(613,426)	(488,112)	(636,608)	–
Real estate	452,296	(3,157,217)	(734,364)	(139,712)	(414,363)	–

	At 31 December 2019 (Audited)					
	Credit-impaired loans and advances	Expected credit losses over the next 12 months	Expected credit loss that assessed for loans and advances that are not credit-impaired	Expected credit loss that assessed for loans and advances that are credit-impaired	Impairment losses charged during the year	Written-off during the year
Lease and business services	647,630	(1,601,013)	(58,120)	(441,222)	(192,739)	–
Real estate	150,701	(3,004,753)	(558,987)	(53,191)	(239,765)	–

#### (c) Analysed by geographical sector (excluding interests accrued)

	At 30 June 2020 (Unaudited)		
	Amount	Percentage	Loans and advances secured by collaterals
Northern and Northeastern China	377,373,500	46.12%	158,359,825
Eastern China	185,232,608	22.64%	84,648,231
Central and Southern China	184,230,697	22.52%	115,082,366
Western China	71,323,117	8.72%	25,427,383
Gross loans and advances to customers	818,159,922	100.00%	383,517,805

## Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi ("RMB"), unless otherwise stated)

### 17 Loans and advances to customers *(continued)*

#### (c) Analysed by geographical sector (excluding interests accrued) *(continued)*

	At 31 December 2019 (Audited)		
	Amount	Percentage	Loans and advances secured by collaterals
Northern and Northeastern China	326,296,386	46.08%	131,447,343
Eastern China	159,014,593	22.46%	73,894,821
Central and Southern China	167,258,342	23.62%	96,079,705
Western China	55,488,209	7.84%	15,708,394
<b>Gross loans and advances to customers</b>	<b>708,057,530</b>	<b>100.00%</b>	<b>317,130,263</b>

The geographical areas are categorized as follows:

Northern and Northeastern China includes Head Office, Beijing Branch, Tianjin Branch, Binhai Branch, Tianjin Pilot Free Trade Zone Branch, Dalian Branch, Hohhot Branch, Taiyuan Branch, Shijiazhuang Branch, Changchun Branch and Shenyang Branch.

Eastern China includes Nanjing Branch, Hangzhou Branch, Jinan Branch, Shanghai Branch, Shanghai Pilot Free Trade Zone Branch, Hefei Branch, Suzhou Branch, Qingdao Branch, Ningbo Branch and Nanchang Branch.

Central and Southern China includes Guangzhou Branch, Shenzhen Branch, Shenzhen Qianhai Branch, Hong Kong Representative Office, Changsha Branch, Wuhan Branch, Fuzhou Branch, Zhengzhou Branch, Xiamen Pilot Free Trade Zone Branch, Haikou Branch and Nanning Branch.

Western China includes Chengdu Branch, Xi'an Branch and Chongqing Branch.

#### (d) Analysed by type of collateral (excluding interests accrued)

	At 30 June 2020 (Unaudited)	At 31 December 2019 (Audited)
Unsecured loans	<b>161,906,695</b>	142,638,360
Guaranteed loans	<b>272,735,422</b>	248,288,907
Collateralised loans	<b>269,240,402</b>	236,573,764
Pledged loans	<b>82,379,800</b>	71,142,981
Bank acceptance discounted bills	<b>27,250,223</b>	7,111,743
Commercial acceptance discounted bills	<b>4,647,380</b>	2,301,775
<b>Gross loans and advances to customers</b>	<b>818,159,922</b>	708,057,530

## Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi (“RMB”), unless otherwise stated)

### 17 Loans and advances to customers *(continued)*

#### (e) Overdue loans (excluding interests accrued) analysed by overdue period

At 30 June 2020 (Unaudited)					
	Overdue within three months (inclusive)	Overdue more than three months to one year (inclusive)	Overdue more than one year to three years (inclusive)	Overdue more than three years	Total
Unsecured loans	1,288,773	1,066,784	193,010	51,151	2,599,718
Guaranteed loans	5,138,243	2,557,642	3,391,882	2,196,866	13,284,633
Collateralised loans	3,631,496	683,130	865,957	1,767,811	6,948,394
Pledged loans	6,040,106	–	18,994	29,538	6,088,638
<b>Total</b>	<b>16,098,618</b>	<b>4,307,556</b>	<b>4,469,843</b>	<b>4,045,366</b>	<b>28,921,383</b>
As a percentage of gross loans and advances to customers	1.96%	0.53%	0.55%	0.49%	3.53%

At 31 December 2019 (Audited)					
	Overdue within three months (inclusive)	Overdue more than three months to one year (inclusive)	Overdue more than one year to three years (inclusive)	Overdue more than three years	Total
Unsecured loans	573,505	414,157	764,449	48,862	1,800,973
Guaranteed loans	4,466,777	1,921,151	3,096,220	1,740,023	11,224,171
Collateralised loans	1,853,140	480,096	766,281	1,744,538	4,844,055
Pledged loans	3,759,890	–	18,993	29,538	3,808,421
<b>Total</b>	<b>10,653,312</b>	<b>2,815,404</b>	<b>4,645,943</b>	<b>3,562,961</b>	<b>21,677,620</b>
As a percentage of gross loans and advances to customers	1.50%	0.40%	0.66%	0.50%	3.06%

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

## Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi ("RMB"), unless otherwise stated)

### 17 Loans and advances to customers *(continued)*

#### (f) Loans and advances (excluding interests accrued) and provision for impairment losses

	At 30 June 2020 (Unaudited)			Total
	Loans and advances that are assessed for expected credit losses over the next 12 months	Loans and advances that are not credit-impaired and assessed for lifetime expected credit loss	Credit-impaired loans and advances that are assessed for lifetime expected credit loss (Note(i))	
Total loans and advances to customers measured at amortised cost	<b>746,985,323</b>	<b>24,329,828</b>	<b>14,562,450</b>	<b>785,877,601</b>
Less: Provision for impairment losses	<b>(11,218,336)</b>	<b>(6,753,802)</b>	<b>(9,331,214)</b>	<b>(27,303,352)</b>
Carrying amount of loans and advances to customers measured at amortised cost	<b>735,766,987</b>	<b>17,576,026</b>	<b>5,231,236</b>	<b>758,574,249</b>
Carrying amount of loans and advances to customers measured at fair value through other comprehensive income	<b>31,897,603</b>	–	–	<b>31,897,603</b>

## Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi (“RMB”), unless otherwise stated)

### 17 Loans and advances to customers *(continued)*

#### (f) Loans and advances (excluding interests accrued) and provision for impairment losses *(continued)*

	At 31 December 2019 (Audited)			Total
	Loans and advances that are assessed for expected credit losses over the next 12 months	Loans and advances that are not credit-impaired and assessed for lifetime expected credit loss	Credit-impaired loans and advances that are assessed for lifetime expected credit loss (Note(i))	
Total loans and advances to customers measured at amortised cost	664,530,049	20,763,849	12,591,449	697,885,347
Less: Provision for impairment losses	(9,281,200)	(6,213,635)	(8,106,036)	(23,600,871)
Carrying amount of loans and advances to customers measured at amortised cost	655,248,849	14,550,214	4,485,413	674,284,476
Carrying amount of loans and advances to customers measured at fair value through other comprehensive income	9,413,518	–	–	9,413,518

Note:

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

## Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi ("RMB"), unless otherwise stated)

### 17 Loans and advances to customers *(continued)*

#### (g) Movements of provision for impairment losses

##### (i) *Movements of provision for impairment losses of loans and advances to customers measured at amortised cost:*

Six months ended 30 June 2020 (Unaudited)				
	Loans and advances that are assessed for expected credit losses over the next 12 months	Loans and advances that are not credit-impaired and assessed for lifetime expected credit loss	Credit-impaired loans and advances that are assessed for lifetime expected credit loss	Total
As at 1 January	9,281,200	6,213,635	8,106,036	23,600,871
Transferred:				
– to lifetime expected credit losses: not credit-impaired loans	(304,124)	304,211	(87)	–
– to lifetime expected credit losses: credit-impaired loans	(27,123)	(466,887)	494,010	–
Charge for the period	2,267,386	702,843	1,811,422	4,781,651
Transfer out	–	–	(867,071)	(867,071)
Recoveries	–	–	84,139	84,139
Write-offs	–	–	(299,216)	(299,216)
Exchange differences and other	997	–	1,981	2,978
As at 30 June	11,218,336	6,753,802	9,331,214	27,303,352

Year ended 31 December 2019 (Audited)				
	Loans and advances that are assessed for expected credit losses over the next 12 months	Loans and advances that are not credit-impaired and assessed for lifetime expected credit loss	Credit-impaired loans and advances that are assessed for lifetime expected credit loss	Total
As at 1 January	7,920,917	5,531,574	5,997,343	19,449,834
Transferred:				
– to expected credit losses over the next 12 months	65,446	(65,446)	–	–
– to lifetime expected credit losses: not credit-impaired loans	(196,612)	251,232	(54,620)	–
– to lifetime expected credit losses: credit-impaired loans	(14,999)	(435,949)	450,948	–
Charge for the year	1,505,226	3,935,281	3,336,740	8,777,247
Transfer out	–	(3,003,057)	(674,403)	(3,677,460)
Recoveries	–	–	89,534	89,534
Write-offs	–	–	(1,040,889)	(1,040,889)
Exchange differences and other	1,222	–	1,383	2,605
As at 31 December	9,281,200	6,213,635	8,106,036	23,600,871

## Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi (“RMB”), unless otherwise stated)

### 17 Loans and advances to customers *(continued)*

#### (g) Movements of provision for impairment losses *(continued)*

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

Six months ended 30 June 2020 (Unaudited)				
	Loans and advances that are assessed for expected credit losses over the next 12 months	Loans and advances that are not credit-impaired and assessed for lifetime expected credit loss	Credit-impaired loans and advances that are assessed for lifetime expected credit loss	Total
As at 1 January	37,215	–	–	37,215
Charge for the period	33,958	–	–	33,958
As at 30 June	71,173	–	–	71,173

Year ended 31 December 2019 (Audited)				
	Loans and advances that are assessed for expected credit losses over the next 12 months	Loans and advances that are not credit-impaired and assessed for lifetime expected credit loss	Credit-impaired loans and advances that are assessed for lifetime expected credit loss	Total
As at 1 January	7,856	–	17,377	25,233
Charge/(Reversal) for the year	29,359	–	(17,377)	11,982
As at 31 December	37,215	–	–	37,215

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

#### (h) Disposal of loans and advances to customers

During the six months ended 30 June 2020, the Bank did not transfer any loans and advances to independent third parties.

During the years ended 31 December 2019, the Bank transferred loans and advances with gross amount of RMB668 million to independent third parties, and the transfer price was RMB133 million.

## Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi ("RMB"), unless otherwise stated)

### 18 Financial investments

	Note	At 30 June 2020 (Unaudited)	At 31 December 2019 (Audited)
Financial investments measured at fair value through profit or loss	(a)	<b>63,060,628</b>	36,238,313
Financial investments measured at fair value through other comprehensive income	(b)	<b>66,829,086</b>	64,967,327
Financial investments measured at amortised cost	(c)	<b>199,932,483</b>	199,101,251
<b>Total</b>		<b>329,822,197</b>	300,306,891

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

	At 30 June 2020 (Unaudited)	At 31 December 2019 (Audited)
Debt securities issued by the following institutions in mainland China		
– Government	<b>369,367</b>	100,969
– Policy banks	<b>2,371,792</b>	555,612
– Corporates	<b>7,519,642</b>	148,390
Unlisted	<b>10,260,801</b>	804,971
Interbank deposits		
– Unlisted	<b>497,578</b>	–
Investment funds		
– Unlisted	<b>32,140,512</b>	25,480,840
Equity investments		
– Listed outside Hong Kong	<b>273,824</b>	145,274
– Unlisted	<b>1,773,038</b>	1,696,017
Trust plans and asset management plans		
– Unlisted	<b>18,114,875</b>	8,111,211
<b>Total</b>	<b>63,060,628</b>	36,238,313

Note:

As at 30 June 2020 and 31 December 2019, there were no investments subject to material restrictions in the realization.

## Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi (“RMB”), unless otherwise stated)

### 18 Financial investments *(continued)*

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

	At 30 June 2020 (Unaudited)	At 31 December 2019 (Audited)
Debt securities issued by the following institutions in mainland China		
– Government	<b>31,629,965</b>	25,149,120
– Policy banks	<b>29,569,071</b>	29,266,780
– Banks and other financial institutions	<b>790,871</b>	300,770
– Corporates	<b>97,848</b>	158,246
Sub-total	<b>62,087,755</b>	54,874,916
Interests accrued	<b>881,354</b>	886,305
Unlisted	<b>62,969,109</b>	55,761,221
Trust plans and asset management plans		
Interests accrued	<b>3,654,695</b>	8,979,719
Unlisted	<b>5,282</b>	26,387
Unlisted	<b>3,659,977</b>	9,006,106
Equity investments		
Unlisted	<b>200,000</b>	200,000
Total	<b>66,829,086</b>	64,967,327

Notes:

- (i) As at 30 June 2020 and 31 December 2019, certain debt securities were pledged for borrowings from the central bank (Note (43(f))).
- (ii) The Bank irrevocably designate parts of equity investments that are not held for trading as fair value through other comprehensive income (“FVOCI”) with the fair value of RMB200 million. Dividends income from such equity investments during six months ended 2020 and the year ended 31 December 2019 was nil and RMB9.0 million, respectively, which was included in the profit or loss. The Bank did not dispose such equity investments during the reporting period, and there was no cumulative gain or loss transferred from other comprehensive income to retained earnings.

## Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi ("RMB"), unless otherwise stated)

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

- (iii) Movements of provision for impairment losses of financial investments measured at fair value through other comprehensive income is as follows:

	Six months ended 30 June 2020 (Unaudited)			
	Expected credit losses over the next 12 months	Lifetime expected credit losses not credit-impaired	Lifetime expected credit losses credit-impaired	Total
Balance at 1 January	809,442	–	13,371	822,813
(Reversal)/Charge for the period	(288,478)	–	62	(288,416)
Balance at 30 June	520,964	–	13,433	534,397

	Year ended 31 December 2019 (Audited)			
	Expected credit losses over the next 12 months	Lifetime expected credit losses not credit-impaired	Lifetime expected credit losses credit-impaired	Total
Balance at 1 January	17,684	–	–	17,684
Transfers				
– to lifetime expected credit losses credit-impaired	(240)	–	240	–
Charge for the year	791,998	–	13,131	805,129
Balance at 31 December	809,442	–	13,371	822,813

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

## Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi (“RMB”), unless otherwise stated)

### 18 Financial investments *(continued)*

#### (c) Financial investments measured at amortised cost

	Note	At 30 June 2020 (Unaudited)	At 31 December 2019 (Audited)
Debt securities issued by the following institutions in mainland China	(i)		
– Government		<b>70,009,388</b>	73,493,360
– Policy banks		<b>33,934,248</b>	29,549,180
– Banks and other financial institutions		<b>1,200,000</b>	1,200,000
– Corporates		<b>10,147,629</b>	7,543,502
Interests accrued		<b>1,898,967</b>	1,882,964
Unlisted		<b>117,190,232</b>	113,669,006
Trust plans and asset management plans		<b>85,541,923</b>	87,813,402
Interests accrued		<b>1,239,306</b>	823,151
Unlisted		<b>86,781,229</b>	88,636,553
Less: Provision for impairment losses	(ii)	<b>(4,038,978)</b>	(3,204,308)
Total		<b>199,932,483</b>	199,101,251

## Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi ("RMB"), unless otherwise stated)

### 18 Financial investments *(continued)*

#### (c) Financial investments measured at amortised cost *(continued)*

Notes:

- (i) As at 30 June 2020 and 31 December 2019, certain debt securities were pledged for borrowings from the central bank (Note 43(f)).
- (ii) Movements of provision for impairment losses of financial investments measured at amortised cost is as follows:

	Six months ended 30 June 2020 (Unaudited)			Total
	Expected credit losses over the next 12 months	Lifetime expected credit losses not credit-impaired	Lifetime expected credit losses credit-impaired	
Balance at 1 January	1,313,800	406,945	1,483,563	3,204,308
Transfers:				
– to lifetime expected credit losses credit-impaired	–	135,995	(135,995)	–
Charge for the period	379,684	66,013	388,093	833,790
Exchange differences and other	880	–	–	880
<b>Balance at 30 June</b>	<b>1,694,364</b>	<b>608,953</b>	<b>1,735,661</b>	<b>4,038,978</b>

	Year ended 31 December 2019 (Audited)			Total
	Expected credit losses over the next 12 months	Lifetime expected credit losses not credit-impaired	Lifetime expected credit losses credit-impaired	
Balance at 1 January	2,066,212	22,583	1,749,942	3,838,737
Transfers:				
– to lifetime expected credit losses not credit-impaired	(89,660)	89,660	–	–
– to lifetime expected credit losses credit-impaired	(43,544)	(22,583)	66,127	–
(Reversal)/Charge for the year	(619,314)	317,285	303,996	1,967
Transfer out	–	–	(636,502)	(636,502)
Exchange differences and other	106	–	–	106
<b>Balance at 31 December</b>	<b>1,313,800</b>	<b>406,945</b>	<b>1,483,563</b>	<b>3,204,308</b>

## Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi (“RMB”), unless otherwise stated)

### 19 Interest in associate

	Note	At 30 June 2020 (Unaudited)	At 31 December 2019 (Audited)
Interest in associate	(a)	–	–

Note:

- (a) The following list contains the Bank’s associate, which is immaterial to the Bank and is unlisted corporate entity whose quoted market price is not available:

Name	Percentages of Equity/voting rights		Place of incorporation/ registration	Business sector
	30 June 2020	31 December 2019		
Hawtai Motor Finance Co., Ltd. (“Hawtai Motor Finance”)	10%	10%	Tianjin, China	Motor Finance

The following tables illustrate the information of the Bank’s associate that is not material:

	At 30 June 2020 (Unaudited)	At 31 December 2019 (Audited)
Carrying amount of immaterial associate in the statements of financial position of the Bank	–	–
Amounts of the Bank’s share of results of this associate		
– Losses from continuing operations	–	(52,771)
– Total comprehensive losses	–	(52,771)

- (b) As at 30 June 2020 and 31 December 2019, the Bank has not recognised share of losses totalling RMB77 million and RMB13 million in relation to its interest in the associate, because the Bank has no obligation in respect of this losses.

## Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi ("RMB"), unless otherwise stated)

### 20 Property and equipment

	Premises	Leasehold improvements	Operating equipment	Motor vehicles	Construction in progress	Total
<b>Cost</b>						
As at 1 January 2019 (Audited)	3,724,155	616,017	1,190,889	76,638	373,722	5,981,421
Additions	151,829	147,297	178,395	7,476	15,693	500,690
Transfers	–	–	26,538	–	(26,538)	–
Disposals	–	(82,347)	(147,699)	(3,643)	–	(233,689)
As at 31 December 2019 (Audited)	3,875,984	680,967	1,248,123	80,471	362,877	6,248,422
As at 1 January 2020 (Unaudited)	<b>3,875,984</b>	<b>680,967</b>	<b>1,248,123</b>	<b>80,471</b>	<b>362,877</b>	<b>6,248,422</b>
Additions	–	41,932	23,081	3,355	97,299	165,667
Transfers	–	–	97,299	–	(97,299)	–
Disposals	–	(7,225)	(3,160)	(1,558)	–	(11,943)
As at 30 June 2020 (Unaudited)	<b>3,875,984</b>	<b>715,674</b>	<b>1,365,343</b>	<b>82,268</b>	<b>362,877</b>	<b>6,402,146</b>
<b>Accumulated depreciation</b>						
As at 1 January 2019 (Audited)	(799,735)	(392,137)	(818,033)	(54,258)	–	(2,064,163)
Charge for the Year	(184,469)	(151,911)	(164,367)	(7,999)	–	(508,746)
Disposals	–	17,904	109,134	1,660	–	128,698
As at 31 December 2019 (Audited)	(984,204)	(526,144)	(873,266)	(60,597)	–	(2,444,211)
As at 1 January 2020 (Unaudited)	<b>(984,204)</b>	<b>(526,144)</b>	<b>(873,266)</b>	<b>(60,597)</b>	–	<b>(2,444,211)</b>
Charge for the period	<b>(92,946)</b>	<b>(60,912)</b>	<b>(97,617)</b>	<b>(3,460)</b>	–	<b>(254,935)</b>
Disposals	–	2,653	3,132	1,481	–	7,266
As at 30 June 2020 (Unaudited)	<b>(1,077,150)</b>	<b>(584,403)</b>	<b>(967,751)</b>	<b>(62,576)</b>	–	<b>(2,691,880)</b>
<b>Net book value</b>						
As at 31 December 2019 (Audited)	2,891,780	154,823	374,857	19,874	362,877	3,804,211
As at 30 June 2020 (Unaudited)	<b>2,798,834</b>	<b>131,271</b>	<b>397,592</b>	<b>19,692</b>	<b>362,877</b>	<b>3,710,266</b>

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

	At 30 June 2020 (Unaudited)	At 31 December 2019 (Audited)
Held in mainland China – Medium-term leases (10 – 50 years)	<b>2,798,834</b>	2,891,780

## Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi (“RMB”), unless otherwise stated)

### 21 Deferred tax assets

#### (a) Analysed by nature

	30 June 2020 (Unaudited)		31 December 2019 (Audited)	
	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)
Deferred income tax assets				
– Allowance for impairment losses	<b>26,092,165</b>	<b>6,523,041</b>	22,676,053	5,669,013
– Accrued salary cost	<b>3,552,597</b>	<b>888,149</b>	3,615,307	903,827
– Fair value changes	<b>199,695</b>	<b>49,924</b>	171,758	42,940
– Provisions	<b>853,996</b>	<b>213,499</b>	810,624	202,656
– Others	<b>114,152</b>	<b>28,539</b>	107,727	26,932
	<b>30,812,605</b>	<b>7,703,152</b>	27,381,469	6,845,368
Deferred income tax liability				
– Fair value changes	<b>(2,091,269)</b>	<b>(522,817)</b>	(1,723,057)	(430,764)
– Others	<b>(201,872)</b>	<b>(50,469)</b>	(198,050)	(49,513)
	<b>(2,293,141)</b>	<b>(573,286)</b>	(1,921,107)	(480,277)
Net balances	<b>28,519,464</b>	<b>7,129,866</b>	25,460,362	6,365,091

#### (b) Movements of deferred tax

	Allowance for impairment losses Note (i)	Fair value changes Note (ii)	Others	Net balance of deferred tax assets
As at 1 January 2019 (Audited)	4,373,584	(297,664)	990,002	5,065,922
Recognised in profit or loss	1,295,429	(65,743)	93,900	1,323,586
Recognised in other comprehensive income	–	(24,417)	–	(24,417)
As at 31 December 2019 (Audited)	5,669,013	(387,824)	1,083,902	6,365,091
Recognised in profit or loss	854,028	(75,719)	(4,184)	774,125
Recognised in other comprehensive income	–	(9,350)	–	(9,350)
As at 30 June 2020 (Unaudited)	<b>6,523,041</b>	<b>(472,893)</b>	<b>1,079,718</b>	<b>7,129,866</b>

## Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi ("RMB"), unless otherwise stated)

### 21 Deferred tax assets *(continued)*

#### (b) Movements of deferred tax *(continued)*

Notes:

- (i) The Bank made provision for impairment losses on loans and advances to customers and other assets. However, the amounts deductible for income tax purposes are calculated at 1% of the gross carrying amount of qualifying assets at the end of the reporting period, together with write-offs which fulfil specific criteria as set out in the PRC tax rules and are approved by the tax authorities.
- (ii) Net gains or losses on fair value changes of financial instruments are subject to tax when realised.

