



鄭州銀行股份有限公司

BANK OF ZHENGZHOU CO., LTD.

(於中華人民共和國註冊成立的股份有限公司)
(A joint stock company incorporated in the People's Republic of China with limited liability)

股份代號 Stock Code: 6196
優先股股份代號 Preference Shares Stock Code: 4613

The background is decorated with various brown and gold patterns, including stylized waves, flowers, and geometric shapes. A central illustration shows a city skyline with buildings and a pagoda-like structure, all rendered in a stylized, geometric manner.

INTERIM REPORT
中期報告 **2020**



This interim report is printed on
environment-friendly paper

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

IMPORTANT NOTICE

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

The 2020 interim report (the “**Report**”) and the announcement of interim results were reviewed and approved at the Bank’s 10th meeting of the sixth session of the Board of Directors held on 28 August 2020; 12 Directors were eligible to attend the meeting and 12 of them attended in person, with several Supervisors of the Bank being in attendance.

Unless otherwise specified, the financial information set out in this Report represents data from the consolidated financial statements of the Bank and its subsidiaries, namely Henan Jiuding Financial Leasing Co., Ltd., Fugou Zhengyin County Bank Co., Ltd., Xinmi Zhengyin County Bank Co., Ltd., Xunxian Zhengyin County Bank Co., Ltd. and Queshan Zhengyin County Bank Co., Ltd..

The 2020 interim financial report prepared in accordance with the PRC GAAP and International Financial Reporting Standards by the Bank was unaudited. KPMG Huazhen LLP and KPMG had reviewed the Report in accordance with the PRC and Hong Kong Review Standards, respectively.

Mr. WANG Tianyu, the legal representative and chairman of the Board, Mr. SHEN Xueqing, the president, Mr. FU Chunqiao, the person-in-charge of accounting, and Ms. GAO Chenxin, the head of accounting department of the Bank hereby declare and warrant the truthfulness, accuracy and completeness of the financial statements in this Report.

The Bank had no plan to distribute cash dividend, bonus share, or issue new shares by way of conversion of capital reserve for the first half of 2020.

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

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

DEFINITIONS

DEFINITIONS

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

“2019 AGM”	the annual general meeting of the Bank convened on 20 May 2020
“Articles of Association”	the articles of association of the Bank, as amended from time to time
“A Share(s)”	ordinary share(s) with a nominal value of RMB1.00 each in the share capital of the Bank, which are listed and traded on the Small and Medium Enterprise (SME) Board of the SZSE (stock code: 002936)
“Bank”, “Bank of Zhengzhou”, or “we”	Bank of Zhengzhou Co., Ltd.* (鄭州銀行股份有限公司), a joint stock company incorporated in the PRC with limited liability on 16 November 1996 in accordance with the PRC laws, and, if the context requires, includes its predecessors, subsidiaries, branches and sub-branches
“Board” or “Board of Directors”	the board of Directors of the Bank
“Board of Supervisors”	the board of Supervisors of the Bank
“CBIRC”	China Banking and Insurance Regulatory Commission, which was officially opened for operation on 8 April 2018 and formed by consolidation of the former CBRC and the former China Insurance Regulatory Commission
“CBIRC Henan Office”	China Banking and Insurance Regulatory Commission Henan Office, which was officially opened for operation on 17 December 2018
“Company Law”	the Company Law of the People’s Republic of China
“Corporate Governance Code”	the Corporate Governance Code set out in Appendix 14 to the Stock Exchange Listing Rules
“CSRC”	China Securities Regulatory Commission
“Director(s)”	the director(s) of the Bank
“Former CBRC”	the former China Banking Regulatory Commission

DEFINITIONS

“Fugou Zhengyin County Bank”	Fugou Zhengyin County Bank Co., Ltd.
“Group”	the Bank and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“H Share(s)”	overseas-listed foreign share(s) in the share capital of the Bank, with a nominal value of RMB1.00 each, which are listed and traded on the Main Board of the Hong Kong Stock Exchange (stock code: 6196)
“Jiuding Financial Leasing Company”	Henan Jiuding Financial Leasing Co., Ltd.
“Latest Practicable Date”	28 August 2020, being the latest practicable date prior to the printing of this Report for the purpose of ascertaining certain information contained hereof
“Macao”	the Macao Special Administrative Region of the PRC
“MOF”	the Ministry of Finance of the People’s Republic of China
“Offshore Preference Shares”	59,550,000 shares of non-cumulative perpetual offshore preference shares with a nominal value of RMB100 each issued by the Bank and listed on the Hong Kong Stock Exchange (stock code: 4613)
“PRC” or “China”	the People’s Republic of China, and for the purpose of this Report only, excluding Hong Kong, Macao and Taiwan regions
“Queshan Zhengyin County Bank”	Queshan Zhengyin County Bank Co., Ltd.
“Reporting Period”	the six months from 1 January 2020 to 30 June 2020
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC

DEFINITIONS

“Securities Law”	the Securities Law of the People’s Republic of China
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended from time to time
“Share(s)” or “Ordinary Share(s)”	the A Share(s) and the H Share(s)
“Shareholders”	the holders of the A shares and H Shares
“Stock Exchange Listing Rules”	Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
“Supervisor(s)”	the supervisor(s) of the Bank
“SZSE”	the Shenzhen Stock Exchange
“SZSE Listing Rules”	the Rules Governing the Listing of Stocks on the SZSE
“Xinmi Zhengyin County Bank”	Xinmi Zhengyin County Bank Co., Ltd.
“Xinzheng Zhengyin County Bank”	Xinzheng Zhengyin County Bank Co., Ltd.
“Xunxian Zhengyin County Bank”	Xunxian Zhengyin County Bank Co., Ltd.
“Yanling Zhengyin County Bank”	Yanling Zhengyin County Bank Co., Ltd.
“Zhongmu Zhengyin County Bank”	Zhongmu Zhengyin County Bank Co., Ltd.

* *The Bank is not an authorized institution within the meaning of the Banking Ordinance (Chapter 155 of the Laws of Hong Kong), and not subject to the supervision of the Hong Kong Monetary Authority, nor being authorized to carry out banking and/or deposit-taking business in Hong Kong.*

CHAPTER I CORPORATE INFORMATION

1 BASIC INFORMATION

Legal name in Chinese:	鄭州銀行股份有限公司(Abbreviation: 鄭州銀行)
Legal name in English:	Bank of Zhengzhou Co., Ltd. (Abbreviation: BANK OF ZHENGZHOU)
Legal representative:	Mr. WANG Tianyu
Authorised representatives:	Mr. WANG Tianyu, Mr. FU Chunqiao
Board secretary and contact details:	Mr. FU Chunqiao Contact address: 22 Shangwu Waihuan Road, Zhengdong New District, Zhengzhou, Henan Province, China Tel: +86-371-6700 9056 Fax: +86-371-6700 9898 E-mail: ir@zzbank.cn
Joint company secretaries:	Mr. FU Chunqiao, Ms. LEUNG Wing Han Sharon
Securities affairs representative and contact details:	Mr. WANG Yongfeng ^(Note) Contact address: 22 Shangwu Waihuan Road, Zhengdong New District, Zhengzhou, Henan Province, China Tel: +86-371-6700 9056 Fax: +86-371-6700 9898 E-mail: ir@zzbank.cn
Places of listing, stock abbreviations and codes:	A Shares: SZSE BANK OF ZHENGZHOU 002936 H Shares: Hong Kong Stock Exchange BANK OF ZHENGZHOU 6196 Offshore Preference Shares: Hong Kong Stock Exchange ZZBNK 17USDPREF 4613
Unified Social Credit Code:	914100001699995779
Financial licence number:	B1036H241010001
Registered address and office address:	22 Shangwu Waihuan Road, Zhengdong New District, Zhengzhou, Henan Province, China
Postal code of the registered address and office address:	450018

CHAPTER I CORPORATE INFORMATION

Principal place of business in Hong Kong:	40th Floor, Sunlight Tower, 248 Queen's Road East, Wanchai, Hong Kong
Contact address:	22 Shangwu Waihuan Road, Zhengdong New District, Zhengzhou, Henan Province, China
Tel:	+86-371-6700 9199
Fax:	+86-371-6700 9898
E-mail:	ir@zzbank.cn
Website:	www.zzbank.cn
Newspapers for information disclosure:	Securities Times, China Securities Journal, Shanghai Securities News, Securities Daily
Websites for information disclosure:	Website for publishing the interim report of A Shares: www.cninfo.com.cn Website for publishing the interim report of H Shares: www.hkexnews.hk
Places where the Report can be obtained:	The General Office of the Board and principal place(s) of business of the Bank
Domestic auditor:	KPMG Huazhen LLP
Address of domestic auditor:	8th Floor, KPMG Tower, Oriental Plaza, 1 East Chang An Avenue, Beijing, China
Undersigned accountants:	Mr. GONG Kai, Mr. LI Jie
International auditor:	KPMG (<i>Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance</i>)
Address of international auditor:	8th Floor, Prince's Building, 10 Chater Road, Central, Hong Kong
Sponsor for continuous supervision:	China Merchants Securities Co., Ltd.
Address of sponsor for continuous supervision:	38-45F, Block A, Jiangsu Building, Yitian Road, Futian District, Shenzhen
Sponsor representatives:	Ms. WU Yuhui, Ms. LV Yingxia
Continuous supervision period:	From 19 September 2018 to 31 December 2020
PRC legal advisor:	King & Wood Mallesons (Beijing)
Hong Kong legal advisor:	King & Wood Mallesons
Registrar for A Shares:	China Securities Depository and Clearing Corporation Limited, Shenzhen Branch
Registrar for H Shares:	Computershare Hong Kong Investor Services Limited

Note: During the Reporting Period, the securities affairs representative was Mr. CHEN Guang. On 28 August 2020, the Board considered and approved the appointment of Mr. WANG Yongfeng as the securities affairs representative. For details, please refer to the announcements dated 31 August 2020 published by the Bank on CNINFO and the website of the Hong Kong Stock Exchange.

CHAPTER I CORPORATE INFORMATION

2 COMPANY PROFILE

Bank of Zhengzhou is a regional joint stock commercial bank incorporated in November 1996 upon the approval by the People's Bank of China, based on 48 city credit cooperatives in Zhengzhou City. The Bank was renamed as Zhengzhou Commercial Bank Co., Ltd. (鄭州市商業銀行股份有限公司) in December 2000 and was officially renamed as Bank of Zhengzhou Co., Ltd. in October 2009. The Bank was listed on the Main Board of the Hong Kong Stock Exchange in December 2015 and the SZSE in September 2018, respectively, and became the first domestic city commercial bank with both its A and H Shares listed. Currently, the Bank has established Jiuding Financial Leasing Company and manages seven county banks at Zhongmu, Xinmi, Yanling, Fugou, Queshan, Xunxian and Xinzheng, with its comprehensive operation progressing smoothly.

The Bank is principally engaged in: receiving deposits from the public; short, medium and long-term lending; domestic and international settlement; bill acceptance and discounting; issuing financial bonds; acting as an agent for issuance, honoring and underwriting of government bonds; purchase and sale of government bonds and financial bonds; interbank lending and borrowing; taking foreign currency deposits, providing foreign currency loans, foreign exchange remittances and foreign currency exchange services; bank card business; provision of letter of credit services and guarantees; acting as a collection and payment agent and an insurance agent; providing safe deposit box services and other business activities approved by the banking regulatory authority under the State Council (business activities subject to approval according to law may be carried out only after being approved by the competent authorities).

As at the end of the Reporting Period, the Bank had 4,913 employees and 172 service outlets, including 14 branches, 157 sub-branches (including those under the operation department of the head office), and one dedicated institution. The Bank's total assets, deposits and loans amounted to RMB533,873 million, RMB317,193 million and RMB215,609 million, respectively, and its capital adequacy ratio, non-performing loan (NPL) ratio and allowance to NPL ratio were 11.83%, 2.16% and 156.45%, respectively. All the major indicators met regulatory requirements. The Bank was awarded the titles of "2019 Grade A Bank for Compliance and Prudent Operation Evaluation of Foreign Exchange Business", "2019 Outstanding Contribution Award for Honest Tax Payments" and "2019 Advanced Collective for Granting Guaranteed Loans to Startups".

3 ANALYSIS OF CORE COMPETITIVENESS

Leveraging regional advantages to build a "commerce and logistics bank". The Bank leverages Zhengzhou's geographical advantages as a comprehensive transportation hub, a national central city, a core city in the Central Plains Economic Zone and an important node city in the Belt and Road Initiative to push forward the construction of a "commerce and logistics bank". The Bank's "Five Clouds" platform covering cloud business, cloud logistics, cloud trading, cloud financing and cloud service has been put into operation. The set up of the logistics financial product system has been completed. The Bank is currently building a supply chain financial product system covering domestic trade financing, international trade financing, foreign currency investment, foreign exchange trading, etc. The China Commerce and Logistics Bank Alliance initiated by the Bank has recruited 48 members covering logistics, consumer, fintech, and financial industries, and has set up three special committees, namely, the logistics consumption, the fintech committee and the supply chain finance committee, building a trade and finance ecosystem and making a name for "commerce and logistics finance" in China.

CHAPTER I CORPORATE INFORMATION

Practicing social responsibility and becoming an “SME financing expert”. The Bank earnestly implements the policies and initiatives of the central, provincial (Henan), and municipal (Zhengzhou) governments, keeps in mind its original intention and mission, and supports the development of the real economy by providing diversified, one-stop financing services for high-quality SMEs. As of now, the Bank has built up a dedicated organizational system for small and micro finance covering the head office, branches and sub-branches to lead the implementation of pilot projects for inclusive finance reform, develop innovative “online and offline” credit products for all small and micro enterprises, set up more service outlets in a planned manner, formulate the Action Plan to Support the Development of Private Economy, and continuously explore effective measures to support the growth of private enterprises. As a result of such efforts, the Bank has gradually become a role model in providing financial services to SMEs in Henan Province.

Developing inclusive finance to build a “boutique bank for residents”. Focusing on citizens’ basic necessities, the Bank provides customers with considerate, high-quality services in good faith with an effort to run a “boutique bank for residents” well trusted by the public. The Bank constantly develops services for the convenience and benefit of the people, and provides great collection agent services to help citizens settle public utility bills; actively extends the application of bank cards in the field of public services to meet the financial needs of citizens in different scenarios; adheres to its positioning as a “good wealth manager for residents”, and focuses on the demand of citizens for maintenance and appreciation of asset value to continuously improve its capabilities in wealth management and enrich retail financial products.

Managing compliance risks carefully to achieve sound operations. The Bank has set the bottom line of “compliance-based development”, created a good atmosphere for “compliance-based operations and sound development”, and continuously improved compliance management and internal control. In particular, the Bank regularly reviews relevant measures and compliance issues, and inspects all aspects of operational and management activities from the beginning to the end, thus consolidated the foundation for compliance and internal control; promotes case prevention and control and employees behavior management by implementing case prevention responsibilities at all levels to develop an inclination for proactive compliance; strengthens employees’ compliance awareness and compliance skills education to build the cornerstone of compliance-based development and promote the healthy development of various business lines; continuously reinforces the three lines of defense against risks, increases accountability for violations, and eliminates potential risks in a timely manner.

Developing innovative thinking to accelerate innovation output. The Bank reexamines and ponders innovation work, establishes crisis awareness, and actively creates an institutional atmosphere suitable for innovation. To this end, the Bank has set up a director of innovation business, further optimized the innovation system by overhauling the overall innovation process, and established an efficient and clear innovation management mechanism and an innovation assessment and reward mechanism with equal rights and responsibilities, so as to stimulate the innovation passion of all departments and employees and promote the emergence of high-quality innovation projects. In addition, the Bank utilizes fintech including big data and AI to improve its capabilities in risk control and comprehensive financial services, and integrates innovations into all aspects of its development strategies, business processes, and product services.

CHAPTER I CORPORATE INFORMATION

Creating an excellent corporate culture and adhering to the corporate vision. The Bank upholds the core values of “compliance, innovation and integrity”, and strives to build a corporate culture of “Distinctive Zhengzhou Bank” that pursues excellence and overcomes difficulties in various aspects such as work style construction, learning and innovation, publicity and education, and role modeling. An excellent corporate culture can serve as an endogenous driving force for the Bank to realize its corporate vision of “building a boutique bank with a century of prosperity” and become a competitive “century-old bank” with top-notch management, services, employees and brand.

4. MAJOR AWARDS DURING THE FIRST HALF OF 2020

In April 2020, the Bank was awarded the “2019 Outstanding Contribution Award for Honest Tax Payments” by the Management Committee of Zhengdong New District and the Tax Bureau of Zhengdong New District, Zhengzhou under the State Taxation Administration.

In April 2020, the Bank was awarded the title of “2019 Advanced Collective for Granting Guarantee and Loans to Startups” by the Zhengzhou Leading Group for Small Guarantee and Loans to Laid-off and Unemployed Persons.

In June 2020, the Bank was awarded the title of “2019 Grade A Bank for Compliance and Prudent Operation Evaluation of Foreign Exchange Business” by the Henan Branch of State Administration of Foreign Exchange.

In June 2020, the China Internet Weekly of the Chinese Academy of Sciences, the Center for Informatization Study of Chinese Academy of Social Sciences, and the eNet Research Institute jointly released the 2020 Innovative Mobile Banking Award List where the Bank won the title of “Innovative Mobile Bank of 2020”.