### 22 Other assets

	Note	At 30 June 2020 (Unaudited)	At 31 December 2019 (Audited)
Right-of-use assets	(a)	3,680,775	3,920,944
Amount pending for settlement		949,423	117,425
Land use rights	(b)	436,799	444,162
Fees and commission receivable		305,154	242,718
Interest receivable	(c)	369,800	197,778
Prepayments		164,105	217,199
Intangible assets	(d)	128,955	135,478
Guarantee deposits		118,999	116,838
Long-term deferred expenses		4,672	5,085
Others		383,069	292,005
Sub-total		6,541,751	5,689,632
Less: Allowances for impairment losses		–	–
Total		6,541,751	5,689,632

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

	Six months ended 30 June 2020 (Unaudited)	Year ended 31 December 2019 (Audited)
Balance at 1 January	3,920,944	4,315,913
Additions	183,426	424,930
Depreciation charge for the period/year	(423,595)	(819,899)
Balance at 30 June/31 December	3,680,775	3,920,944

## Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi (“RMB”), unless otherwise stated)

### 22 Other assets (continued)

#### (b) Land use rights

	At 30 June 2020 (Unaudited)	At 31 December 2019 (Audited)
Located in mainland China: 10 – 50 years	<b>436,799</b>	444,162

#### (c) Interest receivable

	At 30 June 2020 (Unaudited)	At 31 December 2019 (Audited)
Interests receivables arising from:		
Loans and advances to customers	<b>298,249</b>	133,211
Financial investments	<b>71,551</b>	64,567
<b>Total</b>	<b>369,800</b>	197,778

#### (d) Intangible assets

	Six months ended 30 June 2020 (Unaudited)	Year ended 31 December 2019 (Audited)
Cost		
As at 1 January	<b>450,246</b>	387,293
Additions for the period/year	<b>17,315</b>	62,953
As at 30 June/31 December	<b>467,561</b>	450,246
Accumulated amortisation		
As at 1 January	<b>(314,768)</b>	(264,239)
Charge for the period/year	<b>(23,838)</b>	(50,529)
As at 30 June/31 December	<b>(338,606)</b>	(314,768)
Book value		
As at 1 January	<b>135,478</b>	123,054
As at 30 June/31 December	<b>128,955</b>	135,478

## Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi ("RMB"), unless otherwise stated)

### 23 Borrowings from the central bank

	At 30 June 2020 (Unaudited)	At 31 December 2019 (Audited)
Medium-term Lending Facility	58,200,000	46,300,000
Interests accrued	1,231,578	605,557
<b>Total</b>	<b>59,431,578</b>	46,905,557

### 24 Deposits from banks and other financial institutions

#### Analysed by type of and location of counterparty

	At 30 June 2020 (Unaudited)	At 31 December 2019 (Audited)
Deposits in mainland China		
– Banks	73,989,785	55,244,035
– Other financial institutions	15,735,141	22,694,553
<b>Sub-total</b>	<b>89,724,926</b>	77,938,588
Interests accrued	611,894	608,842
<b>Total</b>	<b>90,336,820</b>	78,547,430

### 25 Placements from banks and other financial institutions

#### Analysed by type and location of counterparty

	At 30 June 2020 (Unaudited)	At 31 December 2019 (Audited)
Placements in mainland China		
– Banks	9,766,373	5,377,485
<b>Sub-total</b>	<b>9,766,373</b>	5,377,485
Placements outside mainland China		
– Banks	16,339,831	15,842,711
<b>Sub-total</b>	<b>16,339,831</b>	15,842,711
Interests accrued	244,980	279,981
<b>Total</b>	<b>26,351,184</b>	21,500,177

## Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi (“RMB”), unless otherwise stated)

### 26 Financial assets sold under repurchase agreements

#### (a) Analysed by type and location of counterparty

	At 30 June 2020 (Unaudited)	At 31 December 2019 (Audited)
In mainland China – Banks	<b>22,466,714</b>	23,046,580
Sub-total	<b>22,466,714</b>	23,046,580
Interests accrued	<b>24,864</b>	22,513
Total	<b>22,491,578</b>	23,069,093

#### (b) Analysed by type of collateral held

	At 30 June 2020 (Unaudited)	At 31 December 2019 (Audited)
Debt securities	<b>15,888,650</b>	20,789,270
Acceptance	<b>6,578,064</b>	2,257,310
Sub-total	<b>22,466,714</b>	23,046,580
Interests accrued	<b>24,864</b>	22,513
Total	<b>22,491,578</b>	23,069,093

## Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi ("RMB"), unless otherwise stated)

### 27 Deposits from customers

	At 30 June 2020 (Unaudited)	At 31 December 2019 (Audited)
Demand deposits		
– Corporate customers	<b>170,203,332</b>	170,847,236
– Individual customers	<b>24,605,013</b>	18,912,350
Sub-total	<b>194,808,345</b>	189,759,586
Time deposits		
– Corporate customers	<b>260,662,630</b>	244,102,265
– Individual customers	<b>60,656,179</b>	33,234,311
Sub-total	<b>321,318,809</b>	277,336,576
Pledged deposits		
– Acceptances	<b>165,537,542</b>	109,236,107
– Letters of credit and guarantees	<b>45,843,407</b>	35,327,807
– Letters of guarantees	<b>2,795,436</b>	4,429,925
– Others	<b>26,932,413</b>	21,532,578
Sub-total	<b>241,108,798</b>	170,526,417
Fiscal deposits	<b>332,011</b>	258,723
Inward and outward remittances	<b>87,309</b>	53,597
Interests accrued	<b>10,707,940</b>	9,829,652
Total	<b>768,363,212</b>	647,764,551

## Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi (“RMB”), unless otherwise stated)

### 28 Debt securities issued

	Note	At 30 June 2020 (Unaudited)	At 31 December 2019 (Audited)
Interbank deposits issued	(a)	<b>148,142,605</b>	149,008,758
Financial bonds issued	(b)	<b>49,941,640</b>	36,954,100
Tier-two capital debts issued	(c)	–	8,990,470
Subordinate bonds issued	(d)	<b>947,115</b>	946,747
Sub-total		<b>199,031,360</b>	195,900,075
Interests accrued		<b>1,193,800</b>	703,768
Total		<b>200,225,160</b>	196,603,843

Notes:

(a) Interbank deposit issued

- (i) During six months ended 30 June 2020, the Bank issued a number of certificates of interbank deposit with total nominal amount of RMB160,430 million and duration between 1 to 12 months. The effective interest rates ranged from 1.30% to 3.35% per annum.
- (ii) For the year ended 31 December 2019, the Bank issued a number of certificates of interbank deposit with total nominal amount of RMB375,410 million and duration between 1 to 12 months. The effective interest rates ranged from 2.40% to 3.42% per annum.
- (iii) As at 30 June 2020 and 31 December 2019, the fair value of interbank deposits issued was RMB146,918 million and RMB147,575 million, respectively.

(b) Financial bonds issued

- (i) On 17 February 2020, the Bank issued three-year financial bonds with face value of RMB8,000 million. The coupon interest rate per annum is 3.24%.
- (ii) On 13 January 2020, the Bank issued three-year financial bonds with face value of RMB10,000 million. The coupon interest rate per annum is 3.47%.
- (iii) On 5 November 2018, the Bank issued three-year financial bonds with face value of RMB10,000 million. The coupon interest rate per annum is 4.07%.
- (iv) On 26 October 2018, the Bank issued three-year financial bonds with face value of RMB20,000 million. The coupon interest rate per annum is 4.09%.
- (v) On 21 March 2018, the Bank issued two-year financial bonds with face value of RMB5,000 million. The coupon interest rate per annum is 5.15%.
- (vi) On 28 July 2015, the Bank issued five-year financial bonds with a face value of RMB2,000 million. The coupon interest rates per annum is 4.25%.
- (vii) As at 30 June 2020 and 31 December 2019, the fair value of financial bonds issued was RMB50,660 million and RMB37,314 million, respectively.

## Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi ("RMB"), unless otherwise stated)

### 28 Debt securities issued *(continued)*

- (c) Tier-two capital debts issued
- (i) On 19 June 2015, the Bank issued ten-year fixed interest rate tier-two capital debts with face value of RMB9,000 million. The coupon interest rate per annum is 5.15%.
  - (ii) On 24 June, 2020, the Bank exercised redemption right to redeem the 10-year tier-two capital debts issued in 2015 with face value of RMB9,000 million.
  - (iii) As at 30 June 2020 and 31 December 2019, the fair value of tier-two capital debts issued was nil and RMB9,054 million, respectively.
- (d) Subordinated bonds issued
- (i) On 20 July 2012, the Bank issued fifteen-year fixed interest rate subordinated bonds with face value of RMB950 million. The coupon interest rate per annum is 5.68%.
  - (ii) As at 30 June 2020 and 31 December 2019, the fair value of subordinated bonds issued was RMB990 million and RMB991 million, respectively.

According to the issuance terms, for 10-year tier-two capital bonds, the Bank has the option to redeem all the bonds at face value on the last day of the fifth year. For 15-year subordinated bonds, the Bank has the option to redeem all the bonds at face value on the last day of the tenth year.

As at 30 June 2020 and 31 December 2019, there were no defaults of principal and interest or other breaches with respect to these bonds. None of the above bonds were secured.

### 29 Other liabilities

	Note	At 30 June 2020 (Unaudited)	At 31 December 2019 (Audited)
Lease liabilities		<b>3,761,108</b>	3,956,296
Accrued staff cost	(a)	<b>3,613,536</b>	3,828,407
Payment and collection clearance accounts		<b>1,238,271</b>	7,167,805
Provisions	(b)	<b>853,996</b>	810,624
Other taxes payable		<b>848,938</b>	746,449
Amount to be settled and cleared		<b>632,249</b>	568,867
Contract liabilities	(c)	<b>124,081</b>	106,481
Others		<b>620,342</b>	656,100
<b>Total</b>		<b>11,692,521</b>	17,841,029

## Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi (“RMB”), unless otherwise stated)

### 29 Other liabilities (continued)

#### (a) Accrued staff cost

	At 30 June 2020 (Unaudited)	At 31 December 2019 (Audited)
Salary, bonuses and allowances payable	3,208,691	3,543,415
Pension and annuity payable	46,808	13,346
Other social insurance payable	12,916	6,081
Housing fund payable	40,407	4,945
Others	304,714	260,620
<b>Total</b>	<b>3,613,536</b>	<b>3,828,407</b>

#### (b) Provisions

	Note	At 30 June 2020 (Unaudited)	At 31 December 2019 (Audited)
Provision for credit commitment losses	(i)	811,752	768,380
Expected litigation losses		42,244	42,244
<b>Total</b>		<b>853,996</b>	<b>810,624</b>

#### (i) Movements of provisions for credit commitment losses is as follows:

	Six months ended 30 June 2020 (Unaudited)			
	Expected credit losses over the next 12 months	Lifetime expected credit losses not credit-impaired	Lifetime expected credit losses credit-impaired	Total
Balance at 1 January 2020	730,049	36,935	1,396	768,380
Charge/(Reversal) for the period	61,875	(18,608)	(356)	42,911
Exchange differences and other	461	-	-	461
<b>Balance at 30 June 2020</b>	<b>792,385</b>	<b>18,327</b>	<b>1,040</b>	<b>811,752</b>

## Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi ("RMB"), unless otherwise stated)

### 29 Other liabilities (continued)

#### (b) Provisions (continued)

##### (i) Movements of provisions for credit commitment losses is as follows: (continued)

	Year ended 31 December 2019 (Audited)			Total
	Expected credit losses over the next 12 months	Lifetime expected credit losses not credit-impaired	Lifetime expected credit losses credit-impaired	
Balance at 1 January 2019	885,490	43,015	11,332	939,837
Transfers				
– to lifetime expected credit losses credit				
– impaired	–	(90)	90	–
Reversal for the year	(155,875)	(5,990)	(10,026)	(171,891)
Exchange differences and other	434	–	–	434
Balance at 31 December 2019	730,049	36,935	1,396	768,380

#### (c) Contract liabilities

As at 30 June 2020 and 31 December 2019, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Bank's existing contracts are approximately RMB124 million and RMB106 million, respectively. This amount represents income expected to be recognised in the future from agency, custody, guarantee and acceptance services. The Bank will recognise the expected income in future as the services are provided.

### 30 Share capital

#### Authorised and issued share capital

Share capital of the Bank as at 30 June 2020 and 31 December 2019 represented share capital of the Bank, which is fully paid.

	At 30 June 2020 (Unaudited)	At 31 December 2019 (Audited)
Number of shares authorised, issued and fully paid at par value of RMB1 each	14,450,000	14,450,000

## Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi (“RMB”), unless otherwise stated)

### 31 Other equity instruments

#### Undated capital bonds

**(a) Outstanding undated capital bonds at 30 June 2020, unaudited**

Financial Instrument outstanding	Issue date	Accounting classification	Distribution rate	Issue price	Amount (million shares)	Amount		Conversion condition	Conversion
						In RMB	Maturity		
Undated Capital Bonds	11 September 2019	Equity	4.75%	100RMB/Share	200	20,000,000	None	No	No
Total						20,000,000			
Less: Issue fees						(38,396)			
Book value						19,961,604			

**(b) Main Clauses**

**(i) Principal Amount**

RMB20 billion.

**(ii) Maturity Date**

The Bonds will continue to be outstanding so long as the Issuer’s business continues to operate.

**(iii) Distribution Rate**

The distribution rate of the Bonds will be adjusted at defined intervals, with a distribution rate adjustment period every 5 years since the payment settlement date. In any distribution rate adjusted period, the Distribution Payments on the Bonds will be paid at a prescribed fixed distribution rate. The distribution rate at the time of issuance is determined by way of book building running and centralised allocation.

The distribution rate is determined by a benchmark rate plus a fixed spread. The benchmark rate is the arithmetic average of the yields to maturity of 5 trading days prior to the Announcement Date of the Subscription Agreement, as indicated by the yield to maturity curve of applicable 5-year China government Notes (rounded up to 0.01%) published on [www.ChinaBond.com.cn](http://www.ChinaBond.com.cn) (or other websites approved by the China Central Depository & Clearing Co., Ltd.). The fixed spread is the difference between the distribution rate and the benchmark rate as determined at the time of issuance. The fixed spread will not be adjusted once determined.

The Bonds will not have any distribution rate step up nor any other incentive to redeem.

## Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi ("RMB"), unless otherwise stated)

### 31 Other equity instruments *(continued)*

#### Undated capital bonds *(continued)*

##### *(b) Main Clauses (continued)*

##### ***(iv) Conditional Redemption Rights of the Issuer***

The Bonds Issuance sets conditional redemption rights for the Issuer. From the fifth anniversary since the Issuance of the Bonds, the Issuer may redeem the Bonds in whole or in part on each distribution payment date (including the fifth distribution payment date since the Issuance). If, after the Issuance, the Bonds no longer qualify as Additional Tier 1 Capital as a result of an unforeseeable change or amendment to relevant provisions of supervisory regulations, the Issuer may redeem all but not some only of the Bonds.

##### ***(v) Subordination***

The claims in respect of the Bonds, in the event of the liquidation of the Issuer, will be subordinated to claims of depositors, general creditors, and subordinated indebtedness; shall rank in priority to all classes of shares held by the Issuer's shareholders and rank pari passu with the claims in respect of any other Additional Tier 1 Capital instruments of the Issuer that rank pari passu with the Bonds. If subsequent amendments to the PRC Enterprise Bankruptcy Law or relevant regulations are applicable, such relevant laws and regulations shall prevail.

##### ***(vi) Distribution Payment***

The distribution of the Bonds will be payable annually. The distribution payment date of the Bonds shall be 16 September of each year. If any distribution payment date falls on a day which is an official holiday or non-business day in the PRC, it shall be postponed to the subsequent business day. Such postponed distributions shall not bear interest. The Issuer shall have the right to cancel, in whole or in part, distributions on the Bonds and any such cancellation shall not constitute an event of default. When exercising such right, the Issuer will take into full consideration the interest of the Bonds' holders. The Issuer may, at its sole discretion, use the proceeds from the cancelled distributions to meet other obligations as they fall due. Cancellation of any distributions on the Bonds, no matter in whole or in part, will not impose any other restriction on the Issuer, except in relation to dividend distributions to ordinary shares. Any cancellation of any distribution on the Notes, no matter in whole or in part, will require the deliberation and approval of the general shareholders meeting. And the Issuer shall give notice to the investors on such cancellation in a timely manner.

##### ***(vii) Put Option***

The holder of the Bonds do not have any put option to sell back the Bonds to the Issuer.

## Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi (“RMB”), unless otherwise stated)

### 31 Other equity instruments *(continued)*

#### Undated capital bonds *(continued)*

##### *(b) Main Clauses (continued)*

##### ***(viii) Write-down/write-off Clauses***

Upon the occurrence of an Additional Tier 1 Capital Trigger Event, namely, the Issuer’s Core Tier 1 Capital Adequacy Ratio having fallen to 5.125% (or below), the Issuer has the right, subject to the approval of the China Banking and Insurance Regulatory Commission (“CBIRC”) but without the need for the consent of the Bond holders, to write down all or part of the aggregate amount of the Bonds then issued and outstanding, in order to restore the Core Tier 1 Capital Adequacy Ratio to above 5.125%. In the case of a partial write-down, all of the Bonds then issued and outstanding shall be written down on a prorata basis, according to the outstanding par value, with all other Additional Tier 1 Capital instruments with equivalent write-down clauses of the Issuer. The Bonds may be subject to write-down more than once, in order to restore the Core Tier 1 Capital Adequacy Ratio of the Issuer to above 5.125%.

Upon the occurrence of a Tier 2 Capital Trigger Event, the Issuer has the right to write off in whole, without the need for the consent of Bond holders, the aggregate principal amount of the Bonds then issued and outstanding according to the outstanding par value. A Tier 2 Capital Trigger Event refers to the earlier of the following events: (a) CBIRC having decided that the Issuer would become non-viable without a write-off; (b) any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable. Upon write-off of the Bonds, such Bonds are to be permanently cancelled and will not be restored under any circumstances.

## Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi ("RMB"), unless otherwise stated)

### 32 Other comprehensive income

	Six months ended 30 June 2020 (Unaudited)	Year ended 31 December 2019 (Audited)
Items that may be reclassified subsequently to profit or loss:		
<i>Changes in fair value of debt instruments measured at FVOCI</i>		
As at 1 January	<b>324,471</b>	251,224
Changes in fair value recognised in other comprehensive income	<b>(229,410)</b>	149,344
Transfer to profit or loss upon disposal	<b>266,554</b>	(51,680)
Less: deferred tax	<b>(9,286)</b>	(24,417)
As at 30 June/31 December	<b>352,329</b>	324,471
<i>Credit losses of debt instruments measured at fair value through other comprehensive income</i>		
As at 1 January	<b>645,022</b>	32,188
Impairment losses recognised in other comprehensive income	<b>(254,458)</b>	817,111
Less: deferred tax	<b>63,613</b>	(204,277)
As at 30 June/31 December	<b>454,177</b>	645,022
<i>Reserve from cash flow hedging instruments</i>		
As at 1 January	–	–
Gains during the period/year recognised in other comprehensive income	<b>258</b>	–
Less: deferred tax	<b>(64)</b>	–
As at 30 June/31 December	<b>194</b>	–

## Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi (“RMB”), unless otherwise stated)

### 33 Reserves

#### (a) Surplus reserve

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

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

The Bank may also appropriate discretionary surplus reserve in accordance with the resolution of the shareholders.

#### (b) General reserve

Pursuant to the “Measures on Impairment Allowances for Financial Enterprises (Cai Jin [2012] No. 20)” issued by the Ministry of Finance, the Bank is required to set aside a general reserve through profit appropriation which should not be lower than 1.5% of the ending balance of its gross risk-bearing assets on an annual basis.

### 34 Retained earnings

#### Appropriation of profits

In accordance with the resolution at the Bank’s Annual General Meeting on 27 March 2020, the shareholders approved the following profit appropriations for the year ended 31 December 2019:

- Appropriation of statutory surplus reserve base on 10% of the net profit;
- Appropriation of general reserve to 1.5% of the ending balance of the gross risk-bearing assets amounted to approximately RMB1,440 million.

In accordance with the resolution at the Bank’s Annual General Meeting on 28 March 2019, the shareholders approved the following profit appropriations for the year ended 31 December 2018:

- Appropriation of statutory surplus reserve base on 10% of the net profit;
- Appropriation of general reserve to 1.5% of the ending balance of the gross risk-bearing assets amounted to approximately RMB78 million.

In accordance with the resolution at the Bank’s 44th meeting of the fourth Board of Directors on 27 September 2019, the Board of Directors approved the declaration of remaining special dividends in an aggregation amount of approximately RMB2,061 million to non-trust shareholders who have completed the contribution obligation under the second capital injection in 2011 with the authorisation by the General Meeting of shareholders.

## Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi ("RMB"), unless otherwise stated)

**35 Involvement with unconsolidated structured entities****(a) Structured entities sponsored by third party institutions in which the Bank holds an interest:**

The Bank holds interests in certain structured entities sponsored by third party institutions through investments in the units issued by these structured entities. Such structured entities include the investment management products under trust schemes, wealth management products under trust schemes issued by financial institutions and investment funds. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of third party investors. These vehicles are financed through the issue of units to investors.

The following table sets out an analysis of the carrying amounts of interests held by the Bank in unconsolidated structured entities, as well as an analysis of the line items in the statement of financial position in which relevant assets are recognised as at 30 June 2020 and 31 December 2019:

	At 30 June 2020 (Unaudited)		At 31 December 2019 (Audited)	
	Carrying amount	Maximum exposure	Carrying amount	Maximum exposure
Financial investments measured at fair value through profit or loss	<b>50,255,387</b>	<b>50,255,387</b>	33,592,051	33,592,051
Financial investments measured at fair value through other comprehensive income	<b>3,659,977</b>	<b>3,659,977</b>	9,006,106	9,006,106
Financial investments measured at amortised cost	<b>82,843,935</b>	<b>82,911,002</b>	85,510,600	85,571,429
<b>Total</b>	<b>136,759,299</b>	<b>136,826,366</b>	128,108,757	128,169,586

**(b) Structured entities sponsored by the Bank which the Bank does not consolidate but holds an interest in:**

The types of unconsolidated structured entities sponsored by the Bank include non-principal guaranteed wealth management products. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors. These structured entities are financed through the issue of units to investors. Interest held by the Bank includes investments in units issued by these structured entities and fees charged by providing management services. As at 30 June 2020 and 31 December 2019, the carrying amounts of the investments in the units issued by these structured entities and management fee receivables being recognised are not material to the Bank's financial positions.

For the six months ended 30 June 2020 and 2019, the amount of fee and commission income received from the abovementioned structured entities by the Bank amounted to RMB866 million and RMB1,024 million, respectively.

As at 30 June 2020 and 31 December 2019, the amount of assets held by the unconsolidated non-principal guaranteed wealth management products, which are sponsored by the Bank, were RMB206,534 million and RMB234,734 million, respectively.

## Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi (“RMB”), unless otherwise stated)

### 35 Involvement with unconsolidated structured entities *(continued)*

#### (c) Unconsolidated structure entities sponsored by the Bank during the period which the Bank does not have an interest in as at 30 June:

The aggregated amount of the non-principal-guaranteed wealth management products sponsored and issued by the Bank after 1 January 2020 but matured before 30 June 2020 was RMB40,319 million (the aggregated amount of the non-principal-guaranteed wealth management products sponsored and issued by the Bank after 1 January 2019 but matured before 30 June 2019 was RMB30,747 million).

### 36 Capital management

The Bank implements a comprehensive capital management framework, covering the management of the regulated capital, economic capital and book capital, particularly the capital compliance management, capital planning, allocation and evaluation.

In setting its capital adequacy objective, the Bank considers regulatory requirements, external rating objective and its own risk preference, so as to protect the interest of its customers and creditors, maximize the value of shareholders and meet all regulatory requirements on capital management.

The Bank calculates capital adequacy ratios in accordance with the “Regulation Governing Capital of Commercial Banks (Provisional)” promulgated by the former CBRC and related regulatory requirements. In calculating its capital adequacy ratios, the Bank considers all its domestic and overseas branches and sub-branches and financial institution subsidiaries (excluding insurance companies).

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

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

The Bank calculates its core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio in accordance with the former CBRC’s “Regulation Governing Capital of Commercial Banks (Provisional)” and relevant requirements. The capital adequacy ratios and related components of the Bank illustrated below are computed based on the Bank’s statutory financial statements prepared in accordance with PRC GAAP.

## Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi ("RMB"), unless otherwise stated)

### 36 Capital management *(continued)*

The Bank's capital adequacy ratios at 30 June 2020 and 31 December 2019 calculated in accordance with "Regulation Governing Capital of Commercial Banks (Provisional)" and relevant requirements promulgated by the former CBRC are as follows:

	At 30 June 2020 (Unaudited)	At 31 December 2019 (Audited)
Total core tier-one capital		
– Share capital	<b>14,450,000</b>	14,450,000
– Qualifying portion of capital reserve	<b>20,000</b>	20,000
– Surplus reserve	<b>5,009,612</b>	5,009,612
– General reserve	<b>14,081,733</b>	14,081,733
– Other comprehensive income	<b>806,700</b>	969,493
– Retained earnings	<b>33,415,717</b>	28,288,936
Core tier-one capital	<b>67,783,762</b>	62,819,774
Core tier-one capital deductions	<b>(468,420)</b>	(232,140)
Net core tier-one capital	<b>67,315,342</b>	62,587,634
Other tier-one capital	<b>19,961,604</b>	19,961,604
Net tier-one capital	<b>87,276,946</b>	82,549,238
Tier-two capital		
– Instruments issued and share premium	<b>817,124</b>	9,937,217
– Surplus provision for loan impairment	<b>9,964,226</b>	8,977,265
Tier-two capital	<b>10,781,350</b>	18,914,482
Net capital base	<b>98,058,296</b>	101,463,720
Total risk weighted assets	<b>857,624,715</b>	776,353,540
Core tier-one capital adequacy ratio	<b>7.85%</b>	8.06%
Tier-one capital adequacy ratio	<b>10.18%</b>	10.63%
Capital adequacy ratio	<b>11.43%</b>	13.07%

## Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi ("RMB"), unless otherwise stated)

### 37 Notes to the cash flow statement

#### (a) Net increase/(decrease) in cash and cash equivalents

	Six months ended 30 June	
	2020 (Unaudited)	2019 (Unaudited)
Cash and cash equivalents as at 30 June	<b>57,412,973</b>	61,013,636
Less: Cash and cash equivalents as at 1 January	<b>(42,694,864)</b>	(68,852,350)
Net increase/(decrease) in cash and cash equivalents	<b>14,718,109</b>	(7,838,714)

#### (b) Cash and cash equivalents

	At 30 June 2020 (Unaudited)	At 31 December 2019 (Audited)
Cash on hand	<b>632,524</b>	429,952
Deposits with central bank other than restricted deposits	<b>18,242,225</b>	28,043,847
Deposits with banks and other financial institutions	<b>27,843,792</b>	12,371,065
Placements with banks and other financial institutions	<b>707,720</b>	-
Financial assets held under resale agreements	<b>9,986,712</b>	1,850,000
Total	<b>57,412,973</b>	42,694,864

## Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi ("RMB"), unless otherwise stated)

**38 Related parties****Related parties of the Bank****(a) The Bank's major shareholders**

Major shareholders include shareholders of the Bank with direct or indirect 5% or above shareholding, or with the right to appoint a director in the Bank.

	At 30 June 2020 (Unaudited)	At 31 December 2019 (Audited)
TEDA Investment Holding Co., Ltd. (天津泰達投資控股有限公司)	<b>25.00%</b>	25.00%
Standard Chartered Bank (Hong Kong) Limited (渣打銀行(香港)有限公司)	<b>19.99%</b>	19.99%
China Shipping Investment Co., Ltd. (中海集團投資有限公司)	<b>13.67%</b>	13.67%
State Development & Investment Corp., Ltd. (國家開發投資集團有限公司)	<b>11.67%</b>	11.67%
China Baowu Steel Group Corporation Limited (中國寶武鋼鐵集團有限公司)	<b>11.67%</b>	11.67%
Oceanwide Industry Co., Ltd. (泛海實業股份有限公司)	<b>9.49%</b>	9.49%
Tianjin Shanghui Investment Holding Company Limited (天津商匯投資(控股)有限公司)	<b>8.00%</b>	8.00%

**(b) Associate of the Bank**

The detailed information of the Bank's associate is set out in Note 19.

**(c) Other related parties**

Other related parties can be individuals or enterprises, which include: members of the Board of Directors, the Board of Supervisors and senior management, and close family members of such individuals; entities (and their subsidiary) controlled or jointly controlled by members of the board of directors, the board of supervisors and senior management, and close family members of such individuals; and entities controlled or jointly controlled by the major shareholders of the Bank as set out in Note 38(a) or their controlling shareholders.

**Related party transactions****(a) Pricing policy**

Transactions between the Bank and related parties are conducted in the normal course of its business and under normal commercial terms. The pricing policies are no more favourable than those offered to independent third parties.

## Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi (“RMB”), unless otherwise stated)

### 38 Related parties *(continued)*

#### Related party transactions *(continued)*

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

###### *(i) Transactions between the Bank and major shareholders:*

	Six months ended 30 June	
	2020 (Unaudited)	2019 (Unaudited)
Transactions during the period		
Interest income	94,557	97,602
Interest expense	78	1,580
Operating expense	2,196	2,579
	At 30 June 2020 (Unaudited)	At 31 December 2019 (Audited)
Balances at end of the period/year		
Loans and advances to customers	3,441,204	3,442,041
Deposits from customers	975	1,303
Other liabilities	51,065	63,037

###### *(ii) Transactions between the Bank and associate:*

	Six months ended 30 June	
	2020 (Unaudited)	2019 (Unaudited)
Transactions during the period		
Interest expense	4	29
	At 30 June 2020 (Unaudited)	At 31 December 2019 (Audited)
Balances at end of the period/year		
Deposits from banks and other financial institutions	2,191	731

## Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi ("RMB"), unless otherwise stated)

### 38 Related parties *(continued)*

#### Related party transactions *(continued)*

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

##### *(iii) Transactions between the Bank and other related parties:*

	Six months ended 30 June	
	2020 (Unaudited)	2019 (Unaudited)
Transactions during the period		
Interest income	<b>215,540</b>	285,020
Fee and commission income	<b>18,726</b>	25,481
Net gains of investment securities	<b>342</b>	769
Other operating income	<b>–</b>	3,793
Interest expense	<b>9,375</b>	19,199
Operating expense	<b>10,583</b>	7,086

	At 30 June	At 31 December
	2020 (Unaudited)	2019 (Audited)
Balances at end of the period/year		
Deposits with banks and other financial institutions	<b>8,008,017</b>	1,335,781
Financial assets held under resale agreements	<b>4,411,226</b>	1,850,664
Loans and advances to customers	<b>5,191,132</b>	5,398,335
Financial investments	<b>2,141,683</b>	2,539,524
Deposits from banks and other financial institutions	<b>223,401</b>	367,030
Deposits from customers	<b>1,456,463</b>	1,447,754
Debt securities issued	<b>396,250</b>	750,000
Other liabilities	<b>280,909</b>	290,824
Derivative financial instruments-notional amount	<b>2,025,300</b>	1,881,000
Bank acceptances	<b>272,942</b>	269,860
Letters of guarantees	<b>1,642</b>	1,599
Letters of credit	<b>4,995</b>	91,046

## Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi (“RMB”), unless otherwise stated)

### 38 Related parties *(continued)*

#### Related party transactions *(continued)*

##### *(c) Key management personnel*

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

##### *(i) Transactions between the Bank and key management personnel*

	Six months ended 30 June	
	2020 (Unaudited)	2019 (Unaudited)
Transactions during the period		
Interest income	70	211
Interest expense	5	4

	At 30 June	At 31 December
	2020 (Unaudited)	2019 (Audited)
Balances at end of the period/year		
Loans and advances to customers	3,497	3,695
Deposits from customers	2,127	1,108

##### *(ii) Key management personnel compensation*

The aggregate compensation of key management personnel is listed as follows:

	Six months ended 30 June	
	2020 (Unaudited)	2019 (Unaudited)
Key management personnel compensation	9,444	17,650

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

	At 30 June	At 31 December
	2020 (Unaudited)	2019 (Audited)
Aggregate amount of relevant loans outstanding at the end of the period/year	3,489	3,687
Maximum aggregate amount of relevant loans outstanding during the period/year	3,489	3,687

There were no amount due but unpaid as at 30 June 2020 and 31 December 2019.

## Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi (“RMB”), unless otherwise stated)

### 39 Segment reporting

#### (a) Business segment

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

##### *Corporate banking*

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

##### *Retail banking*

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

##### *Financial market*

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

##### *Others*

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

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

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

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

## Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi (“RMB”), unless otherwise stated)

### 39 Segment reporting *(continued)*

#### (a) Business segment *(continued)*

	Six months ended 30 June 2020 (Unaudited)				
	Corporate banking	Retail banking	Financial market	Others	Total
Operating income					
External net interest income	5,662,369	7,605,777	681,078	–	13,949,224
Internal net interest income/(expense)	524,297	(3,189,820)	2,665,523	–	–
Net interest income	6,186,666	4,415,957	3,346,601	–	13,949,224
Net fee and commission income/(expense)	997,159	(505,003)	1,026,924	(10,659)	1,508,421
Net trading gains/(losses)	16,594	–	(26,249)	–	(9,655)
Net gains arising from investment securities	26,772	639	527,086	23,926	578,423
Other operating income	1,023	2	–	17,761	18,786
Operating income	7,228,214	3,911,595	4,874,362	31,028	16,045,199
Operating expenses	(2,249,677)	(1,687,705)	(392,895)	(86,919)	(4,417,196)
Impairment losses on assets	(3,189,715)	(1,397,497)	(755,452)	–	(5,342,664)
Profit/(loss) before tax	1,788,822	826,393	3,726,015	(55,891)	6,285,339
Other segment information					
– Depreciation and amortisation	299,933	294,285	33,953	86,351	714,522
– Capital expenditure	78,648	77,167	8,903	22,642	187,360
	As at 30 June 2020 (Unaudited)				
	Corporate banking	Retail banking	Financial market	Others	Total
Segment assets	673,326,655	273,758,761	306,583,158	6,828,767	1,260,497,341
Deferred tax assets					7,129,866
Total assets					1,267,627,207
Segment liabilities	736,749,970	90,206,619	349,682,646	3,465,457	1,180,104,692
Total liabilities					1,180,104,692
Credit commitment	316,552,799	5,353,728	–	–	321,906,527



## Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi (“RMB”), unless otherwise stated)

### 39 Segment reporting *(continued)*

#### (b) Geographical segment *(continued)*

Central and Southern China includes Guangzhou Branch, Shenzhen Branch, Shenzhen Qianhai Branch, Hong Kong Representative Office, Changsha Branch, Wuhan Branch, Fuzhou Branch, Zhengzhou Branch, Xiamen Pilot Free Trade Zone Branch, Haikou Branch and Nanning Branch.

Western China includes Chengdu Branch, Xi’an Branch and Chongqing Branch.

	Six months ended 30 June 2020 (Unaudited)					Total
	Northern and Northeastern China	Eastern China	Central and Southern China	Western China	Elimination	
Operating income						
External net interest income	7,140,573	2,440,701	2,886,791	1,481,159	-	13,949,224
Internal net interest income/(expense)	1,308,010	(247,084)	(498,258)	(562,668)	-	-
Net interest income	8,448,583	2,193,617	2,388,533	918,491	-	13,949,224
Net fee and commission income	811,202	376,850	254,416	65,953	-	1,508,421
Net trading (losses)/gains	(23,237)	1,367	(56)	12,271	-	(9,655)
Net gains arising from investment securities	578,423	-	-	-	-	578,423
Other operating income	10,297	4,992	2,921	576	-	18,786
Operating income	9,825,268	2,576,826	2,645,814	997,291	-	16,045,199
Operating expenses	(2,664,824)	(853,906)	(727,991)	(170,475)	-	(4,417,196)
Impairment losses on assets	(2,738,341)	(1,239,134)	(1,344,525)	(20,664)	-	(5,342,664)
Profit before tax	4,422,103	483,786	573,298	806,152	-	6,285,339
Other segment information						
- Depreciation and amortisation	362,574	166,237	155,059	30,652	-	714,522
- Capital expenditure	142,382	23,236	19,837	1,905	-	187,360

	As at 30 June 2020 (Unaudited)					Total
	Northern and Northeastern China	Eastern China	Central and Southern China	Western China	Elimination	
Segment assets	881,987,847	225,245,730	202,830,776	72,362,151	(121,929,163)	1,260,497,341
Deferred tax assets						7,129,866
Total assets						1,267,627,207
Segment liabilities	805,260,215	223,892,901	201,277,421	71,603,318	(121,929,163)	1,180,104,692
Total liabilities						1,180,104,692
Credit commitment	112,205,113	105,185,672	81,289,789	23,225,953	-	321,906,527

## Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi ("RMB"), unless otherwise stated)

### 39 Segment reporting *(continued)*

#### (b) Geographical segment *(continued)*

	Six months ended 30 June 2019 (Unaudited)					Total
	Northern and Northeastern China	Eastern China	Central and Southern China	Western China	Elimination	
Operating income						
External net interest income	4,903,303	1,355,144	2,677,323	1,439,241	–	10,375,011
Internal net interest income/(expense)	973,739	217,732	(478,636)	(712,835)	–	–
Net interest income	5,877,042	1,572,876	2,198,687	726,406	–	10,375,011
Net fee and commission income	1,471,879	429,766	447,643	163,382	–	2,512,670
Net trading gains/(losses)	78,356	1,114	(71)	3,408	–	82,807
Net gains arising from investment securities	460,929	–	–	–	–	460,929
Other operating income	14,535	6,705	1,709	339	–	23,288
Operating income	7,902,741	2,010,461	2,647,968	893,535	–	13,454,705
Operating expenses	(2,459,770)	(823,066)	(775,553)	(182,865)	–	(4,241,254)
Impairment losses on assets	(1,374,401)	(1,148,819)	(568,822)	(19,959)	–	(3,112,001)
Share of losses of associate	(21,582)	–	–	–	–	(21,582)
Profit before tax	4,046,988	38,576	1,303,593	690,711	–	6,079,868
Other segment information						
– Depreciation and amortisation	328,356	165,403	157,675	33,299	–	684,733
– Capital expenditure	74,333	59,622	14,199	75,924	–	224,078
	As at 31 December 2019 (Audited)					Total
	Northern and Northeastern China	Eastern China	Central and Southern China	Western China	Elimination	Total
Segment assets	808,734,648	186,775,559	172,577,161	56,413,851	(113,936,285)	1,110,564,934
Deferred tax assets						6,365,091
Total assets						1,116,930,025
Segment liabilities	739,053,099	184,695,473	169,305,078	55,174,063	(113,936,285)	1,034,291,428
Total liabilities						1,034,291,428
Credit commitment	89,180,118	83,612,681	67,257,590	21,369,878	–	261,420,267

## Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi (“RMB”), unless otherwise stated)

### 40 Risk management

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

The Bank develops and continually improves risk management policies, limit system, control procedures and IT systems based on the latest changes in regulatory policies, market conditions and business development to analyze, identify, monitor and report various risks.

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

#### Risk management system

The backbones of the Bank’s organizational structure to manage its risks are the Board of Directors, the Risk Management Committee of the Board of Directors, (Related Party Transactions Control Committee), the Audit and Consumer Rights Protection Committee of the Board of Directors, Development Strategy and Inclusive Finance Committee of the Board of Directors, the Board of Supervisors, senior management and its Risk Control Committee, Assets and Liabilities Management Committee, Information Technology Committee, Data Management Committee, Financial Review and Approval Committee, and relevant functional departments at Head Office, including Risk Management Department, Credit Review Department and Regional Approval Center, Credit Monitoring Department, Retail Risk Management Department, Assets and Liabilities Management Department, Internal Control and Compliance Department, Legal Affairs Department, and other departments responsible for operational risks, Information Technology Department, the General Office (Public Relations Department), Office of Strategic Development and Investment Management, Audit Department and Regional Audit Center, and risk management functional departments of the subsidiaries and branches.

The Board of Directors of the Bank is responsible for the ultimate responsibility for comprehensive risk management and is responsible for fulfilling the establishment of risk culture, formulating risk management strategies, setting risk preferences and ensuring the establishment of risk limits, reviewing and approving major risk management policies and procedures, and supervising senior management to conduct comprehensive risk management, reviewing comprehensive risk management reports, approval of the disclosure of comprehensive risks and various significant risk information, hiring the chief risk management officer, and taking the lead in comprehensive risk management and other responsibilities related to risk management.