CHAPTER II HIGHLIGHTS OF ACCOUNTING DATA AND MAJOR FINANCIAL INDICATORS

1 MAJOR ACCOUNTING DATA AND FINANCIAL INDICATORS

The financial data and indicators set forth in this Report are prepared in accordance with the International Financial Reporting Standards. Unless otherwise specified, such information represents the data of the Group stated in RMB.

Unit: RMB'000

Major accounting data	For the six months ended 30 June			
	2020	2019	Increase/ decrease for the Reporting Period as compared to the same period of the previous year (%)	2018
Operating results				
Operating income ⁽¹⁾	7,680,524	6,231,585	23.25	5,136,378
Profit before taxation	3,082,420	3,058,914	0.77	3,036,601
Net profit attributable to shareholders of the Bank	2,417,853	2,469,317	(2.08)	2,366,553
Net cash flows generated from/(used in) operating activities	6,320,762	(4,299,941)	(247.00)	(3,042,722)
Calculated on a per Share basis (RMB/Share)				
Basic earnings per Share ⁽²⁾	0.37	0.38	(2.63)	0.36
Diluted earnings per Share ⁽²⁾	0.37	0.38	(2.63)	0.36
Scale indicators	As at 30 June 2020	As at 31 December 2019	Increase/ decrease as at the end of the Reporting Period as compared to the end of the previous year (%)	As at 31 December 2018
Total assets	533,872,933	500,478,127	6.67	466,142,418
Gross loans and advances to customers (excluding accrued interest)	215,609,452	195,911,665	10.05	159,572,792
Provision for impairment losses on loans and advances to customers ⁽³⁾	7,288,966	7,424,847	(1.83)	6,097,376
Total liabilities	492,242,603	460,586,505	6.87	428,278,919
Total deposits from customers (excluding accrued interest)	317,193,314	289,216,860	9.67	264,130,934
Share capital	6,514,125	5,921,932	10.00	5,921,932
Shareholders' equity	41,630,330	39,891,622	4.36	37,863,499
Including: equity attributable to shareholders of the Bank	40,275,962	38,590,322	4.37	36,649,739
Net assets per Share attributable to ordinary shareholders of the Bank ⁽²⁾⁽⁴⁾ (RMB/Share)	4.98	4.72	5.51	4.42
Net capital ⁽⁵⁾	47,975,122	46,215,496	3.81	45,958,462
Including: net tier-one capital ⁽⁵⁾	40,216,100	38,353,128	4.86	36,618,138
Net risk-weighted assets ⁽⁵⁾	405,385,645	381,759,225	6.19	349,504,822

CHAPTER II HIGHLIGHTS OF ACCOUNTING DATA AND MAJOR FINANCIAL INDICATORS

Major financial indicators	As at 30 June 2020	As at 31 December 2019	Change as at the end of the Reporting Period as compared to the end of the previous year	As at 31 December 2018
Capital adequacy ratio (%)				
Core tier-one capital adequacy ratio ⁽⁵⁾	7.97	7.98	(0.01)	8.22
Tier-one capital adequacy ratio ⁽⁵⁾	9.92	10.05	(0.13)	10.48
Capital adequacy ratio ⁽⁵⁾	11.83	12.11	(0.28)	13.15
Asset quality indicators (%)				
Non-performing loan ratio ⁽⁶⁾	2.16	2.37	(0.21)	2.47
Allowance to non-performing loans ⁽⁶⁾	156.45	159.85	(3.40)	154.84
Allowance to total loans ⁽⁶⁾	3.38	3.79	(0.41)	3.82
For the six months ended 30 June				
	2020	2019	Change for the Reporting Period as compared to the same period of the previous year	2018
Profitability indicators (%)				
Weighted average return on net assets ⁽²⁾ (annualized)	15.16	16.50	(1.34)	18.84
Return on total assets ⁽⁷⁾ (annualized)	0.96	1.06	(0.10)	1.08
Cost-to-income ratio ⁽⁸⁾	17.58	26.66	(9.08)	26.99
Net interest spread ⁽⁹⁾ (annualized)	2.31	1.88	0.43	1.58
Net interest margin ⁽¹⁰⁾ (annualized)	2.31	1.86	0.45	1.48
	As at 30 June 2020	As at 31 December 2019	Change as at the end of the Reporting Period as compared to the end of the previous year	As at 31 December 2018
Other financial indicators (%)				
Leverage ratio ⁽¹¹⁾	6.05	6.34	(0.29)	6.79
Liquidity ratio ⁽¹¹⁾	63.55	56.44	7.11	56.39
Liquidity coverage ratios ⁽¹¹⁾	242.81	300.37	(57.56)	304.42
Loan-to-deposit ratio ⁽¹¹⁾	73.76	72.33	1.43	66.06
Percentage of loans to the single largest customer ⁽¹¹⁾	3.96	4.11	(0.15)	4.13
Percentage of loans to the top ten single customers ⁽¹¹⁾	28.31	26.94	1.37	21.46
Percentage of credit granted to the single largest group customer ⁽¹¹⁾	6.76	7.01	(0.25)	6.02
Normal loan migration ratio ⁽¹¹⁾	1.59	3.43	(1.84)	8.81
Special mention loan migration ratio ⁽¹¹⁾	22.65	28.96	(6.31)	55.14
Substandard loan migration ratio ⁽¹¹⁾	4.01	97.76	(93.75)	76.71
Doubtful loan migration ratio ⁽¹¹⁾	-	0.34	(0.34)	0.14

CHAPTER II HIGHLIGHTS OF ACCOUNTING DATA AND MAJOR FINANCIAL INDICATORS

Notes:

1. Operating income includes net interest income, net fee and commission income, net trading gains, net gains arising from investments and other operating income.
2. Basic earnings per Share, diluted earnings per Share, and weighted average return on net assets, were calculated according to Compilation Rules for Information Disclosures by Companies that Offer Securities to the Public (No. 9): Calculation and Disclosure of Rate of Return on Net Assets and Earnings per Share (2010 Revision).

In June 2020, the Bank issued 1 new Share to the ordinary Shareholders for every 10 Shares held by way of capitalization issue. After the implementation of the capitalization issue, the number of ordinary Shares of the Bank changed from 5,921,931,900 Shares to 6,514,125,090 Shares. Basic earnings per Share, diluted earnings per Share, and net asset per Share attributable to Shareholders of the Bank for the comparison periods were recalculated based on the number of Shares after the capitalization issue. For details, please refer to “1.3 The Impact of Changes in Ordinary Shares on Financial Indicators Such as Earnings per Share and Net Assets per Share in the Previous Year and the Latest Period” under the section headed “1 Changes in Ordinary Shares” in the chapter headed “Changes in Share Capital and Information on Shareholders” of this Report.

During the Reporting Period, the Bank did not distribute dividends on the Offshore Preference Shares. No dividend of the Offshore Preference Shares had to be deducted from the “net profit attributable to shareholders of the Bank”, and net proceeds raised from the Offshore Preference Shares issuance were deducted from the “weighted average net assets”.

3. Including the provision for impairment losses on the loans and advances to customers measured at amortized costs and the loans and advances to customers at fair value through other comprehensive income.
4. Representing the equity attributable to ordinary shareholders of the Bank after deducting other equity instruments divided by the number of Ordinary Shares at the end of the period.
5. Calculated based on the “Administrative Measures for the Capital of Commercial Banks (for Trial Implementation)” published by the Former CBRC on 7 June 2012.
6. Non-performing loan ratio was calculated by dividing total non-performing loan principal (excluding accrued interests) by gross loan and advance principal to customers (excluding accrued interest); the allowance to non-performing loans was calculated by dividing allowance for impairment losses on loans and advances to customers by total non-performing loan principal (excluding accrued interest); and the allowance to total loans was calculated by dividing allowance for impairment losses on loans and advances to customers by gross loan and advance principal to customers (excluding accrued interest).
7. Representing the net profit for the Reporting Period as a percentage to the average balance of the total assets as at the beginning and end of the Reporting Period.
8. Calculated by dividing operating expenses (excluding tax and surcharges) by operating income.
9. Calculated as the difference between the average yield on total interest-earning assets and the average cost of total interest-bearing liabilities, calculated based on daily average of the interest-earning assets and the interest-bearing liabilities.
10. Calculated by dividing net interest income by the daily average balance of interest-earning assets.
11. Percentage of loans to the single largest customer and percentage of loans to the top ten single customers were recalculated in accordance with regulatory criteria based on reviewed data. Other indicators represent data reported to regulatory authorities. Loan migration ratio was based on the criteria of the parent of the Bank.

2 DIFFERENCE IN ACCOUNTING DATA UNDER DOMESTIC AND INTERNATIONAL ACCOUNTING STANDARDS

There is no difference between the Bank’s net assets as at the end of the Reporting Period and the net profit during the Reporting Period calculated in accordance with the PRC GAAP and International Financial Reporting Standards.

CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

1 REVIEW OF THE ECONOMY AND MACRO-ENVIRONMENT

In the first half of 2020, the sudden COVID-19 outbreak caused an unprecedented blow to China's economy and the global economy. The Chinese government timely adjusted its economic targets and took special measures during this special period to safeguard the economic fundamentals. China was the first to keep the pandemic under control and resume work and production, enabling its economy to achieve fast-track recovery. The gross domestic product ("GDP") reached RMB45,661.4 billion, representing a year-on-year decrease of 1.6%. In particular, the first quarter represented a year-on-year decline of 6.8%; the second quarter recorded a year-on-year increase of 3.2%. GDP of the primary sector grew by 0.9% year-on-year while that of the secondary sector and tertiary sector fell by 1.9% and 1.6%, respectively. Industrial production resumed rapidly, and high-tech manufacturing and equipment manufacturing industries recorded a growth. The value added of industries above the designated size in the nation fell by 1.3% year-on-year and narrowed by 7.1 percentage points as compared with that in the first quarter. The value added of the tertiary sector recorded a year-on-year decline that has narrowed by 3.6 percentage points as compared with that in the first quarter due to the slow decline of clothing industry and sound growth momentum of modern services industry. Market sales have gradually improved. The total retail sales of consumer goods decreased year-on-year by 11.4% and narrowed by 7.6 percentage points as compared with that in the first quarter. The decline in the investment in fixed assets narrowed significantly. Due to the pick-up in the investment in high-tech industries and social sectors, the nationwide investment in fixed assets (excluding rural households) decreased year-on-year by 3.1%, narrowed by 3.2 percentage points compared with that in between January to May 2020 and by 13.0 percentage points with that in the first quarter. Imports and exports were better than expected, and the trade structure continued to improve. The total value of imports and exports of goods represented a year-on-year decline of 3.2% and narrowed by 3.3 percentage points as compared with that in the first quarter. In the first half of the year, China's economy gradually overcame the adverse impacts of the pandemic and reached a stable recovery. However, China's economic recovery is still under pressure amid the ongoing spread of COVID-19 across the world and increasing external risks and challenges.

In the first half of 2020, to cope with the impact of the COVID-19 pandemic, the Chinese government timely adjusted its monetary policy to provide more targeted and effective financial support for the real economy and exemplified the precision of structural monetary policy tools. Incremental total social financing amounted to RMB20.83 trillion, representing an increase of RMB6.22 trillion over the same period of the previous year. The balance of broad money ("M2") was RMB213.49 trillion, representing a year-on-year increase of 11.1%, being 2.6 percentage points higher than the same period of the previous year. The balance of RMB and foreign currency loans reached RMB171.32 trillion, representing a year-on-year increase of 13%. Among them, the balance of RMB loans was RMB165.2 trillion, representing a year-on-year increase of 13.2% or RMB12.09 trillion (representing a year-on-year increase of RMB2.42 trillion). The balance of RMB and foreign currency deposits reached RMB212.99 trillion, representing a year-on-year increase of 10.5%. Among them, the balance of RMB deposits was RMB207.48 trillion, representing a year-on-year increase of 10.6% or RMB14.55 trillion (representing a year-on-year increase of RMB4.5 trillion). In the interbank RMB market, a total of RMB669.11 trillion was traded through interbank lending, spot trading and repo. The weighted average interest rates of interbank lending and pledge repo were 1.85% and 1.89%, respectively, both of which were 0.15 percentage point higher than that for the same period of the previous year.

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In the first half of 2020, Henan Province coordinated pandemic prevention and control and worked on its economic and social development, driving improvement in its economy. The province's GDP was RMB2,560,846 million, decreased by 0.3% year-on-year but higher than the national average for 1.3 percentage points. In particular, the value added of the primary sector and secondary sector fell by 3.5% and 0.1%, respectively, while that of the tertiary sector remained the same. Industrial production turned from negative to positive. The value added of industries above the designated size in the province increased by 0.6%. The value added of strategic emerging industries and high-tech manufacturing industry grew by 5.2% and 3.9%, respectively. The investment in fixed assets continued to rebound. The province's investment in fixed assets grew by 2.6%, with the investment in the primary sector, secondary sector and tertiary sector increased by 6.5%, 1.7% and 2.8%, respectively. The investment in newly started projects increased rapidly by 39.2%. Market sales continued to improve. The province's total retail sales of consumer goods was RMB1,009,018 million, representing a year-on-year decrease of 11.3% and narrowed down by 10.6 percentage points from the first quarter. The province's consumer price index rose moderately by 4.1% year-on-year, decreased by 1.4 percentage points from the first quarter; the industrial producer price index decreased by 0.7% year-on-year. Residents' income kept growing. The ratio of disposable income per capita of urban and rural residents was 2.50, representing a decrease of 0.09 from the same period of the previous year. The total value of imports and exports was RMB228.04 billion, representing a year-on-year increase of 7.7%, being 10.9 percentage points higher than the national growth rate.

In the first half of 2020, China's banking industry performed steadily with controllable risks and growing capacity to serve the real economy. The total assets of the banking industry reached RMB301.5 trillion, representing a year-on-year increase of 9.8%. The balance of non-performing loans was RMB3.6 trillion and the NPL ratio was 2.10%, increased by 0.08 percentage point from the beginning of the year. Allowance to NPL ratio was 178.1%, decreased by 4 percentage points from the beginning of the year. Interest-earning assets increased by RMB17 trillion to vigorously support the prevention and control of COVID-19 pandemic and the resumption of work and production of enterprises. Currently, the main operating and regulatory indicators of the banking industry are within a reasonable range. Due to the COVID-19 pandemic and other factors, the credit risk of the banking industry has increased, with non-performing loans yet to be fully exposed. In the next stage, financial institutions, especially small and medium-sized banks, should make adequate preparations in this regard.

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2 BUSINESS REVIEW

The main indicators have remained stable. As at end of the Reporting Period, the Bank's total assets amounted to RMB533,873 million, representing an increase of RMB33,395 million or 6.67% from the beginning of the year; its deposits was RMB317,193 million, representing an increase of RMB27,976 million or 9.67% from the beginning of the year; its loans was RMB215,609 million, representing an increase of RMB19,698 million or 10.05% from the beginning of the year. During the Reporting Period, the Bank recorded an operating income of RMB7,681 million, representing a year-on-year increase of RMB1,449 million or 23.25%; profit before provision was RMB6,292 million, representing a year-on-year increase of RMB1,748 million or 38.46%; net income from intermediary business was RMB1,057 million, representing a year-on-year increase of RMB281 million or 36.26%; net profit was RMB2,473 million, representing a year-on-year decrease of 37 million or 1.48%; net profits attributable to the shareholders of the Bank was RMB2,418 million, representing a year-on-year decrease of RMB51 million or 2.08%. The NPL ratio was 2.16%, decreased by 0.21 percentage point from the beginning of the year. The capital adequacy ratio and the allowance to NPL ratio were 11.83% and 156.45%, respectively. All these indicators met regulatory requirements.

Fully supporting the resumption of work and production. During the Reporting Period, the Bank earnestly lived up to the state's requirements of "Six Stabilities" and "Six Guarantees" by supporting enterprises to resume work and production. In particular, the Bank re-granted loans for pandemic prevention and control from the People's Bank of China and loans dedicated for small enterprises in total amounted to RMB2,455 million, benefiting approximately one thousand enterprises; as at the end of the Reporting Period, the balance of inclusive small and micro business loans increased by 11.06% from the beginning of the year, and 84,502 small businesses were granted with loans. The Bank cooperated with district and county governments in Zhengzhou on extending emergency bridge loans; and formulated the "1,000-Sail Program" in an effort to support 1,000 high-tech SMEs in the next three years.

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Solidly advancing the management of non-performing loans. During the Reporting Period, the Bank further strengthened its grant limit management and formulated a concentration limit management plan for 2020, a plan for lowering exposure to anonymous customers and a plan for reducing real estate loans and business volume outside of Henan Province to implement dynamic and list management of and phase out excessive credit limits; set up a risk management support center and a large-value asset management center for corporate businesses to strengthen the unified risk management; initiated a risk warning and consulting project; completed the construction of internal evaluation systems such as existing loan model optimization, and developed debt rating models and rating models for corporate customers; conducted hierarchical management, account-based collection, routine supervision, and regular inspection of risk assets with a huge amount; adhered to the operation focus of high-quality development, speeded up the efforts on provision and writing-off, and resulted in provision for asset impairment losses of RMB3,210 million during the Reporting Period, representing an increase of RMB1,724 million or 116.08% as compared to the same period of the previous year.