The Board of Supervisors of the Bank is responsible for the supervision of comprehensive risk management and is responsible for supervising the performance of the Board of Directors and senior management in risk management and the rectification.

## Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi ("RMB"), unless otherwise stated)

### 40 Risk management *(continued)*

#### Risk management system *(continued)*

The senior management shall assume the responsibilities for implementing comprehensive risk management, implementing the resolutions of the Board of Directors and fulfilling the following duties: establishing an operational management structure applicable to the comprehensive risk management; clarifying the division of risk management responsibilities of the comprehensive risk management department, business department and other departments; building an operational mechanism featuring mutual coordination and effective checks and balances among departments; formulating a clear implementation and accountability mechanism to ensure that the risk management strategies, risk appetites and risk limits are fully conveyed and effectively implemented; setting risk limits according to the risk appetites set by the Board of Directors for various dimensions including, but not limited to, industries, regions, customers and products; formulating risk management policies and procedures, and conducting periodic assessments and making adjustments when necessary; evaluating the management for comprehensive risks and various key risks and reporting to the Board of Directors; establishing a sound management information system and data quality control mechanism; supervising the breach of risk appetites and risk limits and violations of risk management policies and procedures, and handling such cases according to the authorization of the Board of Directors; and other risk management responsibilities.

The Bank has established a risk prevention system consisting of three lines of defense against each main risk to which it is exposed. The first line of defense is formed by various business departments at the head office, branches, and sub-branches of the Bank, who are directly responsible for the prevention of various types of risks. The second line of defense is business management departments of risk management line, Assets and Liabilities Management Department and Internal Control and Compliance Departments of the Bank, who take the lead in formulating the requisite policies and procedures, and supervising bank-wide risk management measures. The third line of defense is the Audit departments of the Bank, which are responsible for conducting independent valuation of risk management system and its implementation, and monitoring the effectiveness of risk management policies.

#### (a) Credit risk

Credit risk represents the potential loss that may arise from the failure of a debtor or counterparty to meet its contractual obligation or commitment to the Bank. It arises primarily from credit and bond investment portfolios and guarantees granted. Credit risk is one of the most important risks facing the business operations of the Bank. The Bank may be exposed to significant risks when all counterparties are concentrated in a single industry or region. This is mainly because the counterparties' abilities to repay their loans are subject to the same impact by the economic development of the region or industry in which they operate.

The Bank insists on a comprehensive, vertical and independent management model of risk management, continuously improving the posting mechanism of risk management personnel. At the head office level, Risk Management Department, Credit Review Department, Credit Monitoring Department, Retail Risk Management Department and Regional Approval Centers of Beijing, Shanghai and Guangzhou are established. At the branch level, all tier-one branches appoint a Risk Director to report to the Chief Risk Officer, and establish Risk Management Department, Credit Monitoring Department. Tier-two branches set up Risk Management Department, and some of them have Risk Directors in place.

## Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi (“RMB”), unless otherwise stated)

### 40 Risk management *(continued)*

#### (a) Credit risk *(continued)*

The Bank balances the benefits and risks through active controls, so that each type of business could achieve benefits matching its risk level at least and the capital could achieve optimal allocation. The Bank controls credit risks by formulating policies, limit control, conducting pre-lending investigation, pre-repayment monitoring, post-lending management, risk classification and recovery of bad loans. The Bank has set up a kind of credit decision-making mechanism of “three in one”, with the independent responsibility examination, risk review and accountability approval as the core, to improve the expertise and independence of credit approval.

By attaching high importance to credit risk management, the Bank assiduously complies with different requirements of Board of Directors and regulatory bodies, which include persistently building a defense line of risk and strictly observing the systemic risk bottom line, combined with the current economic environment, adjusting credit policies in a timely manner, strengthening management on credit admission and approval processes, as well as lending and post-lending processes, and putting into production information system tools relating to risk warning through research & development, reinforcing risk warning of key areas, checking out disposal of non-performing assets and continuing to optimize asset structure according to changes in external environment, to maintain asset stability and ensure that the general credit risk is controllable. By considering changes in economic environment, the Bank reasonably makes provision for impairment loss and enhances the ability to resist risk on a continuous basis.

#### ***Measurement of credit risk***

##### ***Loans and advances to customers and off-balance sheet credit commitments***

The Risk Management Department, Credit Review Department, Credit Monitoring Department and Retail Risk Management Department are jointly responsible for management of credit risks in various credit exposures, and the credit risk management for financial investments. For corporate credit, the Bank keeps itself closely informed of the clients’ credit ratings through credit rating assessment using its client credit rating models and facility rating models, and applies the ratings in its loan reviews. Together with the early warning system which monitors the risk of a customer in real time, they are the basis of credit extension. The Bank uses facility rating to determine the loss given default for each credit facility and help its credit officers to balance the risks and rewards. With respect to retail credit business, the Bank measures the credit risks of loans and borrowers through closely studying the ecological platform of the retail credit segment, continuously improving credit scoring models and data mining and risk analysis of the historical performance of the borrowers, so as to gradually improve the effectiveness and efficiency of credit access, asset management, asset classification and impairment provisioning.

## Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi ("RMB"), unless otherwise stated)

### 40 Risk management *(continued)*

#### (a) Credit risk *(continued)*

##### ***Measurement of credit risk (continued)***

##### ***Deposits and placements with banks and other financial institutions and financial assets purchased under resale agreements***

The Bank adopts a centralized underwriting process in relation to approving credit limits for financial institution counterparties engaged in interbank placements, investment securities and securities under repurchase and resale agreements. The Bank assesses the credit risk of these counterparties adopting a quantitative and qualitative approach which collectively involves the assessment and review of their credit rating in the banking industry, customer base and profiles, management capabilities, business prospects, industry position, external environment, cooperation with the Bank and financial standing and performance etc.

##### ***Debt investments and derivative financial instruments***

Before making investment in bonds issued by financial institutions or corporate bonds or before any dealing in financial derivatives with clients, the Bank conducts credit assessment on the issuers and the potential clients for dealing in derivative financial instruments. The Bank is also appropriately using external credit rating in assessing risk.

The credit risks in derivatives engaged by the Bank are mitigated mainly through margin deposits and credit facilities from banks.

Prior to approval, the Asset and Liability Management Department assess the potential future exposure ratio for settlement of foreign exchange on behalf of customers which is guaranteed by margin. The authorized approver is responsible for approving credit limits. The Credit Monitor Department is responsible for reviewing the specific business, specific operations are carried out in accordance with the business administrative measures.

##### ***Credit risk limit management***

##### ***Loans and advances to customers and off-balance sheet credit commitments***

The Bank complies with relevant regulatory requirements in controlling the concentration risks and implementing various regulatory measures, with increased focus on monitoring of credit limits. Circumstances of over utilization of limit and excess in credit limit by customers are vigorously.

The Bank strictly complies with relevant regulatory requirements in controlling the concentration risks and implementing various regulatory measures, with increased focus on monitoring of credit limits and concentration.

##### ***Debt investment and derivative trading***

In monitoring the limits to other bank clients or non-banking clients with respect to debt investments and derivative instruments, the Bank considers all relevant information, including credit approval and risk exposure.

Establishment of credit limits for financial institutions and the monitoring of the limits for debt investments and derivative trading are charged by the Credit Monitoring Department of the head office.

## Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi ("RMB"), unless otherwise stated)

### 40 Risk management *(continued)*

#### (a) Credit risk *(continued)*

##### *Credit risk mitigation measures*

###### **Collateral**

The credit policies of the Bank provide specific requirements on the acceptable collaterals and pledges, and set different rates for different collaterals and pledges based on their nature and extent of realization. The Bank sets out specific requirements for the qualifications of professional evaluation agencies. In addition, through credit risk management system, the Bank implements strict management on the collaterals and pledges and their ownership certificates to prevent the occurrence of operational risks.

If the decrease in value or quantity of collateral makes it insufficient for the actual value of the collateral to meet collateral rate, the Bank shall freeze the underlying credit lines, require the client to provide additional collateral or security deposit or return the corresponding credit lines.

In respect of real estate development loans, the Bank, by complying with relevant regulatory requirements, assesses the value of collateralized real estate properties based on their progress of construction, cost to resume and complete construction, expected time of completion, selling prices and reasonable discount rates to prevent over extension of credit. For real estate properties accepted for pledge, the Bank sets the minimum requirements on their completion.

The acceptable collateral includes financial collateral, real estate properties, accounts receivable and other collateral, mainly consisting of the following types:

- Cash and its equivalent
- Bills
- Stock
- State-owned construction land use right
- Residential real estate
- Commercial real estate
- Accounts receivable
- Vehicle
- Mechanical equipment
- Inventory
- Resource assets
- Intellectual property

## Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi ("RMB"), unless otherwise stated)

### 40 Risk management *(continued)*

#### (a) Credit risk *(continued)*

##### *Credit risk mitigation measures (continued)*

###### **Master netting arrangements**

The Bank and its counterparties enter into master netting arrangements for derivatives transactions to further reduce credit risk. Master netting arrangements may not lead to the offsetting between assets and liabilities on the statement of financial position, because the transactions are usually settled on a gross basis. However, the credit risk associated with favorable contracts is reduced by a master netting arrangement to the extent that if a default occurs, all amounts are terminated and settled on a net basis.

The derivatives are mainly settled in accordance with the provisions of the International Swaps and Derivatives Association and the features of the products, using, in principle, the method that involves the lowest settlement risk.

###### **Credit commitments**

The main objective of credit commitments is to ensure that clients obtain the funds they need. The Bank makes irrevocable guarantee when it issues letters of guarantee, letters of credit and bank's acceptance bill, i.e., the Bank shall make repayments on behalf of the client if the client cannot meet its repayment obligations to a third party, and the Bank assumes the same credit risks as those of a loan, review should be done in strict compliance with the Bank's relevant requirements in conducting such business.

The Bank defines margin deposit as one of the risk mitigations and receives certain margin deposits when conducting relevant credit extension business, with the exception of certain creditworthy clients, to reduce the credit risk involved in providing this service. The margin deposit is collected at a certain percentage of the committed amount based on the credibility of the client.

###### **Impairment and provisioning policies**

Stages of risks in financial instrument

After adopting IFRS 9 at 1 January 2018, the financial assets are categorized by the Bank into the following stages to manage its financial assets' credit risk:

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

## Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi (“RMB”), unless otherwise stated)

### 40 Risk management *(continued)*

#### (a) Credit risk *(continued)*

##### *Credit risk mitigation measures (continued)*

##### **Impairment and provisioning policies** *(continued)*

Significant increase in credit risk

The Bank evaluates the whether the credit risk of related financial instruments at least on each date of statement of financial position has increased significantly since initial recognition. The Bank makes full use of all reasonable and supportable information, including forward-looking information, to reflect the significant changes in its credit risk when it conducts the classification of losses of financial instruments. Criteria include regulation and operation environment, internal and external credit ratings, solvency, ability to continue as a going concern, provisions of loan contract, and repayment activities etc. Based on a single financial instrument or a combination of financial instruments with similar credit risk characteristics, the Bank compares the risk of default of financial instruments on the date of statement of financial position to determine the change in default risk during the expected duration of financial instruments. The Bank judges whether the credit risk of a financial instrument has significantly increased since initial confirmation from the risk classification, risk overdue days, internal and external ratings, probability of default, and market price etc.

Definition of “default” and “credit-impaired assets”

When a financial asset is impaired, the Bank identifies the financial asset as a default. Generally speaking, if the financial asset is overdue for more than 90 days, it is considered as a default.

At each date of the statement of financial position, the Bank assesses whether financial assets carried at amortised cost and debt instruments at FVOCI are credit-impaired. A financial asset is ‘credit-impaired’ when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- for economic or contractual reasons relating to the borrower’s financial difficulty, the Bank having granted to the borrower a concession that would not otherwise consider;
- it becoming probable that the borrower will enter into bankruptcy or other financial reorganization;
- the disappearance of an active market for that financial asset because of financial difficulties;
- purchase or source a financial asset at significant discount, which reflects that the financial asset is credit-impaired; or
- overdue more than 90 days.

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

## Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi ("RMB"), unless otherwise stated)

### 40 Risk management *(continued)*

#### (a) Credit risk *(continued)*

##### *Credit risk mitigation measures (continued)*

##### *Impairment and provisioning policies (continued)*

Measurement of expected credit losses ("ECL")

The Bank adopts ECL model to measure provision for loss of financial assets based on the stages categorised above.

The ECL is the result of the discounted product of probability of default (PD), exposure at default (EAD) and loss given default (LGD). The definitions of these terms are as follows:

- PD refers to the likelihood that a borrower will be unable to meet his repayment obligations over the next 12 months or the remaining lifetime of the loan;
- EAD is the amount that the Bank should be reimbursed upon default of an obligor over the next 12 months or the remaining lifetime of the loan;
- LGD refers to the expected degree of loss arising from the exposure at default which is predicted by the Bank. LGD varies according to different types of counterparties, methods and priority of recovering debts, and the availability of collaterals or other credit support.

The Bank determines the ECL by estimating the PD, LGD and EAD of individual exposure or asset portfolios in the future years. The Bank multiplies these three parameters and makes adjustments according to the probability of their continuance (i.e. there is no prepayment or default at an earlier period). For the purpose of calculating the lifetime ECL, the Bank calculated the ECL of each period, and the results of calculation are then discounted to the date of statement of financial position and added up. The discount rate used in the calculation of ECL is the initial effective interest rate or its approximate value.

The lifetime PD is deduced from using the maturity model or 12-month probability of default. The maturity model describes the development rule of the defaults of the asset portfolio over its lifetime. The model is developed based on historical observational data and applicable to all assets in the same portfolio with the same credit rating. The above method is supported by empirical analysis.

The 12-month EAD and lifetime EAD are determined based on expected repayment arrangements, which are different according to different types of products.

- In respect of the financial assets with instalment repayments and bullet repayment, the Bank determines 12-month or lifetime EAD according to the repayment schedule agreed in the contract, and makes adjustment based on prediction of overlimit repayment and prepayments/refinancing made by the borrower.
- As to the off-balance sheet credit commitments, the parameter of EAD is calculated using the current exposure method, and obtained from multiplying the nominal amount of the off-balance sheet items on the date of statement of financial position by the credit conversion factor (CCF).

## Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi ("RMB"), unless otherwise stated)

### 40 Risk management *(continued)*

#### (a) Credit risk *(continued)*

##### ***Credit risk mitigation measures (continued)***

##### ***Impairment and provisioning policies (continued)***

Measurement of expected credit losses ("ECL") *(continued)*

- The Bank determines the 12-month loss given default (LGD) and lifetime LGD based on the factors that affects post-default recovery. LGD for different product types are different.
- As to financial assets classified as guarantees, the Bank determines the loss given default (LGD) according to the types of collaterals and their expected value, the discount rate at the compulsory sale, the recovery time and the estimated recovery cost.
- As to credit-based financial assets, the Bank usually determines loss given default (LGD) in the product level due to the limited differences in recoverable amounts from different borrowers.

Forward-looking economic information should be considered when determining the 12-month and lifetime probability of default, exposure at default and loss given default.

The Bank quarterly monitors and reviews assumptions related to the calculation of expected credit losses, including the changes in PD and the value of collaterals under the different time limits.

During the six months ended 30 June 2020, there has been no significant changes in the estimate techniques and key assumptions of the Bank.

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

The calculation of expected credit losses involves forward-looking information. After the historical analysis, the Bank identified the key economic indicators related to expected credit loss, such as gross domestic product (GDP), consumer price index(CPI), Purchasing Managers' index (PMI), Broad money (M2), Industrial Added Value, and Real Estate Climate Index. The Bank carried out regression analysis to determine the relationship between these economic indicators and PD and LGD, so as to ascertain the impact of historical changes in these indicators on PD and LGD. The Bank forecasts these economic indicators at least annually and provides the best estimates of the economic conditions for the coming year.

The Bank established measurement models to identify the three risk weights, i.e. positivity, neutrality and negativity. The Bank measures allowance for credit losses for the first stage based on the weighted average of the credit losses in the three cases in the next 12 months; and measures allowance for credit losses for the second and third stages based on the weighted average of credit losses in the three cases within the lifetime.

##### ***Management Overlay***

Taking into account inherent limitations of ECL model and temporary systematic risk factors, the Bank has additionally accrued loss allowance in response to potential risk and improved its risk compensation capability.

## Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi ("RMB"), unless otherwise stated)

### 40 Risk management *(continued)*

#### (a) Credit risk *(continued)*

(i) Maximum credit risk exposure

	At 30 June 2020 (Unaudited)	At 31 December 2019 (Audited)
Credit risk exposures relating to on-balance sheet items:		
Cash and deposits with the central bank	<b>83,015,714</b>	92,583,747
Deposits with banks and other financial institutions	<b>27,951,462</b>	14,051,627
Placements with banks and other financial institutions	<b>4,092,620</b>	4,410,809
Derivative financial assets	<b>218,373</b>	158,709
Financial assets purchased under resale agreements	<b>9,987,631</b>	1,850,258
Loans and advances to customers	<b>794,524,803</b>	687,279,098
Financial investments		
– Financial investments measured at fair value through profit or loss	<b>63,060,628</b>	36,238,313
– Financial investments measured at fair value through other comprehensive income	<b>66,829,086</b>	64,967,327
– Financial investments measured at amortised cost	<b>199,932,483</b>	199,101,251
Other assets	<b>929,882</b>	659,912
Sub-total	<b>1,250,542,682</b>	1,101,301,051
Credit risk exposures relating to off-balance sheet items:		
Acceptances	<b>234,856,773</b>	167,506,456
Letters of credit	<b>68,096,104</b>	67,528,818
Letters of guarantees	<b>13,599,922</b>	21,315,136
Credit card commitment	<b>5,353,728</b>	5,069,857
Sub-total	<b>321,906,527</b>	261,420,267
Total	<b>1,572,449,209</b>	1,362,721,318

## Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi (“RMB”), unless otherwise stated)

### 40 Risk management *(continued)*

#### (a) Credit risk *(continued)*

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

	At 30 June 2020 (Unaudited)				
	Loans and advances	Deposits/placements with banks and other financial institutions	Financial assets held under resale agreement	Financial investments (*)	Others (**)
Balance of financial assets that are assessed for expected credit losses over the next 12 months					
– Overdue but not credit-impaired	7,950,351	–	–	–	–
– Neither overdue nor credit-impaired	770,932,575	31,751,512	9,986,712	259,584,806	929,882
Sub-total	778,882,926	31,751,512	9,986,712	259,584,806	929,882
Balance of financial assets that are not credit-impaired and assessed for lifetime expected credit losses					
– Overdue but not credit-impaired	7,252,008	–	–	1,838,571	–
– Neither overdue nor credit-impaired	17,077,820	157,747	–	1,380,868	–
Sub-total	24,329,828	157,747	–	3,219,439	–
Balance of credit-impaired financial assets that are assessed for lifetime expected credit losses					
– Overdue and credit-impaired	14,562,450	200,000	–	3,971,393	–
Sub-total	14,562,450	200,000	–	3,971,393	–
Interests accrued	3,668,233	60,785	3,686	4,024,909	–
Balance of financial assets measured at fair value through profit or loss	384,718	–	–	63,060,628	–
Less: Provision for impairment losses	(27,303,352)	(125,962)	(2,767)	(4,038,978)	–
Net value	794,524,803	32,044,082	9,987,631	329,822,197	929,882

## Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi ("RMB"), unless otherwise stated)

### 40 Risk management *(continued)*

#### (a) Credit risk *(continued)*

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

	At 31 December 2019 (Audited)				
	Loans and advances	Deposits/placements with banks and other financial institutions	Financial assets held under resale agreement	Financial investments (*)	Others (**)
Balance of financial assets that are assessed for expected credit losses over the next 12 months					
– Overdue but not credit-impaired	5,764,608	–	–	–	–
– Neither overdue nor credit-impaired	668,178,959	18,431,790	1,850,000	258,242,268	659,912
Sub-total	673,943,567	18,431,790	1,850,000	258,242,268	659,912
Balance of financial assets that are not credit-impaired and assessed for lifetime expected credit losses					
– Overdue but not credit-impaired	4,360,617	–	–	–	–
– Neither overdue nor credit-impaired	16,403,232	157,747	–	2,207,851	–
Sub-total	20,763,849	157,747	–	2,207,851	–
Balance of credit-impaired financial assets that are assessed for lifetime expected credit losses					
– Overdue and credit-impaired	12,591,449	–	–	3,203,960	–
Sub-total	12,591,449	–	–	3,203,960	–
Interests accrued	2,822,439	62,392	664	3,618,807	–
Balance of financial assets measured at fair value through profit or loss	758,665	–	–	36,238,313	–
Less: Provision for impairment losses	(23,600,871)	(189,493)	(406)	(3,204,308)	–
Net value	687,279,098	18,462,436	1,850,258	300,306,891	659,912

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

\*\* Other comprise interests receivable and other receivables in other assets.

## Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi (“RMB”), unless otherwise stated)

### 40 Risk management *(continued)*

#### (a) Credit risk *(continued)*

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

Financial assets (excluding interests accrued) analysed by credit quality

	At 30 June 2020 (Unaudited)							
	Balance				Provision for expected credit losses			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Financial assets measured at amortised cost								
Cash and deposits with the central bank	83,619,546	-	-	83,619,546	-	-	-	-
Deposits with banks and other financial institutions	27,843,792	157,747	-	28,001,539	(24,973)	(30,616)	-	(55,589)
Placements with banks and other financial institutions	3,907,720	-	200,000	4,107,720	(10,373)	-	(60,000)	(70,373)
Financial assets held under resale agreements	9,986,712	-	-	9,986,712	(2,767)	-	-	(2,767)
Loans and advances to customers	746,985,323	24,329,828	14,562,450	785,877,601	(11,218,336)	(6,753,802)	(9,331,214)	(27,303,352)
Financial investments	193,655,351	3,219,439	3,958,398	200,833,188	(1,694,364)	(608,953)	(1,735,661)	(4,038,978)
Other assets	929,882	-	-	929,882	-	-	-	-
<b>Total</b>	<b>1,066,928,326</b>	<b>27,707,014</b>	<b>18,720,848</b>	<b>1,113,356,188</b>	<b>(12,950,813)</b>	<b>(7,393,371)</b>	<b>(11,126,875)</b>	<b>(31,471,059)</b>
Financial assets measured at fair value through other comprehensive income								
Loans and advances to customers	31,897,603	-	-	31,897,603	(71,173)	-	-	(71,173)
Financial investments	65,929,455	-	12,995	65,942,450	(520,964)	-	(13,433)	(534,397)
<b>Total</b>	<b>97,827,058</b>	<b>-</b>	<b>12,995</b>	<b>97,840,053</b>	<b>(592,137)</b>	<b>-</b>	<b>(13,433)</b>	<b>(605,570)</b>
Credit commitments	321,747,628	153,215	5,684	321,906,527	(792,385)	(18,327)	(1,040)	(811,752)

## Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi ("RMB"), unless otherwise stated)

### 40 Risk management *(continued)*

#### (a) Credit risk *(continued)*

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

Financial assets (excluding interests accrued) analysed by credit quality *(continued)*

	At 31 December 2019 (Audited)							
	Balance				Provision for expected credit losses			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Financial assets measured at amortised cost								
Cash and deposits with the central bank	92,980,538	-	-	92,980,538	-	-	-	-
Deposits with banks and other financial institutions	14,031,065	157,747	-	14,188,812	(150,274)	(30,351)	-	(180,625)
Placements with banks and other financial institutions	4,400,725	-	-	4,400,725	(8,868)	-	-	(8,868)
Financial assets held under resale agreements	1,850,000	-	-	1,850,000	(406)	-	-	(406)
Loans and advances to customers	664,530,049	20,763,849	12,591,449	697,885,347	(9,281,200)	(6,213,635)	(8,106,036)	(23,600,871)
Financial investments	194,201,266	2,207,851	3,190,327	199,599,444	(1,313,800)	(406,945)	(1,483,563)	(3,204,308)
Other assets	659,912	-	-	659,912	-	-	-	-
<b>Total</b>	<b>972,653,555</b>	<b>23,129,447</b>	<b>15,781,776</b>	<b>1,011,564,778</b>	<b>(10,754,548)</b>	<b>(6,650,931)</b>	<b>(9,589,599)</b>	<b>(26,995,078)</b>
Financial assets measured at fair value through other comprehensive income								
Loans and advances to customers	9,413,518	-	-	9,413,518	(37,215)	-	-	(37,215)
Financial investments	64,041,002	-	13,633	64,054,635	(809,442)	-	(13,371)	(822,813)
<b>Total</b>	<b>73,454,520</b>	<b>-</b>	<b>13,633</b>	<b>73,468,153</b>	<b>(846,657)</b>	<b>-</b>	<b>(13,371)</b>	<b>(860,028)</b>
Credit commitments	260,916,685	496,700	6,882	261,420,267	(730,049)	(36,935)	(1,396)	(768,380)

## Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi (“RMB”), unless otherwise stated)

### 40 Risk management *(continued)*

#### (a) Credit risk *(continued)*

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

The overall ECL rate for financial assets and credit commitments analysed by credit quality

	At 30 June 2020 (Unaudited)			
	Stage 1	Stage 2	Stage 3	Total
Financial assets measured at amortised cost	1.21%	26.68%	59.44%	2.83%
Financial assets measured at fair value through other comprehensive income	0.60%	N/A	44.78%	0.62%
Credit commitments	0.25%	11.96%	18.30%	0.25%

	At 31 December 2019 (Audited)			
	Stage 1	Stage 2	Stage 3	Total
Financial assets measured at amortised cost	1.11%	28.76%	60.76%	2.67%
Financial assets measured at fair value through other comprehensive income	1.16%	N/A	44.57%	1.18%
Credit commitments	0.28%	7.44%	20.28%	0.29%

As at 30 June 2020 and at 31 December 2019, the fair value of collaterals held against loans and advances that are not credit-impaired and assessed for lifetime expected credit losses amounted to RMB7,925 million and RMB3,030 million. The fair value of collaterals held against loans and advances that are assessed for lifetime expected credit losses amounted to RMB6,361 million and RMB5,435 million. The collaterals mainly include lands, buildings, machinery and equipments, etc. The fair value of collaterals were estimated by the Bank based on the latest external valuations available, adjusted in light of disposal experience and current market conditions.

(iii) Rescheduled loans and advances to customers

Restructured loans refer to those loans that the financial status of the relevant borrowers deteriorate, or that borrowers are not capable of repaying and therefore certain clauses on the loan contract are adjusted. As at 30 June 2020 and at 31 December 2019, the Bank’s restructured loans amounted to RMB6,656 million and RMB6,511 million.

(iv) Credit rating

The Bank adopts a credit rating approach in managing the credit risk of the debt securities portfolio. Debt securities are rated with reference to major rating agencies where the issuers of the securities are located. The carrying amounts of debt securities investments (excluding interests accrued) analysed by the rating agency designations as at 30 June 2020 and at 31 December 2019 are as follows:

## Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi ("RMB"), unless otherwise stated)

**40 Risk management** *(continued)***(a) Credit risk** *(continued)*(iv) Credit rating *(continued)*

	At 30 June 2020 (Unaudited)	At 31 December 2019 (Audited)
Neither overdue nor impaired		
<i>Ratings</i>		
– AAA	<b>178,446,250</b>	160,913,737
– AA- to AA+	<b>8,860,850</b>	6,276,793
Sub-total	<b>187,307,100</b>	167,190,530
Overdue and credit-impaired		
<i>Ratings</i>		
– C	<b>12,995</b>	13,633
Unrated	<b>715,619</b>	183,410
Total	<b>188,035,714</b>	167,387,573

**(b) Market risk (including the interest rate risk in the banking book)**

Market risk refers to the risk of losses to the Bank's on-balance sheet and off-balance sheet activities arising from unfavorable changes in market prices, mainly including interest rates and exchange rates, commodity risk and equity risks. The interest rate risk in the banking book refers to the risk of losses on the economic value and the overall income of the banking book resulted from unfavorable changes in interest rate levels and the maturity structure. The Bank is exposed to market risks in its trading book and banking book. Financial instruments and commodity position recorded in the trading book are those held by the Bank for the purpose of trading or avoiding risks in other items of trading book and which can be traded freely. The assets and liabilities of long-term positions held for the purpose of managing the liquidity of the Bank, regulatory reserve or profit maximization are included in the banking book. Generally, the assets and liabilities recorded in the banking book are mainly held-to-maturity.

The Board is responsible for approving management strategies of market risk (including interest rate risks in the banking book, similarly hereinafter), policy and procedure, determining the level of market risk tolerance, urging senior management to undertake necessary measures to identify, measure, monitor and control market risk, obtaining periodic reports associated with nature and level of market risk, monitoring and evaluating the comprehensiveness, effectiveness, and performance of market risk management. The Bank's senior management has set up the Asset and Liability Management Committee which is in charge of formulating, reviewing and supervising market risk policy and procedure, and process execution. The committee sets market risk limit according to the Board's risk appetite.

## Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi (“RMB”), unless otherwise stated)

### 40 Risk management *(continued)*

#### (b) Market risk (including the interest rate risk in the banking book) *(continued)*

The Bank sets up the market risk management team under the Asset and Liability Management Department. The team is independent of trading department, and responsible for market risk identification, measurement, monitoring, and control, ensuring that the market risk of the Bank is in compliance with the requirements of internal limits and external supervision according to Bank’s market risk management policies and procedures.

##### *Trading book market risk*

###### *Limits management*

In order to control trading book market risk, the Bank sets Value-at-Risk limits, Basis Point Value limits and stop loss limits.

###### *Stress testing*

Stress testing is used to assess the loss sustainability under extremely adverse conditions when significant market changes take place, including the extreme fluctuations of market risk elements, such as interest rates and exchange rates, unexpected political or economic events, or a combination of the above situations. The market risk of the Bank goes through stress testing on a regular basis.

###### *Assessment of fair value*

Assessment of the fair value of financial instruments is based on the quantitative analysis of the financial products that takes into consideration the specific characteristics of the financial products, trading strategy, market situation, risk factors and the quality and qualification of counterparties. The Bank assesses the fair value of its financial instruments on a regular basis.

##### *Interest rate risk of banking book*

Interest rate risk of the banking book are measured and managed mainly through gap management, sensitivity analysis and duration analysis to ensure the interest rate risk of the banking book are controlled within the scope set by the risk appetite.

The Bank calculates the interest rate sensitivity gap based on repricing cash flow of the interest-earning assets and interest-bearing liabilities, and conducts scenario analysis, to assess the impact on the Bank of changes in interest rates. The impact on the market value of assets or liabilities of one basis point movement in interest rate was assessed through calculation of Basic Point Value.

Interest rate risk of the Bank’s banking book goes through stress testing on a regular basis. In such stress testing, basic interest rate and market rate is treated as a prime factor, and other factors such as political and economic contingency or several contingencies happened at the same time are included.

## Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi (“RMB”), unless otherwise stated)

### 40 Risk management *(continued)*

#### (b) Market risk (including the interest rate risk in the banking book) *(continued)*

##### *Interest rate risk*

The Bank operates its business predominantly in mainland China under the interest rate scheme regulated by PBoC.

The Bank manages its interest rate risks through gap analysis, duration analysis and sensitivity analysis of its assets and liabilities. The Bank has set limits to the rate gap, duration and interest rate sensitivity, and monitors regularly to ensure that the exposures are within the Bank’s limit.

(i) The table below summarizes the Bank’s exposures to interest rate risks. It presents the Bank’s assets and liabilities on the statement of financial position at carrying amounts, by the earlier of the contractual re-pricing date or the maturity date:

	At 30 June 2020 (Unaudited)					
	Total	Non-interest bearing	Less than three months	Between three months and one year	Between one year and five years	More than five years
<b>Assets</b>						
Cash and deposits with the central bank	83,648,238	661,216	82,987,022	-	-	-
Deposits with banks and other financial institutions	27,951,462	5,512	27,818,819	127,131	-	-
Placements with banks and other financial institutions	4,092,620	55,273	1,703,187	2,334,160	-	-
Derivative financial assets	218,373	218,373	-	-	-	-
Financial assets held under resale agreements	9,987,631	3,686	9,983,945	-	-	-
Loans and advances to customers (Note (i))	794,524,803	3,668,233	152,408,517	532,690,009	99,651,677	6,106,367
Financial investments (Note (ii))	329,822,197	17,002,521	74,518,631	56,571,588	154,284,202	27,445,255
Other	17,381,883	17,381,883	-	-	-	-
<b>Total assets</b>	<b>1,267,627,207</b>	<b>38,996,697</b>	<b>349,420,121</b>	<b>591,722,888</b>	<b>253,935,879</b>	<b>33,551,622</b>
<b>Liabilities</b>						
Borrowing from the central bank	59,431,578	1,231,578	24,600,000	33,600,000	-	-
Deposits from banks and other financial institutions	90,336,820	611,894	56,025,599	33,699,327	-	-
Placements from banks and other financial institutions	26,351,184	244,980	15,648,487	10,457,717	-	-
Derivative financial liabilities	199,695	199,695	-	-	-	-
Financial assets sold under repurchase agreements	22,491,578	24,864	20,345,641	2,121,073	-	-
Deposits from customers	768,363,212	10,822,242	323,110,120	253,540,240	177,463,610	3,427,000
Debt securities issued	200,225,160	1,193,800	77,996,186	72,146,156	47,941,903	947,115
Other	12,705,465	12,705,465	-	-	-	-
<b>Total liabilities</b>	<b>1,180,104,692</b>	<b>27,034,518</b>	<b>517,726,033</b>	<b>405,564,513</b>	<b>225,405,513</b>	<b>4,374,115</b>
<b>Asset-liability gap</b>	<b>87,522,515</b>	<b>11,962,179</b>	<b>(168,305,912)</b>	<b>186,158,375</b>	<b>28,530,366</b>	<b>29,177,507</b>

## Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi (“RMB”), unless otherwise stated)

### 40 Risk management *(continued)*

#### (b) Market risk (including the interest rate risk in the banking book) *(continued)*

##### *Interest rate risk (continued)*

##### (i) *(continued)*

	At 31 December 2019 (Audited)					
	Total	Non-interest bearing	Less than three months	Between three months and one year	Between one year and five years	More than five years
<b>Assets</b>						
Cash and deposits with the central bank	93,013,699	463,113	92,550,586	-	-	-
Deposits with banks and other financial institutions	14,051,627	43,440	13,396,250	611,937	-	-
Placements with banks and other financial institutions	4,410,809	18,952	992,840	3,399,017	-	-
Derivative financial assets	158,709	158,709	-	-	-	-
Financial assets held under resale agreements	1,850,258	664	1,849,594	-	-	-
Loans and advances to customers (Note (i))	687,279,098	2,822,439	348,310,422	261,183,421	71,190,885	3,771,931
Financial investments (Note (ii))	300,306,891	16,285,810	44,817,935	63,062,043	154,003,340	22,137,763
Other	15,858,934	15,858,934	-	-	-	-
<b>Total assets</b>	<b>1,116,930,025</b>	<b>35,652,061</b>	<b>501,917,627</b>	<b>328,256,418</b>	<b>225,194,225</b>	<b>25,909,694</b>
<b>Liabilities</b>						
Borrowing from the central bank	46,905,557	605,557	5,000,000	41,300,000	-	-
Deposits from banks and other financial institutions	78,547,430	608,842	42,009,283	35,929,305	-	-
Placements from banks and other financial institutions	21,500,177	279,980	7,358,081	13,862,116	-	-
Derivative financial liabilities	171,758	171,758	-	-	-	-
Financial assets sold under repurchase agreements	23,069,093	22,513	22,179,072	867,508	-	-
Deposits from customers	647,764,551	9,885,750	298,670,078	177,863,197	155,121,526	6,224,000
Debt securities issued	196,603,843	703,767	70,741,274	94,254,960	30,903,842	-
Other	19,729,019	19,729,019	-	-	-	-
<b>Total liabilities</b>	<b>1,034,291,428</b>	<b>32,007,186</b>	<b>445,957,788</b>	<b>364,077,086</b>	<b>186,025,368</b>	<b>6,224,000</b>
<b>Asset-liability gap</b>	<b>82,638,597</b>	<b>3,644,875</b>	<b>55,959,839</b>	<b>(35,820,668)</b>	<b>39,168,857</b>	<b>19,685,694</b>

##### Notes:

- (i) As at 30 June 2020 and 31 December 2019, for loans and advances to customers, the category “Less than three months” includes overdue amounts (net of provision for impairment losses) of RMB13,073 million and RMB12,471 million, respectively.
- (ii) Financial investments include financial investments measured at fair value through profit or loss, financial investments measured at fair value through other comprehensive income and financial investments measured at amortised cost.

## Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi ("RMB"), unless otherwise stated)

**40 Risk management** *(continued)***(b) Market risk (including the interest rate risk in the banking book)** *(continued)***Interest rate risk** *(continued)***(ii) Interest rate sensitivity analysis**

The Bank uses sensitivity analysis to measure the potential impact of changes in interest rate on the Bank's net profit or loss and equity. The following table sets forth the results of the Bank's interest rate sensitivity analysis on net profit and equity with an assumption that all other variables held constant.

	At 30 June 2020 (Unaudited) (Decrease)/ Increase	At 31 December 2019 (Audited) Increase/ (Decrease)
Change in net profit		
Up 100 bps parallel shift in yield curves	<b>(689,941)</b>	29,170
Down 100 bps parallel shift in yield curves	<b>689,941</b>	(29,170)

	At 30 June 2020 (Unaudited) (Decrease)/ Increase	At 31 December 2019 (Audited) Increase/ (Decrease)
Change in equity		
Up 100 bps parallel shift in yield curves	<b>(286,871)</b>	290,943
Down 100 bps parallel shift in yield curves	<b>286,871</b>	(290,943)

The sensitivity analysis above is based on a static interest rate risk profile of the Bank's assets and liabilities. This analysis measures only the impact of changes in interest rates within one year, showing how annualized net profit or loss and equity would have been affected by repricing of the Bank's assets and liabilities within the one-year period. The sensitivity analysis is based on the following assumptions:

- Interest rate movements at 30 June 2020 and 31 December 2019 apply to non-derivative financial instruments of the Bank;
- At 30 June 2020 and 31 December 2019, an interest rate movement of 100 basis points is based on the assumption of interest rates movement over the next full year from the end of the period;
- There is a parallel shift in the yield curve with the changes in interest rates;
- There are no other changes to the assets and liabilities portfolio;
- Other variables (including exchange rates) remain unchanged; and
- The analysis does not take into account risk management measures taken by the management.

Due to the adoption of the aforementioned assumptions, the actual changes in the Bank's net profit or loss and equity caused by an increase or decrease in interest rates might vary from the estimated results of this sensitivity analysis.

## Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi (“RMB”), unless otherwise stated)

### 40 Risk management *(continued)*

#### **(b) Market risk (including the interest rate risk in the banking book) *(continued)***

##### ***Foreign currency risk***

Foreign exchange risk refers to the risk of losses arising from the negative changes in the rate of exchange. The Bank conducts the majority of its business in RMB, with certain foreign transactions in United States dollars (“USD”), Hong Kong dollars (“HKD”) and, to a much lesser extent, other currencies.

The Bank’s principle in controlling foreign exchange risk is to match its assets and liabilities by currency and to maintain foreign exchange risk within established limits. The Bank has set foreign exchange risk limits which are consistent with the guidelines established by the Risk Management Committee of the Bank and are in accordance with relevant regulatory requirements, and reflect management’s assessment of current circumstances. The Bank also manages its sources and uses of foreign currencies to minimize potential mismatches.

The Bank monitors its foreign exchange risk. The Bank mainly uses the foreign exchange exposure analysis, scenario analysis and stress testing to measure and analyze the foreign exchange risk. Besides, the Bank monitors and controls the foreign exchange risk through the limit management. The Asset and Liability Management Department’s market risk team performs independent monitoring, reporting, and management for the entire bank’s foreign exchange risk. Meanwhile, the Bank managed the on-balance sheet foreign exchange risk exposures through derivative financial instruments such as foreign exchange swaps and foreign exchange futures, and kept the Bank’s total exposures of on-balance sheet and off-balance sheet to a low level. Therefore, the foreign exchange exposure at the end of the period is not sensitive to exchange rate fluctuations, and the potential impact on the Bank’s net profit and shareholders’ equity is not significant.

The following table summarizes the Bank’s exchange risk of assets and liabilities at reporting date. Included in the table are the carrying value of assets and liabilities, and the off-balance sheet credit commitments in RMB equivalent, categorized by the original currency.

## Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi ("RMB"), unless otherwise stated)

40 Risk management *(continued)*(b) Market risk (including the interest rate risk in the banking book) *(continued)**Foreign currency risk (continued)*

The Bank's currency exposures as at 30 June 2020 and 31 December 2019 are as follows:

	At 30 June 2020 (Unaudited)			
	RMB	USD (RMB Equivalent)	Others (RMB Equivalent)	Total (RMB Equivalent)
<b>Assets</b>				
Cash and deposits with the central bank	80,710,616	2,926,408	11,214	83,648,238
Deposits with banks and other financial institutions	15,539,241	8,558,522	3,853,699	27,951,462
Placements with banks and other financial institutions	3,385,727	706,893	–	4,092,620
Derivative financial assets	218,373	–	–	218,373
Financial assets held under resale agreements	9,987,631	–	–	9,987,631
Loans and advances to customers	757,268,679	34,998,541	2,257,583	794,524,803
Financial investments (Note (i))	316,946,068	12,404,814	471,315	329,822,197
Other assets	17,339,829	40,532	1,522	17,381,883
<b>Total assets</b>	<b>1,201,396,164</b>	<b>59,635,710</b>	<b>6,595,333</b>	<b>1,267,627,207</b>
<b>Liabilities</b>				
Borrowing from the central bank	59,431,578	–	–	59,431,578
Deposits from banks and other financial Institutions	90,336,586	1	233	90,336,820
Placements from banks and other financial institutions	7,943,053	17,896,729	511,402	26,351,184
Derivative financial liabilities	199,695	–	–	199,695
Financial assets sold under repurchase agreements	22,491,578	–	–	22,491,578
Deposits from customers	712,658,157	54,965,279	739,776	768,363,212
Debt securities issued	200,225,160	–	–	200,225,160
Other liabilities	7,208,686	116,825	5,379,954	12,705,465
<b>Total liabilities</b>	<b>1,100,494,493</b>	<b>72,978,834</b>	<b>6,631,365</b>	<b>1,180,104,692</b>
<b>Net position</b>	<b>100,901,671</b>	<b>(13,343,124)</b>	<b>(36,032)</b>	<b>87,522,515</b>
Off-balance sheet credit commitments	303,028,783	16,861,879	2,015,865	321,906,527

## Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi (“RMB”), unless otherwise stated)

### 40 Risk management *(continued)*

#### (b) Market risk (including the interest rate risk in the banking book) *(continued)*

##### *Foreign currency risk (continued)*

	At 31 December 2019 (Audited)			
	RMB	USD (RMB Equivalent)	Others (RMB Equivalent)	Total (RMB Equivalent)
<b>Assets</b>				
Cash and deposits with the central bank	90,799,927	2,202,896	10,876	93,013,699
Deposits with banks and other financial institutions	5,121,261	7,800,023	1,130,343	14,051,627
Placements with banks and other financial institutions	3,052,200	1,358,609	–	4,410,809
Derivative financial assets	158,709	–	–	158,709
Financial assets held under resale agreements	1,850,258	–	–	1,850,258
Loans and advances to customers	660,182,784	26,012,154	1,084,160	687,279,098
Financial investments (Note (i))	293,876,406	6,311,027	119,458	300,306,891
Other assets	15,833,164	25,716	54	15,858,934
<b>Total assets</b>	<b>1,070,874,709</b>	<b>43,710,425</b>	<b>2,344,891</b>	<b>1,116,930,025</b>
<b>Liabilities</b>				
Borrowing from the central bank	46,905,557	–	–	46,905,557
Deposits from banks and other financial institutions	78,547,199	1	230	78,547,430
Placements from banks and other financial institutions	4,129,413	17,370,764	–	21,500,177
Derivative financial liabilities	171,758	–	–	171,758
Financial assets sold under repurchase agreements	23,069,093	–	–	23,069,093
Deposits from customers	607,404,401	39,550,897	809,253	647,764,551
Debt securities issued	196,603,843	–	–	196,603,843
Other liabilities	18,094,517	134,161	1,500,341	19,729,019
<b>Total liabilities</b>	<b>974,925,781</b>	<b>57,055,823</b>	<b>2,309,824</b>	<b>1,034,291,428</b>
<b>Net position</b>	<b>95,948,928</b>	<b>(13,345,398)</b>	<b>35,067</b>	<b>82,638,597</b>
<b>Off-balance sheet credit commitments</b>	<b>247,232,602</b>	<b>11,469,456</b>	<b>2,718,209</b>	<b>261,420,267</b>

- (i) Financial investments include financial investments measured at fair value through profit or loss, financial investments measured at fair value through other comprehensive income, financial investments measured at amortised cost.

## Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi (“RMB”), unless otherwise stated)

### 40 Risk management *(continued)*

#### (c) Liquidity risk

The Bank adopts a centralized approach with respect to its liquidity risk management, in which the head office centrally manages overall liquidity risk across the Bank under the policies and guidance of the Board of Directors. Liquidity risk is managed on three levels from the Board of Directors, to senior management and down to individual departments, so that all the Bank is involved in the liquidity risk management. The Asset and Liability Management Department is the leading department in managing the liquidity risk, and is responsible for formulating liquidity risk management strategies, policies and procedures, and identifying, measuring, monitoring and controlling liquidity risk, and ensuring the Bank’s overall liquidity risk is controlled within the Bank’s risk tolerance based on cash flow gap analysis, with the help of intraday position management, early-warning indicators and limit control, among other means and methods, and by conducting stress testing and crisis response exercises, strengthening market prejudgment and implementing dynamic liquidity risk management when appropriate. The Bank reviews the above practices and means and methods at least once a year. The Corporate Banking Department, Retail Banking Department and Financial Market Department, among others at the head office, and the subsidiaries engage in their business activities in compliance with the liquidity risk management policies, appetite, processes, limits and other requirements as set down by the Board of Directors and senior management.

In addition to effectively managing intraday positions, the Bank managed cash flow, balancing liquidity and profitability and ensuring safety payment of the Bank and implementing integration management of local and foreign currency. For medium and long term liquidity risk management, the Bank strengthened management measures on regulatory ratios and internal limit, and timely monitored early warning indicators, implemented initiative supplementing of liabilities, stabilized the source of capital and improved future maturity structure of assets and liabilities. Regulatory indicators mainly including liquidity proportion, liquidity coverage ratio, net stable funding ratio and liquidity matching rate are set to guide business development. Internal limits, primarily on treasury loans, debt securities pledged as security and asset-liability maturity gap, are monitored to manage and adjust mismatches between the duration of assets and liabilities. Enforcing the establishment and analysis of customer behavior models, leveraging liquidity management models that use prudent assumptions on the Bank’s cash inflows and outflows from its assets and liabilities, and by monitoring, analyzing and managing its compliance with regulatory indicators and internal limits, the Bank has been able to maintain a sound liquidity position.

In order to cope with its liquidity risks arising from fluctuation of capital market and changes of macro-economic environment, the Bank sticks to the practice of stress testing of them, including the test of cash flow gaps in the future 7 days, 30 days and 90 days and implementation of shortest lifetime management of the Bank by introducing the results of customer behaviors analysis to test the Bank’s tolerance of liquidity risks under different stress scenarios through stimulation of decline in the price of marketable securities and outflow of deposits. Also, in consideration of its business size, complexity, level of risk and organizational structure, the Bank has emergency plans in place and explicit internal labor division and emergency procedures to ensure its liquidity under a crisis situation.

To bolster the Bank’s liquidity, the Bank formulates investment guidelines and regularly assesses and adjusts its investment strategies for debt securities in light of actual risk management needs, clearly defines the ceiling for collateral bonds through internal limits. This ensures the availability of sufficient quality liquid assets which are readily realizable, and structurally ensure the potential liquidity needs of the Bank are well taken care of. The bank focuses on the adjustment and optimization of asset structure, establishes a portfolio of liquidity reserve assets, and implements asset planning management, and pay attention to the stable return of funds when business is due. In addition, the Bank continues to expand its various debt channels, actively strengthens the degree of participation in the issuance of financial bonds, inter-bank customer relationship management and open market operations of the PBoC, attempts to expand the Bank’s medium and long-term stable sources of liabilities, so as to improve the Bank’s financing ability under high liquidity pressure.

## Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi (“RMB”), unless otherwise stated)

### 40 Risk management *(continued)*

#### (c) Liquidity risk *(continued)*

##### *Maturity analysis*

The following tables provide an analysis of non-derivative assets and liabilities of the Bank into relevant maturity groupings based on the remaining periods to repayment at 30 June 2020 and 31 December 2019:

	At 30 June 2020 (Unaudited)							Total
	Indefinite Note (i)	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years	
<b>Assets</b>								
Cash and deposits with the central bank	64,771,748	18,876,490	-	-	-	-	-	83,648,238
Deposit with banks and other financial institutions	-	27,823,481	-	-	127,981	-	-	27,951,462
Placements with banks and other financial institutions	-	705,843	-	999,484	2,387,293	-	-	4,092,620
Financial assets held under resale agreements	-	5,579,172	4,408,459	-	-	-	-	9,987,631
Loans and advances to customers	11,655,395	2,194,695	51,924,818	58,456,122	285,031,914	249,593,501	135,668,358	794,524,803
Financial investments (ii)	7,093,081	17,860,734	11,612,677	21,364,496	71,567,640	172,430,511	27,893,058	329,822,197
Other	17,381,883	-	-	-	-	-	-	17,381,883
<b>Total assets</b>	<b>100,902,107</b>	<b>73,040,415</b>	<b>67,945,954</b>	<b>80,820,102</b>	<b>359,114,828</b>	<b>422,024,012</b>	<b>163,561,416</b>	<b>1,267,408,834</b>
<b>Liabilities</b>								
Borrowing from the central bank	-	-	18,552,633	6,790,172	34,088,773	-	-	59,431,578
Deposits from banks and other financial institutions	-	25,660,120	10,861,911	19,887,029	33,927,760	-	-	90,336,820
Placements from banks and other financial institutions	-	257,826	11,618,811	3,932,379	10,542,168	-	-	26,351,184
Financial assets sold under repurchase agreements	-	520,000	16,284,286	3,111,158	2,576,134	-	-	22,491,578
Deposit from customers	332,083	210,843,306	41,864,224	69,593,207	260,959,991	181,319,529	3,450,872	768,363,212
Debt securities issued	-	-	12,137,785	65,987,615	73,210,742	48,889,018	-	200,225,160
Other	12,705,465	-	-	-	-	-	-	12,705,465
<b>Total liabilities</b>	<b>13,037,548</b>	<b>237,281,252</b>	<b>111,319,650</b>	<b>169,301,560</b>	<b>415,305,568</b>	<b>230,208,547</b>	<b>3,450,872</b>	<b>1,179,904,997</b>
<b>Net position</b>	<b>87,864,559</b>	<b>(164,240,837)</b>	<b>(43,373,696)</b>	<b>(88,481,458)</b>	<b>(56,190,740)</b>	<b>191,815,465</b>	<b>160,110,544</b>	<b>87,503,837</b>

## Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi ("RMB"), unless otherwise stated)

### 40 Risk management *(continued)*

#### (c) Liquidity risk *(continued)*

##### *Maturity analysis (continued)*

	At 31 December 2019 (Audited)							Total
	Indefinite Note (i)	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years	
<b>Assets</b>								
Cash and deposits with the central bank	64,534,750	28,478,949	-	-	-	-	-	93,013,699
Deposit with banks and other financial institutions	-	12,357,476	506,246	555,290	632,615	-	-	14,051,627
Placements with banks and other financial institutions	-	-	-	1,002,573	3,408,236	-	-	4,410,809
Financial assets held under resale agreements	-	-	1,850,258	-	-	-	-	1,850,258
Loans and advances to customers	7,718,389	2,517,674	50,460,530	54,213,485	230,715,509	224,557,388	117,096,123	687,279,098
Financial investments (ii)	4,782,757	16,790,675	9,856,670	10,588,916	66,970,562	166,993,333	24,323,978	300,306,891
Other	15,858,934	-	-	-	-	-	-	15,858,934
<b>Total assets</b>	<b>92,894,830</b>	<b>60,144,774</b>	<b>62,673,704</b>	<b>66,360,264</b>	<b>301,726,922</b>	<b>391,550,721</b>	<b>141,420,101</b>	<b>1,116,771,316</b>
<b>Liabilities</b>								
Borrowing from the central bank	-	-	5,150,063	-	41,755,494	-	-	46,905,557
Deposits from banks and other financial institutions	-	18,477	24,164,236	18,151,387	35,761,330	452,000	-	78,547,430
Placements from banks and other financial institutions	-	-	4,074,591	3,524,298	13,901,288	-	-	21,500,177
Financial assets sold under repurchase agreements	-	-	22,025,336	173,467	870,290	-	-	23,069,093
Deposit from customers	258,777	185,303,287	62,388,941	52,474,341	181,369,406	159,719,112	6,250,687	647,764,551
Debt securities issued	-	-	9,028,586	61,912,497	85,768,448	30,903,842	8,990,470	196,603,843
Other	19,729,019	-	-	-	-	-	-	19,729,019
<b>Total liabilities</b>	<b>19,987,796</b>	<b>185,321,764</b>	<b>126,831,753</b>	<b>136,235,990</b>	<b>359,426,256</b>	<b>191,074,954</b>	<b>15,241,157</b>	<b>1,034,119,670</b>
<b>Net position</b>	<b>72,907,034</b>	<b>(125,176,990)</b>	<b>(64,158,049)</b>	<b>(69,875,726)</b>	<b>(57,699,334)</b>	<b>200,475,767</b>	<b>126,178,944</b>	<b>82,651,646</b>

Note:

- (i) Indefinite amount of cash and deposits with the central bank represents the statutory deposit reserves and fiscal deposits with the central bank. Indefinite amount of loans and advances to customers includes all the impaired loans and advances, as well as those overdue more than one month. Loans and advances to customers with no impairment but overdue within one month are classified into the category of repayable on demand. Indefinite amount of financial investments represents impaired investments or those overdue more than one month. Equity investments are listed in the category of indefinite.
- (ii) Financial investments include financial investments measured at fair value through profit or loss, financial investments measured at fair value through other comprehensive income, financial investments measured at amortised cost.

## Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi (“RMB”), unless otherwise stated)

### 40 Risk management *(continued)*

#### (c) Liquidity risk *(continued)*

##### ***Analysis on contractual undiscounted cash flows of non-derivative financial liabilities***

The following tables provide an analysis of the contractual undiscounted cash flow of the non-derivative financial liabilities of the Bank at 30 June 2020 and 31 December 2019:

	At 30 June 2020 (Unaudited)							
	Carrying amount	Contractual undiscounted cash flow	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years
<b>Non-derivative financial liabilities</b>								
Borrowing from the central bank	59,431,578	60,097,852	-	18,585,671	6,822,805	34,689,376	-	-
Deposits from banks and other financial institutions	90,336,820	90,894,537	25,660,142	10,875,590	19,974,963	34,383,842	-	-
Placements from banks and other financial institutions	26,351,184	26,485,381	257,841	11,629,173	3,945,349	10,653,018	-	-
Financial assets sold under repurchase agreements	22,491,578	22,518,263	520,000	16,284,572	3,117,344	2,596,347	-	-
Deposits from customers	768,363,212	793,618,724	211,175,388	41,926,706	69,854,895	265,296,689	200,907,449	4,457,597
Debt securities issued	200,225,160	205,092,812	-	12,156,599	66,268,198	74,141,821	52,140,804	385,390
Other financial liabilities	12,705,465	13,408,757	8,944,357	194,796	62,938	630,159	2,780,635	795,872
- Lease liabilities	3,761,108	4,464,400	-	194,796	62,938	630,159	2,780,635	795,872
- Other	8,944,357	8,944,357	8,944,357	-	-	-	-	-
<b>Total non-derivative financial liabilities</b>	<b>1,179,904,997</b>	<b>1,212,116,326</b>	<b>246,557,728</b>	<b>111,653,107</b>	<b>170,046,492</b>	<b>422,391,252</b>	<b>255,828,888</b>	<b>5,638,859</b>
Credit commitments	321,906,526	321,906,526	6,252,716	20,838,206	50,215,017	240,528,228	3,392,359	680,000

## Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi ("RMB"), unless otherwise stated)

### 40 Risk management *(continued)*

#### (c) Liquidity risk *(continued)*

##### *Analysis on contractual undiscounted cash flows of non-derivative financial liabilities (continued)*

	At 31 December 2019 (Audited)							
	Carrying amount	Contractual undiscounted cash flow	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years
<b>Non-derivative financial liabilities</b>								
Borrowing from the central bank	46,905,557	46,905,557	-	5,150,063	-	41,755,494	-	-
Deposits from banks and other financial institutions	78,547,430	78,613,281	18,476	24,176,963	18,168,889	35,796,953	452,000	-
Placements from banks and other financial institutions	21,500,177	21,773,652	-	4,092,753	3,604,688	14,076,211	-	-
Financial assets sold under repurchase agreements	23,069,093	23,085,395	-	22,034,038	174,039	877,318	-	-
Deposits from customers	647,764,551	672,176,102	185,562,064	62,440,450	52,706,101	184,776,187	178,826,161	7,865,139
Debt securities issued	196,603,843	203,764,241	-	9,052,273	62,265,633	87,282,517	33,186,076	11,977,742
Other financial liabilities	19,729,019	20,499,347	15,772,723	225,721	88,135	604,528	2,912,996	895,244
- Lease liabilities	3,956,296	4,726,624	-	225,721	88,135	604,528	2,912,996	895,244
- Other	15,772,723	15,772,723	15,772,723	-	-	-	-	-
<b>Total non-derivative financial liabilities</b>	<b>1,034,119,670</b>	<b>1,066,817,575</b>	<b>201,353,263</b>	<b>127,172,261</b>	<b>137,007,485</b>	<b>365,169,208</b>	<b>215,377,233</b>	<b>20,738,125</b>
Credit commitments	261,420,267	261,420,267	6,065,520	31,607,383	53,270,981	163,850,036	5,946,347	680,000

This analysis of the non-derivative financial liabilities by contractual undiscounted cash flow might diverge from actual results.

## Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi (“RMB”), unless otherwise stated)

### 40 Risk management *(continued)*

#### (c) Liquidity risk *(continued)*

##### ***Analysis on contractual undiscounted cash flow of derivative financial instruments***

The Bank’s derivative financial instruments that will be settled on a net basis include interest rate swaps and precious metals derivatives. The Bank’s derivative financial instruments that will be settled on a gross basis are exchange rate swaps and exchange rate forwards.

The following table analyses the contractual undiscounted cash flow of financial derivatives that will be settled on net amounts and gross amounts held by the Bank at the year end. The amounts disclosed are the contractual undiscounted cash flows.

	At 30 June 2020 (Unaudited)				
	Within one month	One month to three months	Three months to one year	One year to five years	Total
Derivative financial instruments settled on net basis					
Interest rate swaps	1,019	(550)	2,105	18,930	21,504
Derivative financial instruments settled on gross basis					
Exchange rate swaps					
– Cash inflow	8,891,535	3,946,061	1,066,479	167,070	14,071,145
– Cash outflow	(8,882,751)	(3,960,216)	(1,068,078)	(158,622)	(14,069,667)
Exchange rate forwards					
– Cash inflow	40,623	37,085	27,106	–	104,814
– Cash outflow	(40,153)	(37,287)	(27,174)	–	(104,614)
Total cash inflow	8,932,158	3,983,146	1,093,585	167,070	14,175,959
Total cash outflow	(8,922,904)	(3,997,503)	(1,095,252)	(158,622)	(14,174,281)

	At 31 December 2019 (Audited)				
	Within one month	One month to three months	Three months to one year	One year to five years	Total
Derivative financial instruments settled on net basis					
Interest rate swaps	(113)	77	305	12,661	12,930
Derivative financial instruments settled on gross basis					
Exchange rate swaps					
– Cash inflow	6,278,166	1,301,781	4,873,750	164,362	12,618,059
– Cash outflow	(6,307,286)	(1,306,058)	(4,926,405)	(156,168)	(12,695,917)
Exchange rate forwards					
– Cash inflow	–	–	115,856	–	115,856
– Cash outflow	–	–	(117,210)	–	(117,210)
Total cash inflow	6,278,166	1,301,781	4,989,606	164,362	12,733,915
Total cash outflow	(6,307,286)	(1,306,058)	(5,043,615)	(156,168)	(12,813,127)

## Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi ("RMB"), unless otherwise stated)

### 40 Risk management *(continued)*

#### (d) Operational risk

Operational risk is the risk of losses due to inadequate or flawed internal processes, staff and IT systems, and external events. It includes legal risk but excludes strategic risk and reputational risk.

The Bank minimizes losses from operational risk through a sound risk management system in internal controls that identifies, assesses, monitors, controls, mitigates and reports operational risk. The system covers all business lines – finance, credit, accounting, settlement, saving, treasury, intermediary business, application and management of IT systems, asset preservation and legal affairs. Key internal control measures include:

- Strengthening the operational risk management mechanism consisting of three lines of defence, complying with regulatory requirements, implementing related management policies to further standardise the methods and processes of operational risk management for effective risk management.
- Raising the control quality of the operational risk management tool and improving dynamic updates of Key Control Standards (KCS) and Key Control Self Assessment (KCSA); Monitoring Key Risk Indicators (KRI) with enhanced risk warning; continuously strengthening the development and application of internal control compliance management information platform, and improving its analysis and application, in order to strengthen the quality and effect of monitoring, early warning and supporting.
- Emphasise the combination of inspection and defence, enhance case risk investigation and major operational risk prevention and control management and investigation, and joint operation of each level inspection, implement special inspection targets; implementing the "Guidelines for the Management of Practitioners in Banking and Financial Institutions", Formulate the "Guidelines for the Investigation of Abnormal Behaviours" to strengthening the behaviour management of practitioners and preventing moral risks; strictly implementing the policy and regulation requirements of anti-money laundering, implementing the Policy No. 3 and the Guidelines for the Money Laundering and Terrorism Financing Risks Management for Legal Financial Institutions (Trial), implementing investigation and rectification on customer identification, organising risk assessment on money laundering, continue optimising designs for system and models, and meeting the requirements of business improvement and management.
- Organising call drills, improving emergency plans, and conducting on-site inspections on the preparations for resumption of outlets during the prevention and control of coronavirus outbreak, and strengthening business sustainability management.

In addition, the Bank continued to improve its operational risk management system to improve system operation efficiency and data quality, and provide informatisation support for effective identification, assessment, monitoring, control and reporting of operational risks. The operational management system has the functions of recording and storing operational risk event information, supporting operational risks self-assessment, monitoring key risk indicators and other functions.

## Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi (“RMB”), unless otherwise stated)

### 41 Fair value

#### (a) Methods and assumptions for measurement of fair value

The Bank adopts the following methods and assumptions when evaluating fair values:

**(i) Debt securities and equity investments**

The fair values of debt securities and equity investments that are traded in an active market are based on their quoted market prices in an active market at the end of reporting period. If quoted market prices are not available, then fair values are estimated on the basis of pricing models, such as discounted cash flows model.

**(ii) Receivables and other non-derivative financial assets**

Fair values are estimated as the present value of the future cash flows, discounted at the market interest rates at the end of reporting period.

**(iii) Debt securities issued and other non-derivative financial liabilities**

Fair values of debt securities issued are based on their quoted market prices at the end of reporting period, or the present value of estimated future cash flows. The fair values of other non-derivative financial liabilities are valued at the present value of estimated future cash flows. The discount rates are based on the market interest rates at the end of reporting period.

**(iv) Derivatives**

Derivatives valued using a valuation technique with market observable inputs are mainly interest rate swaps, foreign exchange forwards, swaps and options, etc. The most frequently applied valuation techniques include discounted cash flow model and the Garman Kohlhagen model extended from Black Scholes model. The models incorporate various inputs including foreign exchange spot and forward rates, foreign exchange rate volatility, interest rate yield curves, etc.

#### (b) Fair value measurement

**(i) Financial assets**

The Bank's financial assets mainly consist of cash and deposits with the central bank, deposit with banks and other financial institutions, placements with banks and other financial institutions, derivative financial assets, financial assets held under resale agreements, loans and advances to customers, and investments.

Deposits with the central bank, deposit with banks and other financial institutions, placements with banks and other financial institutions and financial assets held under resale agreements are mostly priced at market interest rates and due within one year. Accordingly, the carrying amounts approximate the fair values.

Loans and advances to customers are mostly priced at floating rates close to the PBoC rates. Accordingly, the carrying amounts approximate the fair values.

## Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi ("RMB"), unless otherwise stated)

### 41 Fair value *(continued)*

#### (b) Fair value measurement *(continued)*

##### (i) *Financial assets (continued)*

Derivative financial assets, financial investments measured at fair value through other comprehensive income and financial assets measured at fair value through profit or loss are stated at fair value. Financial investments measured at amortised cost and the carrying amounts of investments classified as receivables are the reasonable approximations of their fair values because, for example, they are short-term in nature or repriced at current market rates frequently.

##### (ii) *Financial liabilities*

The Bank's financial liabilities mainly include deposits from banks and other financial institutions, placements from banks and other financial institutions, derivative financial liabilities, financial assets sold under repurchase agreements, deposits from customers and debt securities issued.

Derivative financial liabilities is stated at fair value. The book value and fair value of debt securities issued is presented in Note 28. The carrying amounts of other financial liabilities approximate their fair value.

#### (c) Fair value hierarchy

The following table presents the fair value of financial instruments measured at the end of the reporting period on a recurring basis, categorized into the three-level fair value hierarchy as defined in IFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date;
- Level 2: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available; and
- Level 3: Fair value measured using significant unobservable inputs.

If there is a reliable market quote for financial instruments that measured at fair value, the fair value of which is based on quoted market prices. When quoted prices on open market are not available, the Banks will determine the fair value of financial instruments by using appropriate valuation model, enquiry or by reference to the valuation results of third-party valuation institution. The Bank selects appropriate models based on the risk characteristics, liquidity, counterparty risk and pricing basis of specific financial instruments or trading strategies to ensure that their fair value are truly and effectively reflected. The Bank selects the quoted prices or refers to the valuation results of third-party valuation agencies for evaluation of the fair value of a financial instrument, and when referring to the valuation results of third-party valuation agencies, the authority, independence and professionalism of the agencies should be assessed.

## Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi (“RMB”), unless otherwise stated)

### 41 Fair value *(continued)*

#### (c) Fair value hierarchy *(continued)*

	At 30 June 2020 (Unaudited)			
	Level 1	Level 2	Level 3	Total
<b>Recurring fair value measurements</b>				
Assets				
Derivative financial assets	–	<b>218,373</b>	–	<b>218,373</b>
Loans and advances to customers measured at fair value through profit or loss				
– Corporate loans and advance	–	<b>384,718</b>	–	<b>384,718</b>
Loans and advances to customers measured at fair value through other comprehensive income				
– discounted bills	–	<b>31,897,603</b>	–	<b>31,897,603</b>
Financial investments measured at fair value through profit or loss				
– debt securities	–	<b>9,693,572</b>	<b>567,229</b>	<b>10,260,801</b>
– interbank deposits	–	<b>497,578</b>	–	<b>497,578</b>
– investment funds	–	<b>32,140,512</b>	–	<b>32,140,512</b>
– trust plans and asset management plans	–	<b>16,277,303</b>	<b>1,837,572</b>	<b>18,114,875</b>
– equity investments	<b>273,824</b>	–	<b>1,773,038</b>	<b>2,046,862</b>
Financial investments measured at fair value through other comprehensive income				
– debt securities (exclusive interests accrued)	–	<b>62,087,755</b>	–	<b>62,087,755</b>
– equity investments	–	–	<b>200,000</b>	<b>200,000</b>
– trust plans and asset management plans (exclusive interests accrued)	–	<b>3,654,695</b>	–	<b>3,654,695</b>
<b>Total</b>	<b>273,824</b>	<b>156,852,109</b>	<b>4,377,839</b>	<b>161,503,772</b>
Liabilities				
Derivative financial liabilities	–	<b>(199,695)</b>	–	<b>(199,695)</b>
<b>Total</b>	–	<b>(199,695)</b>	–	<b>(199,695)</b>

## Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi ("RMB"), unless otherwise stated)

### 41 Fair value (continued)

#### (c) Fair value hierarchy (continued)

	At 31 December 2019 (Audited)			
	Level 1	Level 2	Level 3	Total
<b>Recurring fair value measurements</b>				
<b>Assets</b>				
Derivative financial assets	–	158,709	–	158,709
Loans and advances to customers measured at fair value through profit or loss				
– Corporate loans and advance	–	758,665	–	758,665
Loans and advances to customers measured at fair value through other comprehensive income				
– discounted bills	–	9,413,518	–	9,413,518
Financial investments measured at fair value through profit or loss				
– debt securities	–	804,971	–	804,971
– investment funds	–	25,480,840	–	25,480,840
– trust plans and asset management plans	–	6,263,005	1,848,206	8,111,211
– equity investments	145,274	–	1,696,017	1,841,291
Financial investments measured at fair value through other comprehensive income				
– debt securities (exclusive interests accrued)	–	54,874,916	–	54,874,916
– equity investments	–	–	200,000	200,000
– trust plans and asset management plans (exclusive interests accrued)	–	8,979,719	–	8,979,719
<b>Total</b>	<b>145,274</b>	<b>106,734,343</b>	<b>3,744,223</b>	<b>110,623,840</b>
<b>Liabilities</b>				
Derivative financial liabilities	–	(171,758)	–	(171,758)
<b>Total</b>	<b>–</b>	<b>(171,758)</b>	<b>–</b>	<b>(171,758)</b>

## Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi (“RMB”), unless otherwise stated)

### 41 Fair value (continued) (c) Fair value hierarchy (continued)

The movement during the six months ended 30 June 2020 in the balance of Level 3 fair value measurements (unaudited) is as follows:

	1 January 2020	Transfer into Level 3	Transfer out of Level 3	Total gains or losses of the period	Additions, issues, sales and settlements				30 June 2020	Unrealized gains or losses for the year included in profit or loss for assets held at the end of the period
					Recorded in profit or loss	Recorded in other comprehensive income	Additions	Issues		
<b>Assets</b>										
Financial assets measured at fair value through profit or loss										
– debt securities	-	-	-	-	567,229	-	-	-	-	567,229
– trust plans and asset management plans	1,848,206	-	-	-	-	-	-	(10,634)	-	1,837,572
– equity investments	1,696,017	-	(104,626)	-	181,647	-	-	-	-	1,773,038
<b>Sub-total</b>	<b>3,544,223</b>	<b>-</b>	<b>(104,626)</b>	<b>-</b>	<b>748,876</b>	<b>-</b>	<b>-</b>	<b>(10,634)</b>	<b>-</b>	<b>4,177,839</b>
Financial assets measured at fair value through other comprehensive income										
– equity investments	200,000	-	-	-	-	-	-	-	-	200,000
<b>Total</b>	<b>3,744,223</b>	<b>-</b>	<b>(104,626)</b>	<b>-</b>	<b>748,876</b>	<b>-</b>	<b>-</b>	<b>(10,634)</b>	<b>-</b>	<b>4,377,839</b>

## Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi ("RMB"), unless otherwise stated)

### 41 Fair value (continued)

#### (c) Fair value hierarchy (continued)

The movement during the year ended 31 December 2019 in the balance of Level 3 fair value measurements (audited) is as follows:

	1 January 2019	Transfer into Level 3	Transfer out of Level 3	Total gains or losses of the period	Recorded in profit or loss	Recorded in other comprehensive income	Additions	Issues	Sales	Settlements	31 December 2019	Unrealized gains or losses for the year included in profit or loss for assets held at the end of the period
<b>Assets</b>												
Financial assets at fair value through profit or loss												
- trust plans and asset management plans	-	-	-	-	-	-	1,848,206	-	-	-	1,848,206	-
- equity investments	322,369	-	-	-	-	-	1,373,648	-	-	-	1,696,017	-
Sub-total	322,369	-	-	-	-	-	3,221,854	-	-	-	3,544,223	-
Financial assets at fair value through other comprehensive income												
- equity investments	200,000	-	-	-	-	-	-	-	-	-	200,000	-
Total	522,369	-	-	-	-	-	3,221,854	-	-	-	3,744,223	-

## Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi (“RMB”), unless otherwise stated)

### 41 Fair value *(continued)*

#### (c) Fair value hierarchy *(continued)*

The valuation techniques used and the qualitative and quantitative information of key parameters for recurring fair value measurements categorized within Level 3.

Quantitative information of Level 3 fair value measurement is as below:

	Fair value as at 30 June 2020 (Unaudited)	Valuation techniques	Unobservable input
<b>Financial investments measured at fair value through profit or loss</b>			
– debt securities	567,229	Discounted cash flow	Risk-adjusted discount rate, cash flow
– trust plans and asset management plans	1,837,572	Discounted cash flow	Risk-adjusted discount rate, cash flow
– equity investments	1,773,038	Discounted cash flow	Risk-adjusted discount rate, cash flow
<b>Financial investments measured at fair value through other comprehensive income</b>			
– equity investments	200,000	Discounted cash flow	Risk-adjusted discount rate, cash flow
<hr/>			
	Fair value as at 31 December 2019 (Audited)	Valuation techniques	Unobservable input
<b>Financial investments measured at fair value through profit or loss</b>			
– trust plans and asset management plans	1,848,206	Discounted cash flow	Risk-adjusted discount rate, cash flow
– equity investments	1,696,017	Discounted cash flow	Risk-adjusted discount rate, cash flow
<b>Financial investments measured at fair value through other comprehensive income</b>			
– equity investments	200,000	Discounted cash flow	Risk-adjusted discount rate, cash flow

## Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi ("RMB"), unless otherwise stated)

### 41 Fair value *(continued)*

#### (c) Fair value hierarchy *(continued)*

During the reporting period, there were no significant change in the valuation techniques.

As at 30 June 2020 and 31 December 2019, significant unobservable inputs such as risk-adjusted discount rate and cash flow were used in the valuation of financial assets measured at fair value classified as Level 3, which were mainly equity investments. The fair value of these financial assets fluctuates according to the changes in the unobservable inputs. An increases (decreases) in risk-adjusted discount rate in isolation would result in a lower (higher) fair value measurement, and increases (decreases) in cash flow in isolation would result in a higher (lower) fair value measurement. There are no interrelationships between those inputs.

The sensitivity of the fair value on changes in significant 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 1% movement (100bps) of risk-adjusted discount rate change to reasonably possible alternative assumptions.

	At 30 June 2020 (Unaudited)			
	Effect on net profit		Effect on other comprehensive income	
	Favourable	(Unfavourable)	Favourable	(Unfavourable)
<b>Financial investments measured at fair value through profit or loss</b>				
– debt securities	22,418	(21,167)	–	–
– trust plans and asset management plans	72,441	(68,401)	–	–
– equity investments	69,738	(65,850)	–	–
<b>Financial investments measured at fair value through other comprehensive income</b>				
– equity investments	–	–	5,016	(4,755)

## Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi ("RMB"), unless otherwise stated)

### 41 Fair value *(continued)*

#### (c) Fair value hierarchy *(continued)*

	At 31 December 2019 (Audited)			
	Effect on net profit		Effect on other comprehensive income	
	Favourable	(Unfavourable)	Favourable	(Unfavourable)
<b>Financial investments measured at fair value through profit or loss</b>				
– trust plans and asset management plans	73,045	(68,969)	–	–
– equity investments	64,035	(60,477)	–	–
<b>Financial investments measured at fair value through other comprehensive income</b>				
– equity investments	–	–	5,016	(4,755)

The following table shows the sensitivity of fair value due to 10% movement of cash flow change to reasonably possible alternative assumptions.

	At 30 June 2020 (Unaudited)			
	Effect on net profit		Effect on other comprehensive income	
	Favourable	(Unfavourable)	Favourable	(Unfavourable)
<b>Financial investments measured at fair value through profit or loss</b>				
– debt securities	20,197	(20,197)	–	–
– trust plans and asset management plans	65,290	(65,290)	–	–
– equity investments	62,876	(62,876)	–	–
<b>Financial investments measured at fair value through other comprehensive income</b>				
– equity investments	–	–	4,945	(4,945)

## Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi ("RMB"), unless otherwise stated)

### 41 Fair value *(continued)*

#### (c) Fair value hierarchy *(continued)*

	At 31 December 2019 (Audited)			
	Effect on net profit		Effect on other comprehensive income	
	Favourable	(Unfavourable)	Favourable	(Unfavourable)
<b>Financial investments measured at fair value through profit or loss</b>				
– trust plans and asset management plans	65,809	(65,809)	–	–
– equity investments	58,142	(58,142)	–	–
<b>Financial investments at fair value through other comprehensive income</b>				
– equity investments	–	–	4,945	(4,945)

Base on above sensitivity analysis, changing one or more of the unobservable inputs to reflect reasonably possible alternative assumptions would not result in a significant change in the fair value of relevant financial instruments.

### 42 Entrusted lending business

The Bank provides entrusted lending business services to customers. All entrusted loans are funded by entrusted funds from these customers. The Bank does not take any credit risk in relation to these transactions. The Bank acts as an agent to hold and manage these assets and liabilities at the direction of the entrustor and receives fee income for the services provided. The entrusted assets are not the assets of the Bank and are not recognised in the statements of financial position. Surplus funding is accounted for as deposits from customers.

	At 30 June 2020 (Unaudited)	At 31 December 2019 (Audited)
Entrusted loans	50,379,990	68,800,182
Entrusted funds	50,379,990	68,800,182

## Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi (“RMB”), unless otherwise stated)

### 43 Commitments and contingent liabilities

#### (a) Credit commitments

The Bank’s credit commitments take the form of approved loans with signed contracts, credit card commitments, bank acceptances, letters of credit and financial guarantees.

The contractual amounts of loans commitments represent the amounts should the contracts be fully drawn upon. The Bank provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. Acceptances comprise of undertakings by the Bank to pay bills of exchange drawn on customers. The Bank expects most acceptances to be settled simultaneously with the reimbursement from the customers.

	At 30 June 2020 (Unaudited)	At 31 December 2019 (Audited)
Credit card commitments	5,353,728	5,069,857
Acceptances	234,856,773	167,506,456
Letters of credit	68,096,104	67,528,818
Letters of guarantees	13,599,922	21,315,136
<b>Total</b>	<b>321,906,527</b>	261,420,267

The Bank may be exposed to credit risk in all the above credit businesses. Bank Management periodically assesses credit risk and makes provision for any probable losses. As the facilities may expire without being drawn upon, the total of the contractual amounts shown above is not representative of expected future cash outflows. As at 30 June 2020 and 31 December 2019, provisions for credit commitments were RMB812 million and RMB768 million.

#### (b) Credit risk-weighted amount for credit commitments

	At 30 June 2020 (Unaudited)	At 31 December 2019 (Audited)
Credit risk-weighted amounts	56,508,694	61,677,273

The credit risk-weighted amount for credit commitments represents the amount calculated with reference to the guidelines issued by the former CBRC.

## Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi ("RMB"), unless otherwise stated)

### 43 Commitments and contingent liabilities *(continued)*

#### (c) Capital commitments

As at 30 June 2020 and 31 December 2019, the Bank's authorised capital commitments are as follows:

	At 30 June 2020 (Unaudited)	At 31 December 2019 (Audited)
Contracted but not paid for	131,094	93,799
Authorised but not contracted for	42,276	48,659
<b>Total</b>	<b>173,370</b>	142,458

#### (d) Outstanding litigations and disputes

As at 30 June 2020 and 31 December 2019, the Bank has been involved in certain claims and acting as the defendant in certain outstanding litigations and disputes with an estimated gross amounts of RMB85.09 million and RMB79.32 million, respectively. The Bank has assessed the impact of the above outstanding litigations and disputes that may lead to an outflow of economic benefits. According to the opinion of the Bank's internal department and external lawyers, as at 30 June 2020 and 31 December 2019, the Bank has made provisions of RMB42.24 million and RMB42.24 million regarding such pending litigations and claims arising from normal course of business.

#### (e) Bonds underwriting commitments and redemption obligations

As an underwriting agent of PRC government bonds, the Bank has the responsibility to buy back its bonds if the holders decide to early redeem the bonds held. The redemption price for the bonds at any time before their maturity date is based on the coupon value plus any interest unpaid and accrued up to the redemption date. Accrued interest payable to the bond holders are calculated in accordance with relevant rules of the Ministry of Finance and the PBoC.

The redemption price may be different from the fair value of similar instruments traded in the markets at the redemption date. The redemption obligations below represent the nominal value of government bonds underwritten and sold by the Bank, but not yet matured at 30 June 2020 and 31 December 2019:

	At 30 June 2020 (Unaudited)	At 31 December 2019 (Audited)
Redemption obligations	39,858,500	39,311,500

## Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi (“RMB”), unless otherwise stated)

### 43 Commitments and contingent liabilities *(continued)*

#### (f) Pledged assets

##### (i) Assets pledged as collateral

	At 30 June 2020 (Unaudited)	At 31 December 2019 (Audited)
Investment securities	61,120,997	47,619,652
Discounted bills	6,623,028	2,269,220
<b>Total</b>	<b>67,744,025</b>	49,888,872

Some of the Bank’s assets are pledged as collateral under repurchase agreements, and borrowings from central bank.

The Bank’s pledged assets in relation to the purchase of bills under resale agreements can be sold or repledged. As at 30 June 2020 and 31 December 2019, the Bank did not have these discounted bills under resale agreements. As at 30 June 2020 and 31 December 2019, the Bank did not sell or repledge any pledged assets which it has an obligation to resale when they are due.

##### (ii) Pledged assets received

The Bank conducts resale agreements under the usual and customary terms of placements, and holds collaterals for these transactions. The Bank’s balance of financial assets held under resale agreements were included in Note 16. The fair value of such collateral accepted by the Bank was RMB9,987 million and RMB1,850 million as at 30 June 2020 and 31 December 2019. These transactions were conducted under standard terms in the normal course of business.

### 44 Subsequent events

#### (a) Impact assessment on novel coronavirus pneumonia epidemic

Since the outbreak of pneumonia epidemic caused by novel coronavirus (“the COVID-19 outbreak”) across the country in January 2020, the prevention and control of the pneumonia epidemic continues nationwide. The Bank earnestly implemented the requirements of the “Notice on Further Enhancing Financial Support for Controlling the Novel Coronavirus Outbreak (《關於進一步強化金融支持防控新型冠狀病毒感染肺炎疫情的通知》)” and other relevant policies and regulations jointly published by the People’s Bank of China, the Ministry of Finance, the CBIRC, the CSRC (“China Securities Regulatory Commission”) and the SAFE (“the State Administration of Foreign Exchange of the PRC”), to strengthen financial support for epidemic prevention and control.

The pneumonia epidemic will have certain impact on the operation of enterprises in some provinces, cities and industries, and the overall economic operation, which may affect the asset quality or return on assets of the Bank’s credit assets and investment assets to a certain extent. The degree of impact will depend on the situation, duration of the epidemic prevention and control, and the implementation of various control policies.

The Bank will continue to closely monitor the development of the pneumonia epidemic, assess and actively respond to its impact on the financial position, operating results and other aspects of the Bank.

## Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi ("RMB"), unless otherwise stated)

### 44 Subsequent events *(continued)*

#### (b) H share issued of the Bank

The Bank's Global Offering was completed and the H shares of the Bank were listed on the Main Board of The Stock Exchange of Hong Kong Limited on 16 July 2020. The Bank issued 2,880 million H Shares with a par value of RMB1 at an offering price of HKD4.80 per share. In addition, since the over-allotment option as set out in the Prospectus was fully exercised, the Bank issued 432 million H shares with a par value of RMB1 at an offering price of HKD4.80 per share, and those H Shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited on 12 August 2020.

#### (c) Financial bonds issued

In 18 August 2020, the Bank issued three-year special financial bonds for loans to small and micro enterprises with face value of RMB10 billion. The fixed coupon interest rate per annum is 3.55%.

Except for the event as disclosed above, the Bank has no material events for disclosure subsequent to the end of the Reporting Period.

### 45 Comparative figures

For financial statements disclosure purpose, the Bank made reclassification adjustments to some comparative figures.

# Unaudited Supplementary Financial Information

(Expressed in thousands of Renminbi, unless otherwise stated)

In accordance with the Listing Rules and Banking (Disclosure) Rules, the Bank discloses the unaudited supplementary financial information as follows:

## 1 Liquidity coverage ratio and leverage ratio

### (a) Liquidity coverage ratio

	At 30 June 2020	Average for the six months 30 June 2020
Liquidity coverage ratio (RMB and foreign currency)	<b>168.69%</b>	139.15%

	At 31 December 2019	Average for the year ended 31 December 2019
Liquidity coverage ratio (RMB and foreign currency)	<b>139.86%</b>	129.91%

Pursuant to the Administrative Measures for Liquidity Risk Management of Commercial Banks, the liquidity coverage ratio of commercial banks shall reach 100%.

### (b) Leverage Ratio

	At 30 June 2020	At 31 December 2019
Leverage Ratio	<b>5.67%</b>	6.22%

Pursuant to the Leverage Ratio Management of Commercial Banks (Revision) issued by the former CBRC and was effective since 1 April 2015, a minimum leverage ratio 4% is required.