Speeding up marketing transformation. During the Reporting Period, the Bank held a marketing conference, released two batches of white lists of “non-real estate, non-platform” customers, formulated a plan to support the high-quality development of the manufacturing industry for 2020, established a corporate-private marketing support mechanism, and acquired 1,110 new corporate customers. The Bank steadily promoted capital-light business transformation, and developed such capital-light matching business lines as asset management matching, private banking agency sales and interbank matching; issued 14 non-financial corporate debt financing instruments totaling RMB8.45 billion, representing a year-on-year increase of 53.64%, and underwrote a total amount of RMB5.62 billion, representing a year-on-year increase of 167.62%; and obtained the qualification for entrusted management of non-financial corporate debt financing instruments, becoming the first local legal entity with such qualification in Henan Province and providing better support for capital-light business transformation. In addition, the Bank made great efforts in marketing to institutional customers, successfully obtained the qualification as a Henan provincial treasury centralized payment agent. As at the end of the Reporting Period, the Bank had 4,355 institutional accounts, representing an increase of 429 institutional accounts from the end of the previous year.

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3 FINANCIAL STATEMENT ANALYSIS

3.1 Income Statement Analysis

During the Reporting Period, under the leadership of the Board, the Bank proactively coped with the impact of the COVID-19 pandemic and the complicated and challenging domestic and international situation. It stayed true to its original mission, faced the challenges undauntedly, facilitated the resumption of work and production activity and performed its obligations and mission as a local bank with practical actions. The Bank continued to consolidate its positioning with features of “finance for commerce and logistics, finance for residents, and finance for small and micro enterprises” and strengthened the support for small and micro credit loans. Focusing on the main operating focus of high-quality development, the Bank strengthened its risk management and ramped up efforts in the provision and write-off of allowance. During the Reporting Period, the Bank recorded operating income of RMB7,681 million, representing a year-on-year increase of 23.25%; net profit of RMB2,473 million, representing a year-on-year decrease of 1.48%; and net profit attributable to shareholders of the Bank of RMB2,418 million, representing a year-on-year decrease of 2.08%. Major items of and changes in the Bank’s income statement are set out as follows:

Unit: RMB'000

Item	For the six months ended 30 June			
	2020	2019	Change	Rate of change (%)
Net interest income	5,422,512	3,939,595	1,482,917	37.64
Non-interest income	2,258,012	2,291,990	(33,978)	(1.48)
Operating income	7,680,524	6,231,585	1,448,939	23.25
Less: Operating expenses	1,418,500	1,716,342	(297,842)	(17.35)
Less: Impairment losses on assets	3,209,685	1,485,424	1,724,261	116.08
Operating profit	3,052,339	3,029,819	22,520	0.74
Share of profits of associates	30,081	29,095	986	3.39
Profit before taxation	3,082,420	3,058,914	23,506	0.77
Less: Income tax expenses	609,420	548,880	60,540	11.03
Net profit	2,473,000	2,510,034	(37,034)	(1.48)
Net profit attributable to:				
Shareholders of the Bank	2,417,853	2,469,317	(51,464)	(2.08)
Non-controlling interests	55,147	40,717	14,430	35.44

CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

3.1.1 Net Interest Income, Net Interest Spread and Net Interest Margin

During the Reporting Period, the Bank recorded net interest income of RMB5,423 million, representing a year-on-year increase of RMB1,483 million or 37.64% and accounted for 70.60% of the operating income. In particular, business scale adjustment resulted in an increase of RMB749 million in net interest income and changes in yield or cost rate resulted in an increase of RMB734 million in net interest income.

The following table sets forth the average balance of the Bank's interest-earning assets and interest-bearing liabilities, interest income and expenses, average yield of these interest-earning assets and average cost rate of these interest-bearing liabilities during the Reporting Period:

Unit: RMB'000

Item	2020			2019		
	Average balance ⁽⁶⁾	Interest income/expenses	Annualized average yield/cost rate (%)	Average balance ⁽⁶⁾	Interest income/expenses	Annualized average yield/cost rate (%)
For the six months ended 30 June						
Interest-earning assets						
Loans and advances to customers	207,054,849	5,916,181	5.71	172,125,881	4,903,978	5.70
Investment securities and other financial assets ⁽¹⁾	208,726,126	4,936,852	4.73	193,353,193	4,622,181	4.78
Deposits with central bank	26,377,807	207,609	1.57	31,504,736	237,603	1.51
Amounts due from banks and other financial institutions ⁽²⁾	13,095,465	111,439	1.70	14,030,778	170,134	2.43
Finance lease receivables	14,561,619	473,425	6.50	13,522,107	384,916	5.69
Total interest-earning assets	469,815,866	11,645,506	4.96	424,536,695	10,318,812	4.86
Interest-bearing liabilities						
Deposits from customers	298,643,524	3,789,038	2.54	274,975,432	3,637,155	2.65
Amounts due to banks and other financial institutions ⁽³⁾	60,651,228	716,923	2.36	56,028,017	963,109	3.44
Debt securities issued	95,655,706	1,498,551	3.13	93,489,392	1,708,829	3.66
Due to central bank	14,069,359	218,482	3.11	4,272,802	70,124	3.28
Total interest-bearing liabilities	469,019,817	6,222,994	2.65	428,765,643	6,379,217	2.98
Net interest income		5,422,512			3,939,595	
Net interest spread ⁽⁴⁾ (annualized)			2.31			1.88
Net interest margin ⁽⁵⁾ (annualized)			2.31			1.86

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Notes:

1. Consists of financial investments at amortized cost and bonds at fair value through other comprehensive income.
2. Consists of deposits and placements with banks and other financial institutions and financial assets held under resale agreements.
3. Consists of deposits and placements from banks and other financial institutions and financial assets sold under repurchase agreements.
4. Calculated as the difference between the average yield on total interest-earning assets and the average cost rate of total interest-bearing liabilities based on the average daily interest-earning assets and interest-bearing liabilities.
5. Calculated by dividing the net interest income by the average balance of interest-earning assets based on the average daily interest-earning assets.
6. Calculated as the average daily balance of the Bank.

During the Reporting Period, changes in the volume and interest rate of the Bank led to changes in interest income and interest expenses. Changes in volume are measured by changes in the average balance of the interest-earning assets and interest-bearing liabilities while changes in interest rate are measured by changes in the average interest rate of the interest-earning assets and interest-bearing liabilities. Combined effects of the changes in volume and interest rate were included in changes in interest.

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Unit: RMB'000

Item	For the six months ended 30 June		
	2020 vs. 2019		Net increase/ (decrease) ⁽³⁾
	Increase/(decrease) due to Volume ⁽¹⁾	Interest rate ⁽²⁾	
Interest-earning assets			
Loans and advances to customers	995,149	17,054	1,012,203
Investment in securities and other financial assets	367,496	(52,825)	314,671
Deposits with central bank	(38,666)	8,672	(29,994)
Amounts due from banks and other financial institutions	(11,341)	(47,354)	(58,695)
Finance lease receivables	29,590	58,919	88,509
Changes in interest income	1,342,228	(15,534)	1,326,694
Interest-bearing liabilities			
Deposits from customers	313,063	(161,180)	151,883
Amounts due to banks and other financial institutions	79,472	(325,658)	(246,186)
Debt securities issued	39,597	(249,875)	(210,278)
Due to central bank	160,778	(12,420)	148,358
Changes in interest expenses	592,910	(749,133)	(156,223)

Notes:

1. Represents the average balance for the Reporting Period minus the average balance for the previous period, multiplied by the average yield/cost rate for the previous period.
2. Represents the average revenue/(expenses) for the Reporting Period minus the average revenue/(expenses) for the previous period, multiplied by the average balance for the Reporting Period.
3. Represents the interest income/(expenses) for the Reporting Period minus the interest income/(expenses) for the previous period.

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Net interest spread and net interest margin

During the Reporting Period, the Bank's net interest spread amounted to 2.31%, representing an increase of 0.43 percentage point as compared to the same period of the previous year, while the Bank's net interest margin amounted to 2.31%, representing an increase of 0.45 percentage point as compared to the same period of the previous year. The main reasons for the increase in net interest spread and net interest margin are (1) in the first half of 2020, the monetary policy was relaxed in general, and the Bank actively optimized its debt structure and improved liability cost management, resulting in a significant drop in the average cost rate of interest-bearing liabilities as compared with the same period of the previous year; and (2) the increase in the percentage of loans and advances in interest-bearing assets, resulting in a year-on-year increase in the average yield of interest-bearing assets.

3.1.2 Interest Income

During the Reporting Period, the Bank achieved interest income of RMB11,646 million, representing a year-on-year increase of RMB1,327 million or 12.86%, mainly due to the increase in interest-earning assets.

Interest income from loans and advances to customers

During the Reporting Period, the Bank steadily promoted credit granting. The average balance of loans and advances to customers issued by the Bank increased by RMB34,929 million as compared to the same period of the previous year. The interest income from loans amounted to RMB5,916 million, representing an increase of RMB1,012 million or 20.64% as compared to the same period of the previous year. Set out below are the average balance, interest income and average yield for each component of the Bank's loans and advances to customers during the Reporting Period:

Unit: RMB'000

Item	For the six months ended 30 June					
	2020			2019		
	Average balance	Interest income	Annualized average yield (%)	Average balance	Interest income	Annualized average yield (%)
Corporate loans	133,709,426	3,990,846	5.97	115,107,053	3,316,743	5.76
Personal loans	63,513,634	1,777,032	5.60	46,975,847	1,368,875	5.83
Discounted bills	9,831,789	148,303	3.02	10,042,981	218,360	4.35
Gross loans and advances to customers	207,054,849	5,916,181	5.71	172,125,881	4,903,978	5.70

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Interest income from investment in securities and other financial assets

During the Reporting Period, interest income from investment in securities and other financial assets amounted to RMB4,937 million, representing a year-on-year increase of RMB315 million or 6.81%, which was principally attributable to the increase in investment securities and other financial assets.

Interest income from amounts due from banks and other financial institutions

During the Reporting Period, the Bank's interest income from amounts due from banks and other financial institutions decreased by RMB59 million or 34.50% year-on-year to RMB111 million, which was primarily attributable to the decrease in the average yield rate of interbank funds as a result of relaxed monetary policy in the monetary market during the Reporting Period.

Interest income from finance lease receivables

During the Reporting Period, interest income from finance lease receivables increased by RMB89 million or 22.99% as compared to the same period of the previous year to RMB473 million, which was primarily attributable to the increase in the scale and average yield of finance lease receivables of Jiuding Financial Leasing Company, a subsidiary of the Bank.

Interest income from deposits with the central bank

During the Reporting Period, interest income from deposits with the central bank of the Bank was RMB208 million, representing a decrease of RMB30 million or 12.62% as compared with the same period of the previous year, mainly attributable to the decrease in the size of deposits with central bank during the Reporting Period.

3.1.3 Interest Expenses

During the Reporting Period, the Bank's interest expense amounted to RMB6,223 million, representing a decrease of RMB156 million or 2.45% as compared to the same period of the previous year, which was affected by the decline in the average cost rate of interest-bearing liabilities.

Interest expenses on deposits from customers

During the Reporting Period, the Bank's interest expense on deposits from customers amounted to RMB3,789 million, representing a year-on-year increase of RMB152 million or 4.18%, and accounted for 60.89% of all interest expenses. The increase was mainly due to the overall growth of the deposit business as a result of the Bank's vigorous efforts in building its customer base. The decrease in the average cost of deposits from customers was mainly due to fluctuations in market interest rates and the Bank's optimisation of the liability structure and improvement of cost management.

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Unit: RMB'000

Item	2020			2019		
	Average balance	Interest expenses	Annualized average cost rate (%)	Average balance	Interest expenses	Annualized average cost rate (%)
For the six months ended 30 June						
Corporate deposits						
Demand	75,979,429	219,734	0.58	77,395,376	201,978	0.52
Time	91,602,508	1,666,239	3.64	90,217,194	2,090,763	4.63
Subtotal	167,581,937	1,885,973	2.25	167,612,570	2,292,741	2.74
Personal deposits						
Demand	23,020,960	95,957	0.83	19,466,495	69,670	0.72
Time	79,126,647	1,601,484	4.05	66,826,814	1,152,668	3.45
Subtotal	102,147,607	1,697,441	3.32	86,293,309	1,222,338	2.83
Others	28,913,980	205,624	1.42	21,069,553	122,076	1.16
Total deposits from customers	298,643,524	3,789,038	2.54	274,975,432	3,637,155	2.65

Interest expenses on debt securities issued

During the Reporting Period, the Bank's interest expense on debt securities issued amounted to RMB1,499 million, representing a decrease of RMB210 million as compared to the same period of the previous year, which was primarily attributable to the decrease in cost rate of deposits in inter-banks during the Reporting Period.

Interest expense on amounts due to banks and other financial institutions

During the Reporting Period, the Bank's interest expense on amounts due to banks and other financial institutions amounted to RMB717 million, representing a year-on-year decrease of RMB246 million or 25.56%, which was primarily attributable to the decrease in the cost of interbank funds as a result of relaxed monetary policy in the monetary market during the Reporting Period.

Interest expense arising from amounts due to Central Bank

During the Reporting Period, interest expense arising from amounts due to central bank amounted to RMB218 million, representing an increase of RMB148 million or 211.57% as compared to the same period of the previous year, which was primarily attributable to the increase in medium-term lending facilities, special refinancing for pandemic prevention and combat, and refinancing to small banks during the Reporting Period as compared to the same period of the previous year.

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3.1.4 Non-interest Income

During the Reporting Period, the Bank achieved non-interest income of RMB2,258 million, representing a decrease of RMB34 million or 1.48% as compared to the same period of the previous year and accounted for 29.40% of the operating income. Such income includes net fee and commission income of RMB1,057 million, increased by RMB281 million as compared to the same period of the previous year. The Bank recorded other non-interest income of RMB1,201 million, decreased by RMB315 million as compared to the same period of the previous year.

Net fee and commission income

Unit: RMB'000

Item	For the six months ended 30 June			
	2020	2019	Change	Rate of change (%)
Fee and commission income				
Agency and custody services fees	776,229	573,216	203,013	35.42
Underwriting and advisory fees	148,515	121,764	26,751	21.97
Acceptance and guarantee services fees	101,927	67,249	34,678	51.57
Bank card services fees	83,567	65,488	18,079	27.61
Others	16,929	12,768	4,161	32.59
Subtotal	1,127,167	840,485	286,682	34.11
Fee and commission expenses	70,331	64,909	5,422	8.35
Net fee and commission income	1,056,836	775,576	281,260	36.26

During the Reporting Period, the Bank proactively adapted to the new regulations on asset management and market changes, and made steady progress in the transformation and upgrade of its intermediary business. The net fee and commission income amounted to RMB1,057 million, representing an increase of RMB281 million or 36.26% as compared to the same period of the previous year, which was primarily attributable to an increase in the scale of the agency and custody business, acceptance and guarantee business and securities underwriting business.

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Other non-interest income

Unit: RMB'000

Item	For the six months ended 30 June			
	2020	2019	Change	Rate of change (%)
Net trading gains	402,118	326,170	75,948	23.28
Net gains arising from investment	792,343	1,176,162	(383,819)	(32.63)
Other operating income	6,715	14,082	(7,367)	(52.32)
Total	1,201,176	1,516,414	(315,238)	(20.79)

During the Reporting Period, other non-interest income amounted to RMB1,201 million, representing a decrease of RMB315 million or 20.79% as compared to the same period of the previous year, which was primarily due to the fair value change of financial investments at fair value through profit or loss.

3.1.5 Operating Expenses

During the Reporting Period, the operating expenses of the Bank were RMB1,419 million, representing a decrease of RMB298 million or 17.35% as compared to the same period of the previous year. Benefited from the state's policies on tax and fee reduction in order to support the prevention and control of the COVID-19 pandemic and the Bank's improvement of cost management and control, the Bank's operating expenses decreased as compared to the same period of the previous year.

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Unit: RMB'000

Item	For the six months ended 30 June			
	2020	2019	Change	Rate of change (%)
Staff costs	838,624	1,048,403	(209,779)	(20.01)
Depreciation and amortization	218,201	237,150	(18,949)	(7.99)
Property management expenses	34,316	37,314	(2,998)	(8.03)
Office expenses	17,921	24,759	(6,838)	(27.62)
Tax and surcharges	68,505	54,730	13,775	25.17
Others	240,933	313,986	(73,053)	(23.27)
Total operating expenses	1,418,500	1,716,342	(297,842)	(17.35)

The following table sets forth the major components of staff costs of the Bank during the Reporting Period:

Unit: RMB'000

Item	For the six months ended 30 June			
	2020	2019	Change	Rate of change (%)
Salaries, bonuses and allowances	646,479	769,770	(123,291)	(16.02)
Social insurance and annuity	70,692	125,397	(54,705)	(43.63)
Supplementary retirement benefits	3,169	9,549	(6,380)	(66.81)
Staff welfare	52,742	83,200	(30,458)	(36.61)
Housing allowances	48,072	40,402	7,670	18.98
Others	17,470	20,085	(2,615)	(13.02)
Total	838,624	1,048,403	(209,779)	(20.01)

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3.1.6 Impairment Losses on Assets

During the Reporting Period, the Bank's impairment losses on assets increased by RMB1,724 million or 116.08% from the previous year to RMB3,210 million. The impairment losses of loans and advances to customers was RMB2,264 million, representing an increase of RMB1,256 million or 124.54% as compared to the same period of the previous year. This is mainly due to the fact that the Bank continued to comply with the principle of prudent operation, increased the provision for asset impairment, and further strengthened risk-resistance capability based on market operating environment and asset structure changes.

Unit: RMB'000

Item	For the six months ended 30 June			
	2020	2019	Change	Rate of change (%)
Impairment losses on loans and advances to customers	2,263,981	1,008,260	1,255,721	124.54
Impairment losses on financial investments measured at amortized cost	786,722	440,868	345,854	78.45
Impairment losses on finance lease receivables	130,000	20,000	110,000	550.00
Impairment losses on off-balance sheet credit commitments	27,905	17,316	10,589	61.15
Impairment losses on financial investments at fair value through other comprehensive income	1,035	284	751	264.44
Others ^(Note)	42	(1,304)	1,346	(103.22)
Total provision for assets impairment losses	3,209,685	1,485,424	1,724,261	116.08

Note: Others consist of impairment losses on items such as deposits with banks and other financial institutions, financial assets held under resale agreements, placements with banks and other financial institutions, etc..

CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

3.1.7 Income Tax Expenses

During the Reporting Period, the Bank's income tax expenses amounted to RMB609 million, representing an increase of RMB61 million or 11.03% as compared to the same period of the previous year. During the Reporting Period, the Bank's effective tax rate was 19.77%, which is lower than the statutory tax rate of 25% and was mainly due to the fact that the interest income from state-owned bonds and local government bonds held by the Bank was tax-exempt income according to the relevant PRC tax law.

Unit: RMB'000

Item	For the six months ended 30 June			
	2020	2019	Change	Rate of change (%)
Current tax	1,017,312	758,201	259,111	34.17
Deferred tax	(460,614)	(305,423)	(155,191)	50.81
Adjustment for prior years	52,722	96,102	(43,380)	(45.14)
Total income tax expenses	609,420	548,880	60,540	11.03

CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

3.2 Balance Sheet Analysis

3.2.1 Assets

As at the end of the Reporting Period, the Bank's total assets amounted to RMB533,873 million, representing an increase of RMB33,395 million or 6.67% from the end of the previous year. The increase in total assets was mainly due to the increase in loans and advances to customers, financial investments and finance lease receivables. The balances (after provision) of the components of the Bank's total assets and their respective percentages are as follows:

Unit: RMB'000

Item	As at 30 June 2020		As at 31 December 2019		Change	
	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)
Assets						
Cash and deposits with central bank	31,833,892	5.96	38,465,676	7.69	(6,631,784)	(1.73)
Deposits with banks and other financial institutions	2,914,964	0.55	1,930,394	0.39	984,570	0.16
Placements with banks and other financial institutions	1,872,743	0.35	2,784,681	0.56	(911,938)	(0.21)
Derivative financial assets	30,000	0.01	94,602	0.02	(64,602)	(0.01)
Financial assets held under resale agreements	7,669,685	1.44	2,998,744	0.60	4,670,941	0.84
Loans and advances to customers	209,294,377	39.20	189,266,541	37.82	20,027,836	1.38
Financial investments						
– Financial investments at fair value through profit or loss	61,021,348	11.43	55,062,294	11.00	5,959,054	0.43
– Financial investments at fair value through other comprehensive income	25,479,545	4.77	15,751,610	3.15	9,727,935	1.62
– Financial investments at amortized cost	167,034,098	31.29	173,168,422	34.60	(6,134,324)	(3.31)
Finance lease receivables	17,568,635	3.29	12,501,697	2.50	5,066,938	0.79
Investments in associates	374,717	0.07	376,874	0.08	(2,157)	(0.01)
Property and equipment	2,559,325	0.48	2,372,354	0.47	186,971	0.01
Deferred tax assets	3,342,277	0.63	2,834,990	0.57	507,287	0.06
Other assets	2,877,327	0.53	2,869,248	0.55	8,079	(0.02)
Total assets	533,872,933	100.00	500,478,127	100.00	33,394,806	-

CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

Loans and advances to customers

As at the end of the Reporting Period, the Bank's total loans and advances to customers amounted to RMB215,609 million, representing an increase of RMB19,698 million or 10.05% from the end of the previous year. The Bank's loans and advances to customers were mainly composed of corporate loans, personal loans and discounted bills. Set out below is a breakdown of the Bank's loans by business line:

Unit: RMB'000

Item	As at 30 June 2020		As at 31 December 2019	
	Amount	% of total (%)	Amount	% of total (%)
Corporate loans ⁽¹⁾	138,524,277	64.24	124,565,616	63.58
Personal loans	67,002,285	31.08	59,593,823	30.42
Discounted bills	10,082,890	4.68	11,752,226	6.00
Total loans and advances to customers	215,609,452	100.00	195,911,665	100.00
Add: Accrued interest	842,996		682,722	
Less: Provision for impairment losses ⁽²⁾	7,158,071		7,327,846	
Book value of loans and advances to customers	209,294,377		189,266,541	

Notes:

1. Forfeiting is included in the corporate loans.
2. Excluding provision for impairment losses on Forfeiting and discounted bills, which was included in other comprehensive income.

(1) Corporate loans

Corporate loan is the largest component of the Bank's loans and advances to customers. As at the end of the Reporting Period, the Bank's corporate loans amounted to RMB138,524 million, accounted for 64.24% of the Bank's total loans and advances to customers and representing an increase of RMB13,959 million or 11.21% from the end of the previous year. During the Reporting Period, the Bank closely focused on the three features of its positioning as "finance for commerce and logistics, finance for small and micro enterprises and finance for citizens", thereby achieving steady growth in corporate loans.

CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

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

Unit: RMB'000

Item	As at 30 June 2020		As at 31 December 2019	
	Amount	% of total (%)	Amount	% of total (%)
Unsecured loans	22,595,381	16.31	18,968,452	15.23
Guaranteed loans	68,053,287	49.12	55,088,693	44.22
Loans secured by tangible assets other than monetary assets	33,668,371	24.31	31,853,512	25.57
Loans secured by intangible assets or monetary assets	14,207,238	10.26	18,654,959	14.98
Total corporate loan principal	138,524,277	100.00	124,565,616	100.00

(2) Personal loans

As at the end of the Reporting Period, the Bank's personal loans amounted to RMB67,002 million, accounted for 31.08% of the Bank's total loans and advances to customers and representing an increase of RMB7,408 million or 12.43% from the end of the previous year, which was primarily attributable to the growth of personal business loans and personal residential mortgage loan businesses. In particular, personal business loans amounted to RMB21,843 million, representing an increase of 4.45% from the end of the previous year; personal residential mortgage loans amounted to RMB39,747 million, representing an increase of 32.26% from the end of the previous year.

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

Unit: RMB'000

Item	As at 30 June 2020		As at 31 December 2019	
	Amount	% of total (%)	Amount	% of total (%)
Personal business loans	21,843,491	32.60	20,912,865	35.10
Personal residential mortgage loans	39,747,345	59.32	30,052,807	50.43
Personal consumption loans	2,472,142	3.69	5,807,222	9.74
Credit card loans	2,939,307	4.39	2,820,929	4.73
Total personal loan principal	67,002,285	100.00	59,593,823	100.00

CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

(3) Discounted bills

As at end of the Reporting Period, the Bank's discounted bills amounted to RMB10,083 million, representing a decrease of RMB1,669 million or 14.20% from the end of the previous year. During the Reporting Period, the Bank flexibly adjusted the scale of bill financing according to the needs of business development and the financing needs of customers.

Investments in securities and other financial assets

As at the end of the Reporting Period, the Bank's total investments in securities and equity instruments amounted to RMB255,077 million, representing an increase of RMB10,289 million or 4.20% from the end of the previous year. Details are set out as follows:

Unit: RMB'000

Item	As at 30 June 2020		As at 31 December 2019	
	Amount	% of total (%)	Amount	% of total (%)
Financial investments at amortized cost	168,887,854	66.21	174,300,504	71.20
Financial investments at fair value through other comprehensive income	25,167,299	9.87	15,424,513	6.30
Financial investments at fair value through profit or loss	61,021,348	23.92	55,062,294	22.50
Total investments in securities and other financial assets	255,076,501	100.00	244,787,311	100.00
Add: Accrued interest	1,809,154		1,758,957	
Less: Provision for impairment losses ^(Note)	3,350,664		2,563,942	
Book value of investments in securities and other financial assets	253,534,991		243,982,326	

Note: Excluding provision for impairment losses on financial investments at fair value through other comprehensive income.

CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

The Bank's investment in securities are classified into debt instruments and equity instruments. Set out below is a breakdown of the Bank's investment in securities by product:

Unit: RMB'000

Item	As at 30 June 2020		As at 31 December 2019	
	Amount	% of total (%)	Amount	% of total (%)
Debt securities investments				
Government bonds	41,059,491	16.10	31,614,484	12.92
Debt securities issued by policy banks	40,898,584	16.03	33,995,748	13.89
Debt securities issued by banks and other financial institutions	1,235,437	0.48	2,974,444	1.22
Debt securities issued by corporate issuers	8,023,715	3.15	8,468,274	3.46
Subtotal	91,217,227	35.76	77,052,950	31.49
Investment products under trust scheme	76,223,990	29.89	77,489,646	31.66
Investment products managed by securities companies	64,160,909	25.15	62,966,123	25.72
Others ^(Note)	23,465,975	9.20	27,270,192	11.13
Total debt instruments	255,068,101	100.00	244,778,911	100.00
Equity instruments	8,400		8,400	
Total investments in securities and other financial assets	255,076,501		244,787,311	

Note: Others consist of debt financing schemes.

CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

The following table sets forth a breakdown of the top ten financial bonds by nominal value balance held by the Bank as at the end of the Reporting Period:

Unit: RMB'000

No.	Type of bonds	Nominal value balance	Interest rate (%)	Maturity date	Impairment
1	2020 financial bonds	3,280,000	3.07	2030/03/10	96
2	2016 financial bonds	3,250,000	3.33	2026/02/22	232
3	2016 financial bonds	2,490,000	3.33	2026/01/06	179
4	2016 financial bonds	2,200,000	3.24	2023/02/25	158
5	2016 financial bonds	1,900,000	3.32	2023/01/06	136
6	2015 financial bonds	1,510,000	3.86	2022/02/05	-
7	2020 financial bonds	1,370,000	2.96	2030/04/17	-
8	2020 financial bonds	1,260,000	3.23	2030/03/23	12
9	2020 financial bonds	1,200,000	3.09	2030/06/18	-
10	2016 financial bonds	1,150,000	3.18	2026/04/05	83

Derivative financial instruments

During the Reporting Period, amid the two-way fluctuations in the exchange rate between the US dollar and RMB, the Bank rationally used non-deliverable forwards to effectively mitigate market risks with a sound trading style.

Unit: RMB'000

Derivative financial instrument	As at 30 June 2020			As at 31 December 2019		
	Contractual/ notional amount	Fair value of assets	Fair value of liabilities	Contractual/ notional amount	Fair value of assets	Fair value of liabilities
Non-deliverable forwards	10,619,250	30,000	(65,190)	11,022,396	94,602	(4,944)
Credit risk mitigation warrant	80,000	-	(777)	-	-	-
Total	10,699,250	30,000	(65,967)	11,022,396	94,602	(4,944)

CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

3.2.2 Liabilities

As at the end of the Reporting Period, the Bank's total liabilities amounted to RMB492,243 million, representing an increase of RMB31,656 million or 6.87% from the end of the previous year, which was mainly due to the increase in liabilities such as deposits from customers, borrowings from central bank, financial assets held under resale agreements and placements from banks and other financial institutions.

Unit: RMB'000

Item	As at 30 June 2020		As at 31 December 2019		Change	
	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)
Due to central bank	16,408,987	3.33	9,954,864	2.16	6,454,123	1.17
Deposits from banks and other financial institutions	20,301,652	4.12	18,906,118	4.10	1,395,534	0.02
Placements from banks and other financial institutions	17,320,293	3.52	14,113,018	3.06	3,207,275	0.46
Derivative financial liabilities	65,967	0.01	4,944	0.01	61,023	-
Financial assets sold under repurchase agreements	19,624,666	3.99	16,385,737	3.56	3,238,929	0.43
Deposits from customers	319,548,187	64.92	292,125,786	63.42	27,422,401	1.50
Tax payable	997,030	0.20	745,840	0.16	251,190	0.04
Debt securities issued	94,582,627	19.21	105,245,667	22.85	(10,663,040)	(3.64)
Other liabilities ^(Note)	3,393,194	0.70	3,104,531	0.68	288,663	0.02
Total	492,242,603	100.00	460,586,505	100.00	31,656,098	-

Note: Other liabilities primarily consist of staff costs payable, payment and collection clearance accounts, lease liabilities and estimated liabilities.

CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

Deposits from customers

As at the end of the Reporting Period, the Bank's gross deposits from customers amounted to RMB317,193 million, representing an increase of RMB27,976 million or 9.67% from the end of the previous year. The steady growth in the Bank's deposits from customers was mainly attributable to the overall growth of the deposit business as a result of the Bank's vigorous efforts in building its customer base. Set out below is a breakdown of the Bank's deposits from customers by product type and maturity profile:

Unit: RMB'000

Item	As at 30 June 2020		As at 31 December 2019	
	Amount	% of the total (%)	Amount	% of the total (%)
Corporate deposits				
Demand	75,456,833	23.79	79,289,145	27.42
Time	104,270,231	32.87	87,157,489	30.13
Subtotal	179,727,064	56.66	166,446,634	57.55
Personal deposits				
Demand	25,626,442	8.08	23,333,801	8.07
Time	81,262,266	25.62	72,253,415	24.98
Subtotal	106,888,708	33.70	95,587,216	33.05
Other deposits	30,577,542	9.64	27,183,010	9.40
Gross deposits from customers	317,193,314	100.00	289,216,860	100.00
Add: Accrued interest	2,354,873		2,908,926	
Total deposits from customers	319,548,187		292,125,786	

CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

3.2.3 Shareholders' Equity

As at the end of the Reporting Period, the Bank's total Shareholders' equity amounted to RMB41,630 million, representing an increase of RMB1,739 million or 4.36% from the end of the previous year. The total equity attributable to shareholders of the Bank amounted to RMB40,276 million, representing an increase of RMB1,686 million or 4.37% from the end of the previous year. The increase in Shareholders' equity was mainly due to sustained profit of the Bank.

Unit: RMB'000

Item	As at 30 June 2020		As at 31 December 2019	
	Amount	% of the total (%)	Amount	% of the total (%)
Shareholders' equity				
Share capital	6,514,125	15.65	5,921,932	14.85
Capital reserve	4,571,462	10.98	5,163,655	12.94
Surplus reserve	2,675,548	6.43	2,675,548	6.71
General reserve	6,619,553	15.90	6,619,553	16.59
Fair value reserve	(42,066)	(0.10)	97,063	0.24
Remeasurement of net defined benefit liability	(47,315)	(0.11)	(46,424)	(0.12)
Retained earnings	12,159,147	29.21	10,333,487	25.90
Other equity instruments	7,825,508	18.80	7,825,508	19.62
Total equity attributable to shareholders of the Bank	40,275,962	96.76	38,590,322	96.73
Non-controlling interests	1,354,368	3.24	1,301,300	3.27
Total shareholders' equity	41,630,330	100.00	39,891,622	100.00

CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

3.2.4 Off-balance Sheet Commitments

The following table sets forth a breakdown of the Bank's off-balance sheet credit commitments as at the end of the Reporting Period:

Unit: RMB'000

Item	As at 30 June 2020	As at 31 December 2019
Credit commitments		
Bank acceptances	131,597,471	103,738,951
Letters of credit	9,085,262	8,162,623
Guarantees	2,233,638	2,692,880
Unused credit card commitments	3,580,924	2,785,006
Total	146,497,295	117,379,460

In addition, as at the end of the Reporting Period, there was no material litigation in which the Bank or any subsidiary of the Bank was a defendant. As at the date of this Report, the Bank had no significant contingent liabilities. Details of off-balance sheet commitments are disclosed in "Credit Commitment" of Commitment or Contingent Liabilities in Note 41 to the financial statements in the chapter headed "Independent Auditor's Report" of this Report.

3.2.5 Asset Right Restriction as at the End of the Reporting Period

As at the end of the Reporting Period, the Bank pledged certain of its assets as the collateral of the repurchase agreement. Details of pledged assets are disclosed in "Pledged Assets" of Commitment or Contingent Liabilities in Note 41 in the chapter headed "Independent Auditor's Report" of this Report.

CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

3.3 Loan Quality Analysis

During the Reporting Period, the Bank continuously strengthened its credit risk management and accelerated the disposal of non-performing loans, thus keeping the overall quality of loans under control. As at the end of the Reporting Period, the balance of non-performing loans amounted to RMB4,659 million and the non-performing loan ratio was 2.16%, decreased by 0.21 percentage point from the end of the previous year.

3.3.1 Distribution of Loans by Five-Category Loan Classification

Unit: RMB'000

Item	As at 30 June 2020		As at 31 December 2019	
	Amount	% of the total (%)	Amount	% of the total (%)
Normal	206,334,222	95.70	187,187,713	95.55
Special mention	4,616,252	2.14	4,079,072	2.08
Substandard	2,884,032	1.34	2,669,799	1.36
Doubtful	1,759,003	0.81	1,961,656	1.00
Loss	15,943	0.01	13,425	0.01
Total loans and advances to customers	215,609,452	100.00	195,911,665	100.00
NPLs and NPL ratio^(Note)	4,658,978	2.16	4,644,880	2.37

Note: NPL ratio is calculated by dividing the total principal of the non-performing loans (excluding accrued interest) by the total principal of loans and advance to customers (excluding accrued interest).

According to the five-category loan classification system, the Bank classified its non-performing loans into substandard, doubtful and loss categories.

CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

3.3.2 Distribution of Loans and Non-Performing Loans by Product Type

Unit: RMB'000

Item	As at 30 June 2020				As at 31 December 2019			
	Amount	% of the total (%)	NPL amount	NPL ratio (%)	Amount	% of the total (%)	NPL amount	NPL ratio (%)
Corporate loans								
Short-term loans	42,894,512	19.89	2,111,926	4.92	44,581,659	22.76	2,198,763	4.93
Medium and long-term loans	95,629,765	44.35	1,239,476	1.30	79,983,957	40.83	1,437,389	1.80
Subtotal	138,524,277	64.24	3,351,402	2.42	124,565,616	63.59	3,636,152	2.92
Discounted bills	10,082,890	4.68	-	-	11,752,226	6.00	-	-
Personal loans								
Personal business loans	21,843,491	10.13	1,097,055	5.02	20,912,865	10.67	671,249	3.21
Personal residential mortgage loans	39,747,345	18.44	109,583	0.28	30,052,807	15.34	34,051	0.11
Personal consumption loans	2,472,142	1.15	59,970	2.43	5,807,222	2.96	259,817	4.47
Credit card balance	2,939,307	1.36	40,968	1.39	2,820,929	1.44	43,611	1.55
Subtotal	67,002,285	31.08	1,307,576	1.95	59,593,823	30.41	1,008,728	1.69
Total	215,609,452	100.00	4,658,978	2.16	195,911,665	100.00	4,644,880	2.37

During the Reporting Period, the Bank adhered to high-quality development, intensified risk management, and strengthened the effort on the collection and disposal of non-performing assets. As at the end of the Reporting Period, the NPL ratio of corporate loans (excluding discounted bills) was 2.42%, decreased by 0.50 percentage point from the end of the previous year; the NPL ratio of personal loans was 1.95%, increased by 0.26 percentage point from the end of the previous year.

CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

3.3.3 Distribution of Loans and Non-Performing Loans by Industry

Unit: RMB'000

Item	As at 30 June 2020				As at 31 December 2019			
	Amount	% of the total (%)	NPL amount	NPL ratio (%)	Amount	% of the total (%)	NPL amount	NPL ratio (%)
Wholesale and retail	23,391,282	10.84	990,014	4.23	27,095,140	13.83	1,152,189	4.25
Manufacturing	16,325,094	7.57	1,641,507	10.06	14,577,464	7.44	1,578,003	10.82
Construction	12,580,238	5.83	126,028	1.00	12,156,369	6.21	215,134	1.77
Real estate	31,147,035	14.45	145,030	0.47	26,677,880	13.62	39,897	0.15
Leasing and commercial services	14,007,655	6.50	48,870	0.35	10,892,165	5.56	61,242	0.56
Water, environment and public facility management	20,260,400	9.40	43,560	0.22	16,128,317	8.23	43,580	0.27
Agriculture, forestry, animal husbandry and fishery	2,164,522	1.00	173,220	8.00	1,685,307	0.86	360,247	21.38
Transportation, storage and postal services	3,040,616	1.41	57,208	1.88	2,604,391	1.33	57,079	2.19
Production and supply of electricity, heating power, gas and water	3,037,658	1.41	-	-	2,369,014	1.21	10,000	0.42
Accommodation and catering	1,285,805	0.60	30,300	2.36	1,317,211	0.67	40,384	3.07
Mining	633,100	0.29	4,000	0.63	322,300	0.16	4,000	1.24
Culture, sports and entertainment	1,732,190	0.80	1,600	0.09	1,808,720	0.92	1,000	0.06
Others	8,918,682	4.14	90,065	1.01	6,931,338	3.54	73,397	1.06
Total corporate loans	138,524,277	64.24	3,351,402	2.42	124,565,616	63.58	3,636,152	2.92
Total personal loans	67,002,285	31.08	1,307,576	1.95	59,593,823	30.42	1,008,728	1.69
Discounted bills	10,082,890	4.68	-	-	11,752,226	6.00	-	-
Total	215,609,452	100.00	4,658,978	2.16	195,911,665	100.00	4,644,880	2.37

As at the end of the Reporting Period, the non-performing corporate loans of the Bank were mainly concentrated in (1) the manufacturing industry; (2) the agriculture, forestry, animal husbandry and fishery industries; and (3) the wholesale and retail industry, with NPL ratios of 10.06%, 8.00% and 4.23%, respectively.

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3.3.4 Distribution of Loans and Non-Performing Loans by Collateral

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

Unit: RMB'000

Item	As at 30 June 2020				As at 31 December 2019			
	Amount	% of the total (%)	NPL amount	NPL ratio (%)	Amount	% of the total (%)	NPL amount	NPL ratio (%)
Unsecured loans	28,821,576	13.37	112,969	0.39	26,395,641	13.47	118,447	0.45
Guaranteed loans	72,022,510	33.40	3,192,185	4.43	59,539,001	30.39	3,194,275	5.37
Loans secured by mortgages	88,570,123	41.08	1,242,484	1.40	77,715,145	39.67	1,002,805	1.29
Loans secured by pledges	26,195,243	12.15	111,340	0.43	32,261,878	16.47	329,353	1.02
Total	215,609,452	100.00	4,658,978	2.16	195,911,665	100.00	4,644,880	2.37

3.3.5 Borrower Concentration

As at the end of the Reporting Period, the Bank's loan balance to any single borrower did not exceed 10% of the Bank's net capital. The following table sets forth, as at the end of the Reporting Period, the Bank's loan balance to the ten largest single borrowers (excluding group borrowers), all of which were classified as normal.

Unit: RMB'000

Item	Industry	As at 30 June 2020		
		Principle balance	% of total loans (%)	% of net capital (%)
Borrower A	Water, environment and public facility management	1,900,000	0.88	3.96
Borrower B	Real estate	1,600,000	0.74	3.34
Borrower C	Real estate	1,600,000	0.74	3.34
Borrower D	Water, environment and public facility management	1,299,000	0.60	2.71
Borrower E	Real estate	1,267,910	0.59	2.64
Borrower F	Manufacturing	1,250,000	0.58	2.61
Borrower G	Real estate	1,200,000	0.56	2.50
Borrower H	Water, environment and public facility management	1,200,000	0.56	2.50
Borrower I	Culture, sports and entertainment	1,150,000	0.53	2.40
Borrower J	Manufacturing	1,109,847	0.51	2.31
Total		13,576,757	6.29	28.31

CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

3.3.6 Overdue Loans

Unit: RMB'000

Item	As at 30 June 2020		As at 31 December 2019	
	Amount	% of the total (%)	Amount	% of the total (%)
Current loans	208,571,079	96.73	188,768,138	96.36
Loans past due for ^(Note)				
3 months (inclusive) or less	1,375,407	0.64	3,025,224	1.54
3 months to 1 year (inclusive)	3,081,241	1.43	1,899,785	0.97
1 year or more	2,581,725	1.20	2,218,518	1.13
Subtotal	7,038,373	3.27	7,143,527	3.64
Gross loan principal	215,609,452	100.00	195,911,665	100.00

Note: Representing the principal amount of the loans on which principal or interest is overdue.

As at the end of the Reporting Period, the Bank's overdue loans amounted to RMB7,038 million, representing a decrease of RMB105 million or 1.47% as compared with the end of the previous year. Overdue loans accounted for 3.27% of the total loans, decreased by 0.37 percentage point as compared with the end of the previous year.

3.3.7 Repossessed assets and provision for impairment

As at the end of the Reporting Period, the Bank had no repossessed assets.

CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

3.3.8 Provision and Write-off of Allowance for Impairment Losses on Loans

During the Reporting Period, the Bank made a loss reserve of RMB2,264 million, with RMB2,230 million provided for loans and advances to customers measured at amortized cost, and RMB34 million for loans and advances to customers measured at fair value through other comprehensive income. RMB2,193 million of non-performing loans was written off, and RMB129 million of written-off loans was recovered. As at the end of the Reporting Period, the balance of the Bank's loan loss reserve was RMB7,289 million, of which the balance of impairment losses on loans and advances to customers measured at amortized cost was RMB7,158 million and the balance of impairment losses on loans and advances to customers measured at fair value through other comprehensive income was RMB131 million.

Changes in provision for impairment losses on loans and advances to customers at amortized cost are set out as follows:

Unit: RMB'000

Item	As at 30 June 2020	As at 31 December 2019
Opening balance	7,327,846	6,062,971
Provision for the period	2,230,087	4,676,458
Write-off for the period	(2,192,812)	(3,111,852)
Recovery of written-off loans	129,238	458,000
Others	(336,288)	(757,731)
Closing balance	7,158,071	7,327,846

Changes in provision for impairment losses on loans and advances to customers at fair value through other comprehensive income are set out as follows:

Unit: RMB'000

Item	As at 30 June 2020	As at 31 December 2019
Opening balance	97,001	34,405
Provision for the period	33,894	62,596
Closing balance	130,895	97,001

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3.4 Cash Flow Statement Analysis

During the Reporting Period, the Bank's net cash inflow from operating activities was RMB6,321 million, among which the cash inflow was RMB53,463 million, representing an increase of RMB24,128 million as compared to the same period of the previous year, mainly due to the increase in the net increase amount in deposits from customers; and the cash outflow was RMB47,142 million, representing an increase of RMB13,508 million as compared to the same period of the previous year, mainly due to the increase in held-for-trading financial assets.

During the Reporting Period, the Bank's net cash inflow from investing activities was RMB2,563 million, among which the cash inflow was RMB142,143 million, representing an increase of RMB61,580 million as compared to the same period of the previous year, mainly due to the increase in cash flow received from the recovery of investments; and the cash outflow was RMB139,580 million, representing a decrease of RMB46,651 million as compared to the same period of the previous year, mainly due to the increase in cash outflow from investment payments.

During the Reporting Period, the Bank's net cash outflow from financing activities was RMB12,776 million, among which the cash inflow was RMB45,749 million, representing a decrease of RMB5,870 million as compared to the same period of the previous year, mainly due to the decrease in cash inflows received from the issuance of bonds; and the cash outflow was RMB58,524 million, representing an increase of RMB11,691 million as compared to the same period of the previous year, mainly due to the increase in cash outflows for the repayment of principal of the bonds due.

Unit: RMB'000

Item	For the six months ended 30 June		
	2020	2019	Year-on-year change
Subtotal of cash inflows from operating activities	53,463,071	29,334,589	24,128,482
Subtotal of cash outflows from operating activities	47,142,309	33,634,530	13,507,779
Net cash flows generated from/(used in) operating activities	6,320,762	(4,299,941)	10,620,703
Subtotal of cash inflows from investing activities	142,143,184	80,563,619	61,579,565
Subtotal of cash outflows from investing activities	139,580,122	92,929,288	46,650,834
Net cash flows generated from/(used in) investing activities	2,563,062	(12,365,669)	14,928,731
Subtotal of cash inflows from financing activities	45,748,581	51,618,165	(5,869,584)
Subtotal of cash outflows from financing activities	58,524,159	46,833,364	11,690,795
Net cash flows (used in)/generated from financing activities	(12,775,578)	4,784,801	(17,560,379)
Effect of exchange rate changes on cash and cash equivalents	14,688	4,537	10,151
Net decrease in cash and cash equivalents	(3,877,066)	(11,876,272)	7,999,206

CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

3.5 Business Segment Report

The following table sets forth the Bank's total operating income by business segment for the periods indicated.

Unit: RMB'000

Item	For the six months ended 30 June			
	2020		2019	
	Amount	% of total (%)	Amount	% of total (%)
Corporate banking business	3,402,161	44.30	2,408,855	38.66
Retail banking business	1,025,623	13.35	817,044	13.11
Treasury business	3,246,025	42.26	2,991,604	48.01
Others ^(Note)	6,715	0.09	14,082	0.22
Total operating income	7,680,524	100.00	6,231,585	100.00

Note: This segment consists primarily of equity investments and the corresponding income, and any other businesses that on their own do not constitute a reporting segment.

CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

3.6 Significant Accounting Policies, Accounting Estimates and Accounting Methods

3.6.1 Explanation of changes in accounting policies, accounting estimates and accounting methods as compared with the financial report of the previous accounting period

The amendments to IFRS 3 – Business Combinations were promulgated by the International Accounting Standards Board in October 2018 to make clarification on the definition of “business”. The Bank has adopted the amendment from 1 January 2020 in compliance with the requirements. No retrospective application was required.

The amendments to IFRS 16 – Leases were promulgated by the International Accounting Standards Board on 28 May 2020, which stipulated that rental concessions directly caused by COVID-19, including rental concessions and postponed payments provided upon the existing tenancy contracts as agreed between lessees and lessors, will not be accounted for as lease modifications to the extent that the conditions of adopting simplified approaches are satisfied, and shall be effective for the annual reporting period beginning on or after 1 June 2020 with early adoption allowed. The Bank has adopted the amendments from the effective date of the amendments.

The above changes of requirements have no significant impact on the Group’s financial condition and operating results. For details, please refer to Note 3 “Changes in Accounting Policies” in the chapter headed “Independent Auditor’s Report” in this Report and the announcements published by the Bank on CNINFO and the website of Hong Kong Stock Exchange dated 31 August 2020.

3.6.2 Explanation of major accounting errors correction during the Reporting Period that require retrospective restatement

During the Reporting Period, the Bank did not have any major accounting errors correction that need to be retrospectively restated.

3.6.3 Explanation of changes in the scope of the consolidated statements as compared with the financial report of the previous accounting period

There is no change in the consolidation scope of the financial statements as compared with the financial statements for the previous accounting period.

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3.7 Assets and Liabilities at Fair Value

Unit: RMB'000

Item	Opening balance	Gains and losses from changes in fair value for the period	Accumulated changes in fair value recognised in equity	Impairment accrued during the period	Closing balance
Financial investments at fair value through profit or loss (excluding derivative financial assets)	55,062,294	337,024	-	-	61,021,348
Derivative financial assets	94,602	(64,602)	-	-	30,000
Financial investments at fair value through other comprehensive income	15,751,610	-	(111,050)	(1,035)	25,479,545
Subtotal of financial assets	70,908,506	272,422	(111,050)	(1,035)	86,530,893
Derivative financial liabilities	4,944	61,023	-	-	65,967
Subtotal of financial liabilities	4,944	61,023	-	-	65,967

CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

3.8 Major Statement Items and Financial Indicators with Changes of More than 30% and the Main Reasons for the Changes

Unit: RMB'000

Item	For the six months ended 30 June			Analysis of the major reasons
	2020	2019	Changes compared to the same period of the previous year (%)	
Net interest income	5,422,512	3,939,595	37.64	Due to business growth and decrease in average cost rate of interest-bearing liabilities.
Fee and commission income	1,127,167	840,485	34.11	Affected by increase in scale of agency and custody business, acceptance and guarantee services and securities underwriting business.
Net fee and commission income	1,056,836	775,576	36.26	
Net gains arising from investments	792,343	1,176,162	(32.63)	Mainly due to the decrease in net gains arising from securities investment.
Other operating income	6,715	14,082	(52.32)	Due to decrease in rental income of self-owned properties.
Impairment losses on assets	3,209,685	1,485,424	116.08	The Banks further strengthens its risk-resistance capability based on market operation environment, asset structure changes and increase in provision for assets impairment.
Net profit attributable to non-controlling interests	55,147	40,717	35.44	Mainly due to the increase in profit of subsidiaries of the Bank for the current period as compared with the previous period.

CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

Unit: RMB'000

Item	As at 30 June 2020	As at 31 December 2019	Changes compared to the end of the previous year (%)	Analysis of the major reasons
Derivative financial assets	30,000	94,602	(68.29)	During the Reporting Period, amid the two-way fluctuations in the exchange rate between the US dollar and RMB, the Bank rationally increased forward foreign exchanges to effectively mitigate market risks.
Derivative financial liabilities	65,967	4,944	1,234.28	
Deposits with banks and other financial institutions	2,914,964	1,930,394	51.00	The Bank adjusted the scale of this asset category by comprehensively evaluating the market liquidity and the Bank's funding needs.
Placements with banks and other financial institutions	1,872,743	2,784,681	(32.75)	
Financial assets held under resale agreements	7,669,685	2,998,744	155.76	
Financial investments at fair value through other comprehensive income	25,479,545	15,751,610	61.76	Due to the increase in bonds at fair value through other comprehensive income.
Finance lease receivables	17,568,635	12,501,697	40.53	Mainly due to the increase in the finance lease payable of Jiuding Financial Leasing Company, a subsidiary of the Bank.
Due to central bank	16,408,987	9,954,864	64.83	Increase in medium-term lending facility and refinancing to small banks.
Tax payable	997,030	745,840	33.68	The corporate income tax payable at the end of the Reporting Period increased as compared to the end of the previous year.
Fair value reserve	(42,066)	97,063	(143.34)	Mainly due to the change in valuation of financial investment at fair value through other comprehensive income as at the end of the Reporting Period.

CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

4 INVESTMENT ANALYSIS

4.1 Overview

The following table sets out the details of the Bank's equity investments as at the end of the Reporting Period:

Unit: RMB'000

Item	As at 30 June 2020	As at 31 December 2019	The Bank's share of the interest in the investee (%)
Jiuding Financial Leasing Company	1,020,000	1,020,000	51.00
Fugou Zhengyin County Bank	30,120	30,120	50.20
Xinmi Zhengyin County Bank	64,000	64,000	51.20
Xunxian Zhengyin County Bank	25,500	25,500	51.00
Queshan Zhengyin County Bank	25,500	25,500	51.00
Zhongmu Zhengyin County Bank ^(Note)	208,000	104,000	18.53
Yanling Zhengyin County Bank	18,000	18,000	30.00
Xinzheng Zhengyin County Bank	17,280	17,280	25.00
China UnionPay Co., Ltd.	8,000	8,000	0.27
Funds Clearing Center for City Commercial Banks	400	400	1.29
Total	1,416,800	1,312,800	

Note: Zhongmu Zhengyin County Bank implemented the 2019 profit distribution scheme, issued new shares through undistributed profit and changed its total share capital from 561,350,000 shares to 1,122,700,000 shares. Shares of Zhongmu Zhengyin County Bank held by the Bank changed from 104,000,000 shares to 208,000,000 shares and the ratio of shares held by the Bank remained unchanged.

For details of the Bank's other investments as at the end of the Reporting Period, please refer to the paragraphs headed "Balance Sheet Analysis" in the chapter headed "Management Discussion and Analysis".

CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

4.2 Significant Equity Investments Made During the Reporting Period

During the Reporting Period, the Bank did not make any significant equity investment.

4.3 Significant Non-equity Investments in Progress During the Reporting Period

During the Reporting Period, the Bank did not have any significant non-equity investment in progress.

4.4 Use of Proceeds

During the Reporting Period, there was no use of proceeds by the Bank.

4.5 Significant Investments Not Funded by Proceeds

During the Reporting Period, the Bank did not have any significant investments which are not funded by proceeds.

4.6 Financial Assets at Fair Value

For details of the Bank's fair value measurement methods and items measured at fair value as at the end of the Reporting Period, please refer to the information contained in the paragraph headed "3.7 Assets and Liabilities at Fair Value" in the chapter headed "Management Discussion and Analysis".

4.7 Operations of Subsidiaries

4.7.1 Operations of Subsidiaries

Jiuding Financial Leasing Company

As at the end of the Reporting Period, the Bank held 51.00% equity interest in Jiuding Financial Leasing Company, a subsidiary of the Bank with a registered capital of RMB2 billion. Jiuding Financial Leasing Company was established in the PRC where it carries out its business. Its principal businesses include: (1) financial leasing business; (2) outward or inward transfer of financial leasing assets; (3) fixed income securities investment business; (4) acceptance of leasing deposits from lessees; (5) taking time deposits with a term of three months or more from non-banking shareholders; (6) interbank lending; (7) borrowing from financial institutions; (8) offshore borrowing; (9) sale and disposal of leased assets; (10) economic consultancy; (11) other business approved by the CBRC (business activities subject to approval according to law may be carried out only after being approved by the competent authorities). As at the end of the Reporting Period, Jiuding Financial Leasing Company had total assets of RMB19,275 million, net assets of RMB2,623 million, and total financial leasing of RMB18,040 million. During the Reporting Period, it recorded operating income of RMB287 million, operating profit of RMB174 million and net profit of RMB131 million.

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Fugou Zhengyin County Bank

As at the end of the Reporting Period, the Bank held 50.20% equity interest in Fugou Zhengyin County Bank, a subsidiary of the Bank with a registered capital of RMB60 million. Fugou Zhengyin County Bank was established in the PRC where it carries out its business. Its principal businesses include: (1) taking deposits from the public; (2) issuing short-term, medium-term and long-term loans; (3) domestic settlement; (4) bill acceptance and discounting; (5) interbank lending; (6) debit card business; (7) acting as issuing agent, cashing agent and underwriter of government bonds; (8) acting as collection and payment agent; (9) other business approved by the banking regulatory authority of the PRC (business activities requiring licensing shall be carried out with valid permits or qualification certificates). As at the end of the Reporting Period, Fugou Zhengyin County Bank had total assets of RMB747 million, net assets of RMB62 million, total loans and advances to customers of RMB418 million, and total deposits from customers of RMB549 million. During the Reporting Period, it recorded operating income of RMB12 million, operating profit of RMB2 million, and net profit of RMB2 million.

Xinmi Zhengyin County Bank

As at the end of the Reporting Period, the Bank held 51.20% equity interest in Xinmi Zhengyin County Bank, a subsidiary of the Bank with a registered capital of RMB125 million. Xinmi Zhengyin County Bank was established in the PRC where it carries out its business. Its principal businesses include: (1) taking deposits from the public; (2) issuing short-term, medium-term and long-term loans; (3) domestic settlement; (4) bill acceptance and discounting; (5) interbank lending; (6) banking card business; (7) acting as issuing agent, cashing agent and underwriter of government bonds; (8) acting as collection and payment agent and insurance agent; (9) other business approved by the banking regulatory authority (business activities subject to approval according to law may be carried out only after being approved by the competent authorities). As at the end of the Reporting Period, Xinmi Zhengyin County Bank had total assets of RMB958 million, net assets of RMB158 million, total loans and advances to customers of RMB602 million, and total deposits from customers of RMB784 million. During the Reporting Period, it recorded operating income of RMB11 million, operating profit of RMB1 million, and net profit of RMB1 million.

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Xunxian Zhengyin County Bank

As at the end of the Reporting Period, the Bank held 51.00% equity interest in Xunxian Zhengyin County Bank, a subsidiary of the Bank with a registered capital of RMB50 million. Xunxian Zhengyin County Bank was established in the PRC where it carries out its business. Its principal businesses include: (1) taking deposits from the public; (2) issuing short-term, medium-term and long-term loans; (3) domestic settlement; (4) bill acceptance and discounting; (5) acting as issuing agent, cashing agent and underwriter of government bonds; (6) interbank lending; (7) debit card business; (8) acting as collection and payment agent and insurance agent; (9) other business approved by the banking regulatory authority (business operations requiring permits shall be carried out after obtaining relevant permits from the competent authorities) (business activities subject to approval according to law may be carried out only after being approved by the competent authorities). As at the end of the Reporting Period, Xunxian Zhengyin County Bank had total assets of RMB882 million, net assets of RMB55 million, total loans and advances to customers of RMB513 million, and total deposits from customers of RMB817 million. During the Reporting Period, it recorded operating income of RMB20 million, operating profit of RMB9 million, and net profit of RMB7 million.

Queshan Zhengyin County Bank

As at the end of the Reporting Period, the Bank held 51.00% equity interest in Queshan Zhengyin County Bank, a subsidiary of the Bank with a registered capital of RMB50 million. Queshan Zhengyin County Bank was established in the PRC where it carries out its business. Its principal businesses include: (1) taking deposits from the public; (2) issuing short-term, medium-term and long-term loans; (3) domestic settlement; (4) bill acceptance and discounting; (5) interbank lending; (6) banking card business; (7) acting as issuing agent, cashing agent and underwriter of government bonds; (8) acting as collection and payment agent and insurance agent; (9) other business approved by the banking regulatory authority (business activities subject to approval according to law may be carried out only after being approved by the competent authorities). As at the end of the Reporting Period, Queshan Zhengyin County Bank had total assets of RMB409 million, net assets of RMB47 million, total loans and advances to customers of RMB248 million, and total deposits from customers of RMB341 million. During the Reporting Period, it recorded operating income of RMB10 million, operating profit of RMB3 million, and net profit of RMB3 million.

CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

4.7.2 Operations of Investee Companies

As at the end of the Reporting Period, the Bank held 18.53%, 30.00% and 25.00% equity interest in Zhongmu Zhengyin County Bank, Yanling Zhengyin County Bank and Xinzheng Zhengyin County Bank, respectively. The three county banks had total assets of RMB22,721 million, total loans and advances to customers of RMB15,105 million, and total deposits from customers of RMB20,083 million.

Zhengyin county banks have always committed to serving “agriculture, farmers and rural areas” and supporting “medium and small-sized enterprises”. With a growing asset size and an increasingly balanced structure of deposits and loans, the banks have stepped up their efforts to support rural areas and agriculture and increased shareholders’ return year by year, of which, Zhongmu Zhengyin County Bank is ranked at the forefront among all county banks in the country in terms of comprehensive strength.

4.7.3 Acquisition and Disposal of Subsidiaries During the Reporting Period

During the Reporting Period, the Bank did not acquire or dispose of any subsidiary.

4.8 Structured Entities Controlled by the Bank

Details of the structured entities controlled by the Bank are set out in Note 42 to the financial statements in the chapter headed “Independent Auditor’s Report” in this Report.

CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

5 CAPITAL MANAGEMENT

The Bank's goals of capital management include: (1) maintaining stable capital adequacy ratio level and solid capital base, supporting the development of the Bank's various businesses and the implementation of strategical planning, improving its capability to resist risks, and realizing comprehensive, coordinated and sustainable development; (2) continuously perfecting "economic-profit-centered" performance management system, measuring and covering all types of risks accurately, and optimizing the Bank's resource allocation and operational management mechanism, so as to create the best return for Shareholders; and (3) utilizing a variety of capital instruments rationally, optimizing the total amount and structure of capital, and enhancing capital quality. The Bank's capital management mainly includes capital adequacy ratio management and capital financing management.

Capital adequacy ratio management is at the core of the Bank's capital management. In accordance with the requirements of the CBIRC, the Bank monitors its capital adequacy ratio regularly and submits required information to the CBIRC Henan Office quarterly. The Bank carries out capital adequacy ratio forecasts monthly to ensure that the indicators meet regulatory requirements via stress tests. Through promoting the construction of comprehensive risk management, the Bank can further improve its risk identification and assessment capability and calculate risk weighted assets more accurately based on the business nature.

Capital financing management aims to further strengthen capital capacity, improve capital structure and enhance capital quality. The Bank focuses on capital's endogenous growth; strives to realize the balance and coordination scale expansion; between profitability and capital restriction; replenishes capital via measures like profit growth, keeping surplus reserve and allocating sufficient provision for impairment losses on loans; optimizes capital structure and raises capital adequacy ratio level, so as to further improve the Bank's capability to resist risks and support real economy's development.

CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

5.1 Capital Adequacy Ratios Analysis

The Bank continued to refine its business structure and strengthened its capital management. Set out below are the Bank's capital adequacy ratios as at the end of the Reporting Period and the end of the previous year calculated in accordance with the Administrative Measures for Capital of Commercial Banks (Provisional) (《商業銀行資本管理辦法(試行)》) issued by the Former CBRC in 2012 and other relevant requirements issued:

Unit: RMB'000

Item	As at 30 June 2020	As at 31 December 2019
Core tier-one capital		
Share capital	6,514,125	5,921,932
Valid portion of capital reserve	4,571,462	5,163,655
Fair value reserve	(42,066)	97,063
Remeasurement of net defined benefit liability	(47,315)	(46,424)
Surplus reserve	2,675,548	2,675,548
General reserve	6,619,553	6,619,553
Retained earnings	12,159,147	10,333,487
Valid portion of minority interests	742,419	601,657
Total core tier-one capital	33,192,873	31,366,471
Core tier-one capital deductions	(900,187)	(918,036)
Net core tier-one capital	32,292,686	30,448,435
Additional tier-one capital	7,923,414	7,904,693
Additional tier-one capital instruments and related premium	7,825,508	7,825,508
Valid portion of minority interests	97,906	79,185
Net tier-one capital	40,216,100	38,353,128
Tier-two capital		
Qualifying portion of tier-two capital instruments issued	5,000,000	5,000,000
Surplus provision for loan impairment	2,561,644	2,701,779
Valid portion of minority interests	197,378	160,589
Net tier-two capital	7,759,022	7,862,368
Net capital base	47,975,122	46,215,496
Total risk-weighted assets	405,385,645	381,759,225
Core tier-one capital adequacy ratio (%)	7.97	7.98
Tier-one capital adequacy ratio (%)	9.92	10.05
Capital adequacy ratio (%)	11.83	12.11

Note: For details, please refer to the column headed "Financial Summary" under the "Investor Relations" section on the Bank's website.

CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

5.2 Leverage Ratios Analysis

Unit: RMB'000

Item	As at 30 June 2020	As at 31 March 2020	As at 31 December 2019	As at 30 September 2019
Net tier-one capital	41,628,919	40,921,229	39,563,666	40,592,640
Balance of on/off-balance sheet assets after adjustment	687,554,034	672,368,001	624,365,354	609,094,715
Leverage ratio (%)	6.05	6.09	6.34	6.66

Note: Indicators related to leverage ratio as at the end of the Reporting Period, the end of the first quarter of 2020, the end of 2019 and the end of the third quarter of 2019 are calculated based on the requirements of the Administrative Measures for Leverage Ratio Management of Commercial Banks (Amended) 《商業銀行槓桿率管理辦法(修訂)》 (Former CBRC Order [2015] No. 1) which came into effect on 1 April 2015 and are consistent with the data reported to the regulatory authorities. For details, please refer to the column headed “Financial Summary” under the “Investor Relations” section of the Bank’s website.

6 BUSINESS OPERATION

6.1 Corporate Banking Business

6.1.1 Corporate Deposits

During the Reporting Period, the Bank continued to promote transformation and upgrade of corporate business, organized key marketing activities, and improved marketing efficiency through corporate marketing activities, “one branch, one policy” strategy, and regular inspections; strengthened the construction of the “Five Clouds” platform and product optimization and upgrade to steadily enhance product competitiveness; focused on increasing low-cost corporate deposits and corporate-private synergy, improved the construction and assessment of customer bases, continuously strengthened the marketing and management of corporate deposits to ensure the stable growth of corporate deposits. As at the end of the Reporting Period, the balance of the Bank’s RMB corporate deposit was RMB210,302 million, representing an increase of RMB16,673 million or 8.61% from the end of the previous year.

CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

6.1.2 Corporate Loans

During the Reporting Period, the Bank followed the national re-lending policy to give strong support for enterprises to resume work and production, strengthened marketing for key projects, and reduced social financing costs to contribute to social and economic development. Meanwhile, the Bank constantly refined its unified credit management, reinforced credit policy guidance, strengthened the team building of independent approvers, intensified credit asset management, optimized credit structure, and promoted financial supply-side reform. As at the end of the Reporting Period, the total principal of corporate loans (including Forfeiting and discounted bills) of the Bank amounted to RMB148,607 million, representing an increase of RMB12,289 million or 9.02% from the end of the previous year.

6.1.3 Corporate Customers

During the Reporting Period, the Bank continued to promote customer management by establishing a sales management mechanism and a sales review mechanism, and conducted in-depth marketing and management of upstream and downstream customers through profiling of these customers; made full use of customer identification and other functions under corporate-private synergy to constantly optimize and transform the customer relationship management (CRM) system; enriched the functions of the intelligent marketing platform, integrated bank-wide resources to realize online and intelligent process management, comprehensively strengthened the dynamic management of corporate customers of the entire bank, improved the work efficiency of account managers, and enhanced customer experience to promote the stable and sound development of corporate customers.

6.1.4 Institutional Business

During the Reporting Period, the Bank's institutional business performed well and saw good results in building an institutional customer base. The Bank continued to make breakthroughs in obtaining agency qualifications for key businesses, including the agency qualification for Henan provincial treasury centralized payment; constantly upgraded and iterated e-government products, upgraded existing e-government scenarios, developed products such as non-face-to-face bidding for public resources, one-stop bankruptcy management, online centralized procurement of drugs and online payment of smart maintenance funds, assisted courts, public resources, medical insurance bureaus, maintenance funds and other competent departments in establishing online business processing channels to ensure the smooth operation of the e-government system during the COVID-19 pandemic; innovated product application channels and upgraded Non-tax Collection 2.0 (非税易2.0) by connecting with the Department of Finance of Henan Province for extranet-based code-scanning payment to its receiving agent, optimizing the government service channels, improving fee collection on the mobile app, and launching new functions for the non-tax payment system including electronic reconciliation; continued to deepen bank-government cooperation, such as working with the government of Dengfeng to build a smart ticket management system for the Songshan Scenic Spot and coordinating with the Zhengzhou Social Insurance Center to promote "nearby handling" of social insurance services. As at the end of the Reporting Period, we had 4,355 institutional customers, representing an increase of 429 customers as compared with that at the end of the previous year; while deposit balance of institutions amounted to RMB54,929 million, representing an increase of RMB6,182 million as compared with that at the end of the previous year.

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6.2 Retail Banking Business

6.2.1 Personal Deposits

Upholding its featured positioning in building a “boutique bank for residents” with individual customers as its business main line, the Bank strengthened product innovation, developed key customer groups, improved service systems and increased customer value. In addition, the Bank also leveraged cross-marketing, strengthened wealth management, consolidated its customers base and increased customer stickiness, enhanced its deposit structure, and continued to promote the development of personal deposit business. As at the end of the Reporting Period, the total balance of the Bank’s personal deposits amounted to RMB106,889 million, representing an increase of RMB11,301 million or 11.82% as compared with that at the end of the previous year.

6.2.2 Personal Loans

During the Reporting Period, the Bank accelerated the upgrade of personal service products, established the Real Estate Financial Department and gradually began its online business, launched the provident fund portfolio loan products, and improved customers’ experience. In the meantime, the Bank bolstered technology support, promoted the operation and maintenance of systems and personal credit management, launched the new retail credit system project, and fine-tuned individual rating cards. As at the end of the Reporting Period, the balance of the Bank’s personal loans amounted to RMB67,002 million, representing an increase of RMB7,408 million or 12.43% as compared with that at the end of the previous year.

6.2.3 Bank Cards

Based on Shangding Card (商鼎卡) as its basic debit card, the Bank constantly enriches the debit card types and improves their functions. During the Reporting Period, the Bank issued a series of featured cards including Taihang Changxing Logistics Card (太行暢興物流卡) and Year of the Rat Zodiac Card (鼠年生肖卡), with a steady growth in new card issuances. As at the end of the Reporting Period, the Bank had issued a total of 6,325,300 debit cards, representing an increase of 254,900 cards as compared with that at the end of the previous year.

The Bank strengthened the build-up of customer groups, consolidated its customer base, enhanced customer acquisition channels, and increased the issuance of credit cards steadily. As at the end of the Reporting Period, the Bank issued a total of 468,700 credit cards. During the Reporting Period, credit card consumption amounted to RMB11,002 million, achieving a revenue of RMB95 million.

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6.3 Treasury Business

6.3.1 Money Market Transactions

In the first half of 2020, money supply remained accommodative due to the loose monetary policy and fiscal policy. The Bank actively adjusted the structure of interbank liabilities, and appropriately increased the absorption of liabilities with maturities of 7 days or more in sensitive times such as tax payment period and month-end to prevent liquidity risk and ensure liquidity safety; replaced deposits from other banks with online repos and interbank deposits to minimize the cost of interbank liabilities; fulfilled its obligation as a tier-1 trader to provide liquidity to the market by providing funding to the market. As at the end of the Reporting Period, the balance of the Bank's deposits with banks and other financial institutions and financial assets held under resale agreements was RMB12,457 million, accounted for 2.34% of the Bank's total assets; and the balance of deposits from banks and other financial institutions and financial assets sold under repurchase agreements was RMB57,247 million, accounted for 11.63% of the Bank's total liabilities.

6.3.2 Investment in Securities and Other Financial Assets

During the Reporting Period, the Bank paid close attention to the changes in international dynamics, the domestic and international economic environment and the capital market, strengthened the study and trend analysis on the bond market, capital market, external regulatory policies and the impact of COVID-19 pandemic on the domestic and international macroeconomic environment, timely adjusted the direction of capital investment and business development strategies, seized appropriate opportunities to carry out business, and improved the interest margin of capital investment as much as possible while controlling risks. Meanwhile, the Bank constantly diversified and made timely adjustments to the ways of absorbing various deposits to increase the capital available for investment, and enriched the varieties of investments and strengthened the research on innovative business to improve the efficiency of capital usage. As at the end of the Reporting Period, the Bank's total investment in bonds, investment products under trust schemes, investment products managed by securities companies and other securities financial assets amounted to RMB255,077 million, representing an increase of 4.20% from the end of the previous year. Among them, the Bank's total investment in bonds was RMB91,217 million, representing an increase of 18.38% from the end of the previous year; and the total investment in investment products under trust schemes and investment products managed by securities companies was RMB140,385 million, representing a decrease of 0.05% from the end of the previous year.

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6.3.3 Investment Banking Business

During the Reporting Period, the Bank's lead underwriting business of non-financial corporate debt financing instruments grew rapidly. The Bank partnered with a number of large enterprises in Henan Province to successfully issue 14 non-financial corporate debt financing instruments, with a total offering amount of RMB8,450 million, increased by 53.64% year-on-year, and a total underwriting amount of RMB5,620 million, increased by 167.62% year-on-year. Among the 25 Class B lead underwriters in China, the Bank ranked fifth in terms of underwriting amount; among the 22 commercial banks with lead underwriting qualification in Henan Province, the Bank ranked sixth in terms of underwriting amount and third in terms of the number of deals underwritten. The Bank successfully obtained the qualification for entrusted management of non-financial corporate debt financing instruments, becoming the first local legal entity with such qualification in Henan Province.

6.3.4 Wealth Management Business

During the Reporting Period, in accordance with regulatory requirements, the Bank continued to scale down its interbank and principal-guaranteed wealth management products business and developed personal non-principal-guaranteed wealth management business, thus effectively enhancing the liquidity management for wealth management business. As at the end of the Reporting Period, the balance of the Bank's interbank wealth management products was RMB4,445 million, decreased by 9.84% from that at the end of the previous year; the balance of principal-guaranteed wealth management products was RMB2,074 million, decreased by 54.92% from that at the end of the previous year; and the balance of personal non-principal-guaranteed wealth management products was RMB41,452 million, increased by 10.63% from that at the end of the previous year. During the Reporting Period, the Bank issued a total of 146 wealth management products, raising RMB49,712 million. As at the end of the Reporting Period, the balance of wealth management products was RMB47,970 million, increased by 2.07% from that at the end of the previous year. Meanwhile, the Bank speeded up its shift to net-worth wealth management business. As at the end of the Reporting Period, the balance of net-worth wealth management products was RMB31,252 million, increased by 74.64% from that at the end of the previous year with a ratio of 65.15%; the balance of retail wealth management products was RMB42,225 million, increased by 1.44% from that at the end of the previous year with a ratio of 88.02%.

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6.4 Featured Business

6.4.1 Commerce and Logistics Finance

During the Reporting Period, the Bank continued to promote the build-up of a commerce and logistics bank, established a “four-in-one” system combining the flows of business, information, capital, and goods based on the transaction banking business, and focused on the enhancement and integration of system functions of the “Five-Clouds” online service platform. The “Five-Clouds” system, consisting of Cloud Trading, Cloud Financing, Cloud Business, Cloud Logistics and Cloud Service with a focus on customers’ all-dimensional core demand, offers integrated “online + offline”, “treasury + financing”, “tailored + featured” and “domestic currency + foreign currencies” solutions to key enterprises in industrial chains and their upstream and downstream customers through rich solutions, efficient response mechanism and professional service capabilities, striving to build an integrated service ecosystem for corporate customers.

Cloud Trading

The “Cloud Trading” platform integrates the functions of payment, settlement, and exchange of domestic currency and foreign currencies by comprehensively incorporating financial services into the transaction process through a flexible product portfolio of corporate online banking, cash management, bank-enterprise direct link, cross-bank treasury management cloud platform, and cash supervision system; offers innovative payment and settlement services for enterprises, and meets the transaction settlement and treasury management needs of customers of different sizes and industries. As of the end of the Reporting Period, the Bank’s corporate online bank had a total of 37,943 registered customers; its cash management platform had provided cash management solutions for 2,332 large and medium-sized enterprises and public institutions; its bank-enterprise direct link had successfully connected with nearly 100 large and medium-sized group customers; and a total of 3,516 corporate settlement cards had been issued.

Cloud Financing

The “Cloud Financing” platform leverages innovative Fintech technologies such as electronic signatures, big data applications and Internet technology and carries out online collaboration with key enterprises, e-commerce platforms and external data providers to offer online, scenario-based financing services covering all products for the industry chain including letters of credit, factoring, commercial bills, bank notes pools and advance payment financing, in a drive to meet the industry chain financing and management needs of characteristic industries and serve the supply chain eco-system. As of the end of the Reporting Period, the “Cloud Financing” platform had helped 491 enterprises to raise a total of RMB12,430 million.

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Cloud Business

The “Cloud Business” platform, which is built on the Commerce and Logistics Bank Alliance, leverages technologies to rebuild business models and construct a supply chain finance ecosystem. It mainly serves members of the Commerce and Logistics Bank Alliance including key enterprises, suppliers, banks, non-bank financial institutions and quasi-financial institutions, with a view to help SMEs resolve the issue of difficulty and high cost in obtaining financing. Based on the transaction information throughout the supply chain, the Bank extends the credit of high-quality enterprises to their upstream customers through the electronic settlement voucher “Ding E Credit” (鼎e信) used on the platform to provide key enterprises, suppliers and financial institutions with financing, asset trading, asset management and other information consulting services, including Ding E Credit factoring and re-factoring, Credit to Note, etc. As at the end of the Reporting Period, there were 650 registered members of the Cloud Business platform, including 33 key enterprises; an aggregate of RMB4,119 million Ding E Credit certificates had been issued for key enterprises, helping nearly 363 upstream enterprises in the industrial chains of the key enterprises to raise a total of RMB4,585 million (including Credit To Note).

Cloud Logistics

The “Cloud Logistics” platform provides customers with one-stop financial services through products such as treasury management, financing services and logistics support, with an aim to help logistics companies utilize working capital and recover funds efficiently. In addition, the platform explores financial innovations in the logistics industry, tries to implement a new model of scenario-based finance with public-private linkage, customizes financial products for the logistics industry and its upstream and downstream players, in an effort to go deep in the logistics industry and serve the real economy. As at the end of the Reporting Period, 23 logistics companies had joined the Cloud Logistics platform; 317,200 payments had been made with a total amount of RMB448 million under the Cloud Logistics D+0 payment agency service; an aggregate of 2,119,600 entrusted logistics transactions had been completed with a total transaction amount of RMB3,449 million.

Cloud Service

The “Cloud Service” corporate service mobile app provides value-added financial and business management services for employees of corporate customers. During the Reporting Period, the Bank introduced secure authentication methods for Phase I functions of the Cloud Service app, and integrated the application scenarios of “Five Clouds” to form a financial ecosystem, thus providing customers with one-stop mobile financial services and improving customers’ business processing efficiency and experience in an all-round manner.

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6.4.2 Financial Services for Small and Micro Enterprises

During the Reporting Period, the Bank upheld its unique positioning in “small and micro finance” and its mission to serve small and micro enterprises by constantly improving the quality and efficiency of financial services for small and micro enterprises to promote their business development. Firstly, the Bank optimized its product portfolio, transformed the enterprise version of E Tax Financing (E税融), and promoted the supervision of second-hand housing funds as well as the online application and interactive feedback functions of various product applets. Secondly, the Bank promoted the development of Techfin by increasing credit loans granted to tech firms and formulating the Plan for Financing of Technology Enterprises and the 1,000-Sail Program. Thirdly, the Bank emphasized due diligence and accountability by developing the Management Measures for Performance Evaluation and Accountability for Credit Services for Small and Micro Businesses (Individuals) (Trial) to build a positive credit culture of compliance and diligence, so as to promote the development of services for small and micro businesses with incentives and constraints. In addition, the Bank set KPIs and payment performance rewards for inclusive financial services, and conducted special performance appraisal of account managers. Payment performance rewards were granted to frontline account managers differently by position (investigator, reviewer or approver) based on product sales, FTP net profit assessment cost and other factors. As at the end of the Reporting Period, the balance of the Bank’s outstanding loans to small and micro enterprises with a credit facility of not more than RMB10 million (inclusive) each amounted to RMB31,194 million, representing an increase of RMB3,107 million or 11.06% from the end of the previous year, being 1.06 percentage points higher than the growth rate of all loans of the Bank. The number of small and micro enterprises granted loans stood at 84,502, representing an increase of 19,242 from the end of the previous year.

6.5 Distribution Channels

6.5.1 Physical outlets

As at the end of the Reporting Period, the Bank had established its head office in Zhengzhou, Henan, 14 branches in Nanyang, Xinxiang, Luoyang, Anyang, Xuchang, Shangqiu, Luohe, Xinyang, Puyang, Pingdingshan, Zhumadian, Kaifeng, Zhoukou and Hebi of Henan Province, 157 sub-branches and one special entity. The Bank enhanced the layout of its self-service equipment outlets by establishing 157 internal and 87 external self-service equipment outlets, creating a better coverage in the area and providing customers with convenient 24-hour services.

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6.5.2 Electronic banking

Self-service banking

Focusing on customer needs, the Bank continuously develops self-service equipment with new functions, and vigorously transforms and upgrades self-service equipment. As at the end of the Reporting Period, the Bank had a total of 1,536 self-service devices, including 251 automatic cash dispensers, 361 automatic teller machines, 331 smart counters, 261 online banking terminals, 163 easy payment terminals, and 169 queuing machines. During the Reporting Period, the automatic cash dispensers and automatic teller machines processed 2,538,900 transactions amounting to RMB7,319 million; the smart counters processed 801,800 transactions amounting to RMB6,572 million; the inquiring machines processed 6,300 transactions amounting to RMB2,510,200.

Online banking

The Bank's personal online banking provides various functions such as account management, transfer and remittance, online banking interconnection, self-service bill payment, investment and wealth management, credit card services, personal loans, and customer service. During the Reporting Period, the number of the Bank's personal online banking accounts increased by 209,100 or 10.21% year-on-year; the number of transfers involved amounted to 924,600, representing a year-on-year decrease of 59.72%; the total transaction amount was RMB26,118 million, representing a year-on-year decrease of 29.62%. As at the end of the Reporting Period, the total number of the Bank's personal online banking accounts reached 1,649,200. During the Reporting Period, the number of the Bank's corporate online banking accounts increased by 4,414 or 56.08% year-on-year; the number of transfers involved amounted to 1,385,000, representing a year-on-year increase of 26.68%; the total transaction amount reached RMB584,491 million, representing a year-on-year increase of 33.33%. As at the end of the Reporting Period, the total number of the Bank's corporate online banking accounts reached 37,900.

Mobile banking

The Bank's mobile banking provides customers with safe and efficient financial and life services. Financial services include mobile transfers, transfer express, wealth management supermarket, insurance supermarket, fund supermarket, credit cards, personal loans, etc.; and life services include utility payments, refueling and top-up, charity donations and electronic trade union cards, forming a financial ecosystem with local characteristics. During the Reporting Period, the number of the Bank's mobile banking accounts increased by 216,400; the number of transactions involved amounted to 3,719,600, with a total transaction amount of RMB49,174 million. As at the end of the Reporting Period, the total number of the Bank's mobile banking accounts reached 1,896,800.

Online payment

The Bank's online payment business has covered the mainstream payment platforms such as Alipay, Tenpay (財付通), Baifubao (百付寶), JD.com online (京東網銀在線) and Yifubao (易付寶), constantly diversifying payment channels for bank cards to enhance customers' payment experience. During the Reporting Period, the number and amount of online payment transactions of the Bank amounted to 37,776,400 and RMB14,351 million, respectively, representing a year-on-year increase of 5.4% and a year-on-year decrease of 33.65%, respectively.

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Telephone banking

The Bank offers uninterrupted 7x24 telephone banking services to customers through the nationwide customer service hotline 95097. The services include account inquiries, loss reporting, bill payment, loan services, PIN services, credit card services, customer service inquiries and outbound calls. The Bank actively expanded service channels and added functions including credit card limit and bill inquiry, bank card balance and transaction record inquiry and voice account activation; and provided outbound call services, including intelligent outbound calls for marketing of credit card installment plans, overdue payment collection, marketing of small and micro loan products, and bank-enterprise reconciliation, so as to continuously improve customer experience in a multi-channel, all-round and three-dimensional manner. During the Reporting Period, the total number of telephone banking calls reached 1,906,500, of which 203,100 were outbound calls.

Multimedia services

The Bank provides customers with various online services such as online consultation, remote video review and intelligent robot Q&A service through its official website, WeChat Public Account, smart devices and other channels. During the Reporting Period, the Bank's multimedia service channels handled a total of 407,500 service tickets, of which 292,300 were processed manually.

WeChat banking

The Bank's WeChat banking business provides customers with extensive online functions, including personal account balance enquiry, transaction details enquiry, free account activity alert, credit card online application, online application for personal loans, physical outlet enquiry, special section for labour union cards, and delivers new business, new functions and marketing activity information on a regular basis. As at the end of the Reporting Period, we had 1,326,800 customers with bank cards bound to WeChat banking.

Ding Rong Yi

Relying on "Internet+", the Bank's internet financial service platform "Ding Rong Yi (鼎融易)" focuses on services for residents, trade and logistics, financial services for medium, small and micro-sized enterprises. It provides various diversified services such as online account opening, investment and wealth management, convenient payment, QR code payment, online payment collection and online financing. During the Reporting Period, the total number and amount of transactions made via Ding Rong Yi reached 709,600 and RMB7,339 million, respectively; intermediary business revenue was RMB1,664,900. As at the end of the Reporting Period, the number of Ding Rong Yi accounts reached 707,000.

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7 RISK MANAGEMENT

During the Reporting Period, the Bank proactively responded to changes in the regulatory and market environment based on internal and external circumstances, upheld the “prudent, rational and sound” risk management philosophy, and continuously promoted the development of a sound compliance and risk management culture. Guided by the strategy of quality development, the Bank constantly strengthened its comprehensive risk management, enhanced its risk management structure and management mechanism, improved its risk management systems and procedures, and steadily boosted its risk management capabilities to assure the continuous and stable development of the Bank. The primary risks faced by the Bank in its operation and its risk management measures are as follows.

7.1 Credit Risk

Credit risk refers to the risk of incurring loss by banks due to debtors’ or counterparties’ failure to perform contractual obligations or responsibilities. The Bank’s credit risk exposure mainly comes from loan portfolios, investment portfolios, guarantees and other types of on- and off-balance sheet credit risk. We have built a comprehensive credit risk management framework covering all credit business processes, and developed policies and procedures to accurately identify, assess, measure, monitor, mitigate and control credit risk. During the Reporting Period, the Bank’s main measures for credit risk management are as follows:

Firstly, we strictly controlled credit access. The Bank set differentiated financial indicators based on various factors such as the industry and business scale of each customer to conduct initial screening in the credit application process; specified which industries can be invested in according to relevant industry policies, and strictly controlled credit extension to industries restricted by national policies; strictly implemented a hierarchical approval process and required authorized approvers to carry out credit approval procedures in strict accordance with their authority. Secondly, we enhanced concentration management. The Bank developed the concentration limit indicator and tightened the concentration limit, and intercepted credit application in excess of the concentration limit in the unified credit system; regularly sorted out group customers, and developed credit reduction plans for customers in excess of the concentration limit on a case-by-case basis. Thirdly, we conducted unified credit management. The Bank focused on the management model between the parent companies of group customers and their subsidiaries and comprehensively identified and judged the business risks and related party transactions of the group customers; set up the function to control and intercept group customers in the unified credit system; revised the Management Measures for Credit Extension to Group Customers to classify group customers and specify the model of extending credit to group customers. Fourthly, we enhanced remote credit management. The Bank formulated the Management Measures for Credit Extension to Non-local Customers to provide institutional support for improving remote credit management. Fifthly, we continued to optimize the credit system. The Bank constantly improves the unified credit system, connects with the corporate credit system to cross-check customer information, incorporates low-risk trade financing and investment banking business and small enterprise services into the unified credit system, and has launched such functions as interception of suspected groups by identifying related relationships, concentration limit control and identification of related party customers, so as to guard against the risks of credit extension by multiple outlets and excessive credit extension.

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As at the end of the Reporting Period, the Bank's single customer loan concentration was 3.96%, in compliance with the 10% cap requirement stipulated by the CBIRC; single group customer credit concentration was 6.76%, in compliance with the 15% cap requirement stipulated by the CBIRC; the balance of loans to the top ten customers was RMB13,577 million, and the loan concentration of the top ten customers was 28.31%; the outstanding balance of credit facilities to a single related party customer was RMB1,268 million, with a credit concentration of 2.54%; and the credit concentration of all related parties was 11.83%, in compliance with the 50% cap requirement stipulated by the CBIRC.

7.2 Market Risk

Market risk refers to the risk of on- or off-balance-sheet loss arising from adverse changes in market prices. The market risks exposed to the Bank are mainly interest rate risk and exchange rate risk. The Bank's market risk management covers the whole process of identifying, measuring and monitoring market risks. Main measures adopted during the Reporting Period are as follows:

Firstly, we promoted the development of a market risk management system. The Bank continued to develop a market risk management system, and carried out supervision, coordination and data procurement for the system development by means of online regular meetings, face-to-face communication, etc. Secondly, we set the market risk limits for 2020. The Bank added a stop loss limit for its proprietary spot foreign exchange trading based on the authorized limits for 2020 and historical business data and market data; and developed the Market Risk Limit Scheme in 2020 to clarify the assets, trading groups and limit values for limit management. Thirdly, we optimized our market risk management mechanism. The Bank adjusted the pattern of management by dispatched supervisors, and carried out risk monitoring on businesses through "online monitoring and offline engagement by dedicated personnel"; and formulated the Plan for Division of Responsibilities in Middle Office for Financial Market Risk Management to specify the division of responsibilities in policy making, limit management, account book keeping, risk measurement and stress testing and define the short- to mid-term management mechanism. Fourthly, we improved the daily monitoring of market risk. The Bank conducted risk monitoring on a daily basis and issued a daily monitoring report within 1 day after each trading day, and circulated it among the risk management department and various business departments; completed the 2019 Market Risk Management Report, and optimized the annual report template with a focus on the comparative analysis of financial assets held for trading and market trends; optimized the report template and completed the market risk reports for January to June on the principles of being concise and visible and having key points and thorough analysis.

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7.3 Operational Risk

Operational risk refers to the risk of loss caused by imperfect or problematic internal procedures, personnel or information technology systems, or external events, mainly including internal and external fraud, workplace safety failures, business interruptions, damage of tangible assets and information technology system failures. For operational risk management, the Bank adheres to capacity building and business inspections, emphasizes the elimination of shortcomings, and has adopted measures such as talent cultivation, risk assessment of systems and procedures, and technical control. Upholding the philosophy of “setting rules, following rules and holding violators accountable”, the Bank strengthens the artificial, technology-based and institutional management of operational risk, constantly improves the quality and efficiency of internal control, and establishes a long-term sound management mechanism to prevent operational risk. During the Reporting Period, the Bank’s main measures for operational risk management were as follows:

Firstly, we reinforced the risk identification and assessment of procedures. The Bank utilized the management tool of Risk Control Self- Assessment (RCSA) to fully identify the main operational risk events, risk event types, risk factors and control measures in management procedures and assess the inherent and residual risk exposures to operational risk events and risk control effectiveness, so as to get a clear picture of risk management in key areas and prevent the occurrence of operational risk in a targeted manner. Secondly, we strengthened supervision and inspection. The Bank had supervisory personnel fully perform their duties by formulating special inspection and audit plans for disorderly conduct and carrying out inspection and audit work in a scheduled and purposeful manner to identify disorderly conduct. Thirdly, we intensified the construction of internal control. The Bank optimized the mechanism for discovery and assessment of violations, encouraged branches and sub-branches to conduct self-inspection and self-correction, strengthened the supervisory role of line departments, and fully leveraged the three lines of defense to actively manage risks. Meanwhile, the Bank standardized the internal whistleblowing mechanism to strengthen the supervision of the masses, and made every effort to crack down on duty-related crimes such as dereliction of duties, corruption, bribery, abuse of power, tunneling of interests, and malpractice for personal gain. Fourthly, we improved our technical capabilities in risk prevention and control. The Bank built up and put into trial operation the “Holographic Customer Risk Profiling” system (Phase I) which provides comprehensive risk profiles from the dimensions of customers, service outlets and business varieties to enable early detection, warning and handling of risk factors. Fifthly, we inculcated the principle of compliance in employees. The Bank held a bank-wide compliance conference to educate the credit business personnel of all branches and sub-branches by playing warning education cartoons, publishing the decisions on punishment of violators, reading the bottom-line requirement for employee conduct, interpreting the management measures on violation points and conducting case studies, so as to strengthen their sense of responsibility, enhance their awareness of compliance and curb violations.

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7.4 Liquidity Risk

Liquidity risk refers to the risk of failure to obtain sufficient funds in time or failure to obtain sufficient funds at a reasonable cost to pay off debts falling due, to perform other payment obligations and to meet other capital requirements for normal business operations. In the current complex and volatile market environment, the liquidity of commercial banks faces direct or indirect impacts from various factors such as excessive mismatch of assets and liabilities, failure of risk management, reputation risk, and external emergencies. During the Reporting Period, the Bank strived to continuously improve liquidity by adjusting the maturity structure of assets and liabilities and focusing on predicting the sources of funds and changes in the use of funds. For liquidity management, we mainly adopted the following measures:

Firstly, we strengthened cash position management. The Bank adopted the strategy of “conducting supervision through performance appraisal and reporting”, urged all employees to improve the awareness and ability of cash position management, kept track of market liquidity dynamics in real time, and rationally adjusted financing maturity structure to smooth the fluctuation of cash flow and reduce the pressure of position management. Secondly, we optimized the allocation of assets and liabilities. The Bank reasonably designed the maturity structure of assets and liabilities according to its business strategy and risk appetite. The Bank scaled up core liabilities, increased savings deposits, to consolidate customer mix, increase stable deposits such as structured deposits to reasonably extend the maturity of interbank liabilities and scaled down liabilities with short-term maturity to increase the proportion of core liabilities; increased short-term loans, bills and bonds and other highly liquid assets, moderately reduced interbank liabilities, and extended the maturity of liabilities to lower the degree of asset-liability mismatch. Thirdly, we intensified risk monitoring and assessment. The Bank developed a liquidity budget according to its liquidity risk appetite and operating budget requirements for 2020, and carried out liquidity risk identification, measurement, monitoring and control using the risk management system; conducted regular stress tests to assess the Bank’s adequacy of liquid assets and risk resilience under stress scenarios, analyzed and looked for potential risks based on the stress test results, and made improvements in a timely manner. Fourthly, we improved the liquidity risk management system. According to the Administrative Measures for Liquidity Risk of Commercial Banks and relevant regulatory requirements, the Bank reviewed and revised a series of liquidity management measures, at the core of which is the Administrative Measures for Liquidity Risk, to clarify the hierarchy of these measures and specify the governance structure for liquidity risk management and the management procedures and responsibilities for identifying, measuring, monitoring, reporting and controlling liquidity risk, so as to provide an effective institutional basis for liquidity risk management.

As at the end of the Reporting Period, the Bank’s liquidity ratio was 63.55% and is in compliance with the 25% minimum requirement stipulated by the CBIRC; its liquidity coverage rate was 242.81% and is in compliance with the 100% minimum requirement stipulated by the CBIRC; its net stable funding ratio was 110.55% and is in compliance with the 100% minimum requirement stipulated by the CBIRC. Overall, the Bank’s key liquidity indicators met the regulatory requirements and its overall liquidity risk was under control.

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7.5 Information Technology Risk

Information technology risk refers to the operational, legal, reputational and other risks caused by natural factors, human factors, technical loopholes and management flaws in the course of applying information technology. The Bank is committed to building an information technology risk management system, enhancing the organizational structure of information technology risk management and gradually improving measures for information technology risk monitoring and control. During the Reporting Period, the Bank's information technology system operated smoothly without any major information system failures. For information technology risk management, we mainly adopted the following measures:

Firstly, we gradually improved our information technology risk management system. In an effort to amend and enhance an IT risk monitoring indicator system covering, among other things, development, testing, operation and maintenance, security and outsourcing, the Bank comprehensively revised, improved and enriched the IT risk monitoring indicators, specified risk limits, and strengthened risk monitoring and early warning. Secondly, we conducted information technology risk monitoring. Thirdly, we carried out information technology risk assessment and review. The Bank continued to access technology projects and issue risk opinions. During the Reporting Period, the Bank participated in the project establishment review of 13 projects including Cash Management Phase III and the CAB change review of 4 projects including E870 Hardware Maintenance. Fourthly, we improved the business continuity management system. The Bank optimized the business impact analysis mechanism for new products, incorporated business impact analysis into the development process of new products and new businesses, and carried out online business materiality assessment and business impact analysis; launched the annual business continuity drill, organized business continuity management training for more than 60 personnel, and promoted the concept of business continuity to all branches and sub-branches of the Bank.

7.6 Reputational Risk

Reputational risk refers to the risk of negative reporting and comments about the Bank due to its operations, management and other activities or external events. The Bank has established a positive, reasonable and effective mechanism for reputational risk management to identify, monitor, control and eliminate reputational risk. During the Reporting Period, the Bank properly handled public opinion incidents and maintained a good corporate image. For reputational risk management, we mainly adopted the following measures:

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Firstly, the Bank established a communication mechanism engaging all levels in the hierarchy of the Bank and integrating internal and external communication. The Bank reviewed the documents related to public opinion management, and coordinated departments involved in reputation risk management to develop response plans for public opinion incidents, thus effectively improving the effect of public opinion handling; and strengthened cooperation with news media and external agencies to improve the effectiveness of public opinion control. Secondly, we carried out public opinion monitoring and prepared for rapid response. We collected information about the Bank through the public opinion monitoring system, newspaper, the Internet and other channels and paid close attention to media reports to keep abreast of public opinions and the developments of relevant events for early warning and handling of sensitive information. Thirdly, we strengthened publicity and training. The Bank compiled the Public Opinion Newsletter, strengthened the management of online reviewers, organized public opinion management training, and created an atmosphere in which all employees work together to monitor negative public opinions and prevent reputational risk.

7.7 Anti-Money Laundering Management

In strict compliance with the Anti-money Laundering Law of the People's Republic of China and other applicable laws and regulations promulgated by the People's Bank of China and with adherence to the "risk-based" anti-money laundering method, the Bank has established a sound institutional structure, improved the internal control system, enhanced anti-money laundering business system, continued to carry out publicity and training, and duly performed various anti-money laundering obligations. During the Reporting Period, the Bank insisted on giving priority to the internal control system build-up for anti-money laundering, formulated the Emergent Work Plan for Anti-money Laundering to further improve the internal control system for anti-money laundering; continued to enhance the monitoring and reporting system for anti-money laundering and strengthened risk monitoring and alert, assuring the stable delivery of anti-money laundering data; arranged staff training to comprehensively improve their awareness, knowledge and skills for anti-money laundering in terms of dealing with doubts, difficulties and new regulatory requirements in the anti-money laundering business, facilitating the full promotion of anti-money laundering risk management culture; promoted knowledge on anti-money laundering and anti-terrorism to the public to improve their understanding of and enthusiasm in participating in anti-money laundering work by means of anti-money laundering information desks, publicity display boards, distribution of promotional materials, official websites and official WeChat account, LED screens and other publicity channels.

8 RECEIVING RESEARCH DELEGATIONS, COMMUNICATION AND INTERVIEW ACTIVITIES

During the Reporting Period, the Bank did not receive any research delegations, and had no communication and interview activities.

CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

9 SOCIAL RESPONSIBILITY

9.1 Significant Environmental Protection Issues

The Bank and its subsidiaries are not recognised as a key waste discharge unit as disclosed by the environmental protection authorities.

9.2 Fulfillment of Social Responsibility in Targeted Poverty Alleviation

9.2.1 Targeted Poverty Alleviation Planning

Upholding its original positioning as a financial service provider, the Bank paid attention to the needs of agriculture, rural areas and farmers, and supported rural revitalization through financial targeted poverty alleviation. The Bank identified key areas and weak links in the development of financial services for poverty alleviation, optimized poverty alleviation credit policy, clarified the key products and service models to support targeted poverty alleviation, and improved financial poverty alleviation services. We continued to add outlets, extend services to lower-tier markets, and increase ATM equipment in poverty-stricken counties and areas in the province to promote the service of helping farmers withdraw money and special bank card services for migrant workers, in an effort to realize full coverage of townships and towns by service outlets as soon as possible. For targeted poverty alleviation, the Bank was tasked mainly to establish a directory of enterprises to receive financial services for targeted poverty alleviation, set up a poverty alleviation institution, conduct separate assessment of poverty alleviation performance, and innovate in financial poverty alleviation model. A series of measures have been taken to steadily advance targeted poverty alleviation. The Bank gave full play to the functional role of the financial poverty alleviation leading group, strengthened coordination and guidance for financial poverty alleviation by branches and sub-branches, carried out publicity and training on financial poverty alleviation policies, allocated more resources to poverty alleviation projects, and guarded against illegal operations, arbitrary charges and other acts harming the interests of poor borrowers in the process of granting poverty alleviation loans. Moreover, the Bank cooperated with agricultural insurance companies to develop preferential insurance policies for poor households, and worked with relevant departments and party branch committees and neighborhood/village committees of counties and villages to carry out financial training, demand investigation, loan review, project implementation, integrity education, collection of principal and interest and other work related to financial poverty alleviation.

CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

9.2.2 Overview of the Targeted Poverty Alleviation for the Half Year

In December 2019, Lankao Sub-branch of the Bank opened for business. Upholding the philosophy of taking root in the local market and serving the masses, it established working mechanisms such as serving as the lead bank of poverty alleviation microfinance and special assessment for rural revitalization, connected with Lankao Big Data Bureau for data access, and vigorously implemented inclusive financial policies. In May 2020, Lankao Sub-branch of the Bank was awarded the title of “Advanced Unit for Supporting Local Development” by Lankao County Government.

In March 2020, the Bank dispatched the first secretary and two party members to carry out financial poverty alleviation work in the village of assistance recipients. The village-based work was a vital part of the Party Committee’s annual party building work. The leaders of the Party Committee regularly listened to reports and went to the village for survey, and donated RMB30,000 to support the repair of village roads. In addition, the Bank worked with the party branch of the village committee to organize educational and construction activities, visited old party members in need and registered poor households and distributed souvenirs and necessities to them, and carried out the activity of “Spreading Financial Security Knowledge to Rural Areas” to help people get rid of poverty with concrete actions.

As at the end of the Reporting Period, the balance of financial targeted poverty alleviation loans granted by the Bank amounted to RMB494.15 million, of which RMB98.05 million was personal loans and RMB396.1 million was corporate loans; the number of financial targeted poverty alleviation loans was 1,486, of which 1,468 were personal loans and 18 were corporate loans. During the Reporting Period, the balance of industrial targeted poverty alleviation loans of the Bank amounted to RMB396.1 million, which were granted to 239 people. The Bank had granted poverty alleviation loans to a total of 681 registered poor people.

CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

9.2.3 Results of Targeted Poverty Alleviation

Indicator	Quantity/performance
I. Overview	
Including: 1. Funds	RMB494.18 million, of which RMB494.15 million was the balance of financial targeted poverty alleviation loans, and RMB30,000 was used to support restoration of village roads
2. Material support	–
3. Number of registered poor people lifted out of poverty	681
II. Items	
1. Industrial poverty alleviation	The balance of industrial targeted poverty alleviation loans was RMB396.10 million, relieving 239 persons
2. Poverty alleviation by transfer of employment	–
3. Poverty alleviation by relocation	–
4. Educational poverty alleviation	–
5. Health poverty alleviation	–
6. Poverty alleviation by ecological