## Unaudited Supplementary Financial Information

(Expressed in thousands of Renminbi, unless otherwise stated)

### 1 Liquidity coverage ratio and leverage ratio *(continued)*

#### (c) Net Stable Funding Ratio

	30 June 2020	31 December 2019
Available stable funding	<b>790,296,961</b>	708,950,035
Required stable funding	<b>705,748,872</b>	627,425,565
Net Stable Funding Ratio	<b>111.98%</b>	112.99%

Pursuant to the Administrative Measures on the Liquidity Risk Management of Commercial Banks, a minimum net stable funding ratio 100% is required.

The above liquidity coverage ratio, leverage ratio and net stable funding ratio are calculated in accordance with the formula promulgated by the former CBRC and based on the financial information prepared in accordance with PRC GAAP.

### 2 Currency concentrations

	At 30 June 2020			Total
	US Dollars (RMB equivalent)	HK Dollars (RMB equivalent)	Others (RMB equivalent)	
Spot assets	<b>59,635,710</b>	<b>4,305,352</b>	<b>2,289,981</b>	<b>66,231,043</b>
Spot liabilities	<b>(72,978,834)</b>	<b>(4,333,096)</b>	<b>(2,298,269)</b>	<b>(79,610,199)</b>
Net position	<b>(13,343,124)</b>	<b>(27,744)</b>	<b>(8,288)</b>	<b>(13,379,156)</b>

	At 31 December 2019			Total
	US Dollars (RMB equivalent)	HK Dollars (RMB equivalent)	Others (RMB equivalent)	
Spot assets	43,710,425	180,217	2,164,674	46,055,316
Spot liabilities	(57,055,823)	(126,944)	(2,182,880)	(59,365,647)
Net position	(13,345,398)	53,273	(18,206)	(13,310,331)

## Unaudited Supplementary Financial Information

(Expressed in thousands of Renminbi, unless otherwise stated)

### 3 International claims

The Bank is principally engaged in business operations within Mainland China, and regards all claims on third parties outside Mainland China as international claims.

International claims include loans and advances to customers, deposits with the central bank, deposits with banks and other financial institutions, placements with banks and other financial institutions and financial investments.

A country or geographical area is reported where it constitutes 10% or more of the aggregate amount of international claims, after taking into account any risk transfers. Risk transfers are only made if the claims are guaranteed by a party in a country which is different from that of the counterparty or if the claims are on an overseas branch of a bank whose Head Office is located in another country.

	At 30 June 2020		
	Banks	Non-bank financial institutions	Total
Asia Pacific (excluding North and South America)	3,444,223	5,276,703	8,720,926
Europe	627,128	–	627,128
North and South America	5,300,557	–	5,300,557
Others	7,574	–	7,574
<b>Total</b>	<b>9,379,482</b>	<b>5,276,703</b>	<b>14,656,185</b>

	At 31 December 2019		
	Banks	Non-bank financial institutions	Total
Asia Pacific (excluding North and South America)	1,007,467	3,949,098	4,956,565
Europe	725,210	–	725,210
North and South America	1,518,246	–	1,518,246
Others	6,535	–	6,535
<b>Total</b>	<b>3,257,458</b>	<b>3,949,098</b>	<b>7,206,556</b>

## Unaudited Supplementary Financial Information

(Expressed in thousands of Renminbi, unless otherwise stated)

### 4 Gross amount of overdue loans and advances

	At 30 June 2020	At 31 December 2019
Gross loans and advances which have been overdue with respect to either principal or interest for periods of		
– between 3 and 6 months (inclusive)	<b>1,860,053</b>	1,030,593
– between 6 months and 1 year (inclusive)	<b>2,447,503</b>	1,784,811
– between 1 year and 3 years (inclusive)	<b>4,469,843</b>	4,645,943
– over 3 years	<b>4,045,366</b>	3,562,961
<b>Total</b>	<b>12,822,765</b>	11,024,308
As a percentage of total gross loans and advances		
– between 3 and 6 months (inclusive)	<b>0.23%</b>	0.15%
– between 6 months and 1 year (inclusive)	<b>0.30%</b>	0.25%
– between 1 year and 3 years (inclusive)	<b>0.55%</b>	0.66%
– over 3 years	<b>0.49%</b>	0.50%
<b>Total</b>	<b>1.57%</b>	1.56%

## Supplement Information on Capital Composition and Leverage Ratio

The following information is disclosed in accordance with the Regulatory Requirement on Information Disclosure of Capital Composition in Commercial Banks, Appendix 2 to the Notice on Issuing Supporting Policy Documents for the Capital Regulation of Commercial Banks (《關於印發商業銀行資本監管配套政策文件的通知》) of the CBRC.

**Table 1: Capital Composition**

Unit: RMB million, %

No.	Item	June 30, 2020
<b>Core tier-one capital:</b>		
1	Paid-in capital	14,450
2	Retained earnings	52,507
2a	Surplus reserve	5,010
2b	General reserve	14,082
2c	Undistributed profits	33,415
3	Accumulated other comprehensive income and disclosed reserves	827
3a	Capital reserve	20
3b	Others	807
4	Amount allowed to be included in core tier-one capital during the transitional period (only applicable to non-stock corporation, banks of stock corporation just fill with 0)	–
5	Qualifying portion of minority shareholders' capital	–
<b>6</b>	<b>Core tier-one capital before regulatory adjustments</b>	<b>67,784</b>
<b>Core tier-one capital: Regulatory adjustments</b>		
7	Prudential valuation adjustments	–
8	Goodwill (net of deferred tax liabilities)	–
9	Other intangible assets other than land use rights (net of deferred tax liabilities)	129
10	Net deferred tax assets relying on future profitability and arising from operating losses	–
11	Reserves generated from the cash flow hedging to items that are not measured at fair value	–
12	Gaps of provision for loan impairment	–
13	Gains on sale of asset securitization	–
14	Unrealized profit or loss arising from the changes in the fair value of liabilities due to changes in own credit risk	–
15	Net defined-benefit pension assets (net of deferred tax liabilities)	–
16	Direct or indirect investments in own ordinary shares	–
17	Reciprocal cross-holdings in core tier-one capital between banks or between banks and other financial institutions	–
18	Deductible amount in core tier-one capital of non-significant minority capital investments in unconsolidated financial institutions	–
19	Deductible amount in core tier-one capital of significant minority capital investments in unconsolidated financial institutions	–
20	Collateralized loan service rights	N/A
21	Deductible amount in other net deferred tax assets relying on the Bank's future profitability	340
22	Deductible amount of non-deducted part of core tier-one capital of significant minority capital investments in unconsolidated financial institutions and other net deferred tax assets relying on the Bank's future profitability in excess of 15% of core tier-one capital	–
23	Of which: Amount deductible from significant minority capital investments in financial institutions	–
24	Of which: Amount deductible from collateralized loan service rights	N/A
25	Of which: Amount deductible from other deferred tax assets relying on the Bank's future profitability	–
26a	Investments in core tier-one capital of financial institutions that are under control but unconsolidated	–
26b	Gaps of core tier-one capital of financial institutions that are under control but unconsolidated	–

No.	Item	June 30, 2020
26c	Total of other items deductible from core tier-one capital	–
27	Non-deducted gap deductible from additional tier-one capital and tier-two capital	–
<b>28</b>	<b>Total regulatory adjustments to core tier-one capital</b>	<b>469</b>
<b>29</b>	<b>Core tier-one capital</b>	<b>67,315</b>
<b>Additional tier-one capital:</b>		
30	Additional tier-one capital instruments and related premium	19,962
31	Of which: classified as equity	19,962
32	Of which: classified as liabilities	–
33	Instruments not allowed to be included in additional tier-one capital after the transitional period	–
34	Qualifying portion of minority shareholders' capital	–
35	Of which: Not allowed to be included in additional tier-one capital after the transitional period	–
<b>36</b>	<b>Additional tier-one capital before regulatory adjustments</b>	<b>19,962</b>
<b>Additional tier-one capital: Regulatory adjustments</b>		
37	Direct or indirect investments in own additional tier-one capital	–
38	Reciprocal cross-holdings in additional tier-one capital between banks or between banks and other financial institutions	–
39	Deductible amount in additional tier-one capital of non-significant minority capital investments in unconsolidated financial institutions	–
40	Additional tier-one capital of significant minority capital investments in unconsolidated financial institutions	–
41a	Investments in additional tier-one capital of financial institutions that are under control but unconsolidated	–
41b	Gaps of additional tier-one capital of financial institutions that are under control but unconsolidated	–
41c	Other items deductible from additional tier-one capital	–
42	Non-deducted gap deductible from tier-two capital	–
<b>43</b>	<b>Total regulatory adjustments to additional tier-one capital</b>	<b>–</b>
<b>44</b>	<b>Additional tier-one capital</b>	<b>19,962</b>
<b>45</b>	<b>Tier-one capital (core tier-one capital + additional tier-one capital)</b>	<b>87,277</b>
<b>Tier-two capital:</b>		
46	Tier-two capital instruments and related premium	817
47	Instruments not allowed to be included in tier-two capital after the transitional period	817
48	Qualifying portion of minority shareholders' capital	–
49	Of which: not allowed to be included in tier-two capital after the transitional period	–
50	Qualifying portion of surplus provision for loan impairment	9,964
<b>51</b>	<b>Tier-two capital before regulatory adjustments</b>	<b>10,781</b>
<b>Tier-two capital: Regulatory adjustments</b>		
52	Direct or indirect investments in own tier-two capital	–
53	Reciprocal cross-holdings in tier-two capital between banks or between banks and other financial institutions	–
54	Deductible amount in tier-two capital of non-significant minority capital investments in unconsolidated financial institutions	–
55	Tier-two capital of significant minority capital investments in unconsolidated financial institutions	–
56a	Investments in tier-two capital of financial institutions that are under control but unconsolidated	–
56b	Gaps of tier-two capital of financial institutions that are under control but unconsolidated	–
56c	Other items deductible from tier-two capital	–
<b>57</b>	<b>Total regulatory adjustments to tier-two capital</b>	<b>–</b>
<b>58</b>	<b>Tier-two capital</b>	<b>10,781</b>
<b>59</b>	<b>Total capital (tier-one capital + tier-two capital)</b>	<b>98,058</b>
<b>60</b>	<b>Total risk-weighted assets</b>	<b>857,625</b>

No.	Item	June 30, 2020
<b>Requirements on capital adequacy ratio and reserve capital</b>		
61	Core tier-one capital adequacy ratio	7.85%
62	Tier-one capital adequacy ratio	10.18%
63	Capital adequacy ratio	11.43%
64	Specific capital requirements of regulators	
65	Of which: Reserve capital requirements	2.50%
66	Of which: Counter-cyclical capital requirements	–
67	Of which: Additional capital requirements of systemically important banks worldwide	–
68	Core tier-one capital meeting buffers as a percentage of risk-weighted assets	2.85%
<b>Domestic minimum regulatory capital requirements</b>		
69	Core tier-one capital adequacy ratio	5%
70	Tier-one capital adequacy ratio	6%
71	Capital adequacy ratio	8%
<b>Amounts below the threshold deductions</b>		
72	Non-deducted portion of non-significant minority capital investments in unconsolidated financial institutions	150
73	Non-deducted portion of significant minority capital investments in unconsolidated financial institutions	50
74	Collateralized loan service rights (net of deferred tax liabilities)	N/A
75	Other net deferred tax assets relying on the Bank's future profitability (net of deferred tax liabilities)	6,765
<b>Cap on surplus provision for loan impairment allowed to be included in tier-two capital</b>		
76	Provision for loan impairment actually provided under the Weighted Approach	27,375
77	Surplus provision for loan impairment allowed to be included in tier-two capital under the Weighted Approach	9,964
78	Surplus provision for loan impairment actually provided under the Internal Ratings Based Approach	N/A
79	Surplus provision for loan impairment allowed to be included in tier-two capital under the Internal Ratings Based Approach	N/A
<b>Capital instruments subject to phase-out arrangements</b>		
80	Amount allowed to be included in core tier-one capital for the current period due to arrangements in the transitional period	–
81	Amount not allowed to be included in core tier-one capital due to arrangements in the transitional period	–
82	Amount allowed to be included in additional tier-one capital for the current period due to arrangements in the transitional period	–
83	Amount not allowed to be included in additional tier-one capital due to arrangements in the transitional period	–
84	Amount allowed to be included in tier-two capital for the current period due to arrangements in the transitional period	817
85	Amount not allowed to be included in tier-two capital for the current period due to arrangements in the transitional period	–

**Table 2: Balance Sheet at the Group's Level**

Not Applicable, see "Review Report and Interim Financial Report – Unaudited Statement of Financial Position" in the report

**Table 3: Detailed explanation on relevant items**

Unit: RMB million

Item	Amount in the balance sheet	Code
Goodwill		a
Intangible assets	566	b
Of which: Land use rights	437	c
Deferred income tax liabilities		
Of which: Deferred tax liabilities relating to goodwill	–	d
Of which: Deferred tax liabilities relating to other intangible assets (excluding land use rights)	–	e
Paid-in capital	14,450	
Of which: Amount allowed to be included in core tier-one capital	14,450	f
Other equity instruments	19,962	
Of which: Perpetual bonds	19,962	g
Capital reserve	20	h
Other comprehensive income	807	i
Surplus reserve	5,010	j
General reserve	14,082	k
Undistributed profits	33,415	l
Bonds payable	199,031	
Of which: Debts issued allowed to be included in tier-two capital instruments and related premium	817	m

**Table 4: Correspondence between all the items disclosed in the second step and items in the disclosure template of capital composition**

Unit: RMB million

Item	Amount	Code
<b>Core tier-one capital:</b>		
1 Paid-in capital	14,450	f
2 Retained earnings	52,507	j+k+l
2a Surplus reserve	5,010	j
2b General reserve	14,082	k
2c Undistributed profits	33,415	l
3a Capital reserve	20	h
3b Other comprehensive income	807	i
4 Other intangible assets other than land use rights (net of deferred tax liabilities)	129	b-c-e
5 Additional tier-one capital instruments and related premium	19,962	g
6 Tier-two capital instruments and related premium	817	m

**Table 5: Main features of capital instruments**

1	Issuer	CHINA BOHAI BANK CO., LTD.	CHINA BOHAI BANK CO., LTD.
2	Identification code (bond code)	1224002	1928024
3	Applicable laws	Capital Administrative Measures for Commercial Banks (Provisional)	Capital Administrative Measures for Commercial Banks (Provisional)
4	Regulatory processing		
5	Of which: Applicable to rules for the transitional period of the Capital Administrative Measures for Commercial Banks (Provisional)	Included in tier-two capital, to be decreased year on year	Included in additional tier-one capital
6	Of which: Applicable to the rules after expiration of the transitional period of the Capital Administrative Measures for Commercial Banks (Provisional)	Excluded from tier-two capital	Included in additional tier-one capital
7	Of which: Applicable at legal person/group level	Legal person	Legal person
8	Instrument type	Subordinated debt	Undated capital bonds
9	Amount allowed to be included in regulatory capital (expressed in RMB million, as at the latest reporting date)	817	19,962
10	Par value of the instrument (expressed in RMB million)	950	20,000
11	Accounting	Bonds payable	Other equity instruments
12	Initial issuance date	July 20, 2012	September 11, 2019
13	Existence of maturity (dated or undated)	Dated	Undated
14	Of which: Original maturity	July 23, 2027	–
15	Called by Issuer (subject to regulatory approval)	Yes	Yes
16	Of which: Redemption date (contingent redemption date)	July 23, 2022	Subject to approval by the CBIRC, from the fifth anniversary since the issuance of the Bonds, the Issuer may redeem the Bonds in whole or in part on each distribution payment date (including the fifth distribution payment date since the Issuance). If, after the Issuance, the Bonds no longer qualify as additional tier-one capital as a result of an unforeseeable change to relevant provisions of supervisory regulations, the Issuer may redeem all but not some only of the Bonds.
17	Of which: Redemption amount	950	20,000
18	Of which: Subsequent redemption date (if any)	None	None

19	Bonuses or dividends		
20	Of which: Fixed or floating dividends/ bonuses	Fixed	The distribution rate of the Bonds will be adjusted at defined intervals, with an interest period every 5 years since the payment settlement date. Each interest period has a fixed distribution rate.
21	Of which: Coupon rate and relevant indicators	5.68%	The coupon rate for the first interest period is 4.75%.
22	Of which: Existence of a dividend stopper	No	Yes
23	Of which: Discretion to cancel bonuses or dividends	Without discretionary	Sole discretionary
24	Of which: Existence of redemption incentive mechanism	No	No
25	Of which: Cumulative or non-cumulative	Non-cumulative	Non-cumulative
26	Whether they are convertible into shares	No	No
27	Of which: Trigger(s) for conversion, if convertible	N/A	N/A
28	Of which: Fully or partially, if convertible	N/A	N/A
29	Of which: Method to determine the conversion price, if convertible	N/A	N/A
30	Of which: Mandatory or not, if convertible	N/A	N/A
31	Of which: Instrument type convertible into, if convertible	N/A	N/A
32	Of which: Issuer of the instrument convertible into, if convertible	N/A	N/A
33	Write-down feature	No	Yes
34	Of which: Trigger(s) for write-down, if write-down shall be committed	N/A	(1) Upon the occurrence of an additional tier-one capital instrument trigger event, namely, the Issuer's core tier-one capital adequacy ratio having fallen to 5.125% (or below), the Issuer has the right, subject to the approval of CBIRC but without the need for the consent of the Bond holders, to write down all or part of the aggregate amount of the Bonds then issued and outstanding bonds, in order to restore the core tier-one capital adequacy ratio to above 5.125%.

			(2) Upon the occurrence of a tier-two capital instrument trigger event, the Issuer has the right to write down in whole, without the need for the consent of Bond holders, the aggregate principal amount of the Bonds then issued and outstanding according to the outstanding par value. In particular, a tier-two capital instrument trigger event shall refer to the earlier of the following events: ① CBIRC having decided that the Issuer would become non-viable without a write-off; or ② the relevant authorities having decided that the Issuer would become non-viable without a public sector injection of capital or equivalent support.
35	Of which: Full or partial, if write-down shall be committed	N/A	Full/partial
36	Of which: Permanent or temporary, if write-down shall be committed	N/A	Permanent write-down
37	Of which: Write-up mechanism, if temporary	N/A	N/A
38	Hierarchy in liquidation (clarify instrument types with higher priorities)	The claims of the holders of the Bonds in respect of the principal and interest of the Bonds will be subordinated to other liabilities (excluding other subordinated indebtedness that ranks pari passu with the Bonds) of the Issuer; shall rank in priority to the Issuer's equity capital and hybrid capital bonds; all holders of the Bonds rank pari passu with each other; unless the Issuer will wind up, enter bankruptcy or liquidate, investors shall not require the Issuer to repay the principal and interest of the Bonds earlier.	The claims in respect of the Bonds will be subordinated to claims of depositors, general creditors, and subordinated indebtedness that ranks senior to the Bonds; shall rank in priority to all classes of shares held by the Issuer's shareholders and rank pari passu with the claims in respect of any other tier-one capital instruments of the Issuer that rank pari passu with the Bonds. If subsequent amendments to the PRC Enterprise Bankruptcy Law or relevant regulations are applicable, such relevant laws and regulations shall prevail.
39	Non-eligible temporary features	Yes	No
40	Of which: Clarify such features, if yes	No write-down or share conversion clause	N/A

The following information is disclosed in accordance with the Disclosure Templates of Leverage Ratio, Appendix 3 to the Administrative Measures on the Leverage Ratio of Commercial Banks (Revised) of the CBRC.

**Table 1: Regulatory leverage ratio items and corresponding accounting items**

N/A

**Table 2: Leverage ratio information table**

Unit: RMB million, %

No.	Item	Balance
1	On-balance sheet assets (excluding derivatives and securities financing transactions)	1,254,696
2	Less: Deduction of tier-one capital	469
<b>3</b>	<b>Adjusted on-balance sheet assets (excluding derivatives and securities financing transactions)</b>	<b>1,254,227</b>
4	Replacement cost of various derivatives (net of eligible margin)	212
5	Potential risk exposure in various derivatives	302
6	Total collateral and pledges deducted from the balance sheet	–
7	Less: Assets receivable arising from provision of eligible margin	–
8	Less: Balance of derivative assets generated from transactions with central counterparties when providing clearing services to customers	–
9	Nominal principal of sold credit derivatives	–
10	Less: Balance of deductible sold credit derivative assets	–
<b>11</b>	<b>Balance of derivatives assets</b>	<b>514</b>
12	Balance of accounting assets of securities financing transactions	9,987
13	Less: Balance of deductible securities financing transaction assets	–
14	Counterparty credit risk exposure to securities financing transactions	442
15	Balance of securities financing transaction assets arising from securities financing transaction agency services	–
<b>16</b>	<b>Balance of securities financing transaction assets</b>	<b>10,429</b>
17	Balance of off-balance sheet items	335,560
18	Less: Balance of off-balance sheet items reduced due to credit conversion	60,281
<b>19</b>	<b>Balance of adjusted off-balance sheet items</b>	<b>275,279</b>
<b>20</b>	<b>Net tier-one capital</b>	<b>87,277</b>
<b>21</b>	<b>Balance of adjusted on- and off-balance sheet assets</b>	<b>1,540,449</b>
<b>22</b>	<b>Leverage ratio</b>	<b>5.67%</b>

Note: There may exist difference between some of the data in the above table and relevant data in financial report, which is due to rounding.

# Organizational Structure Chart

As of the end of the Reporting Period, the major organization and management structure of the Bank are as follows:

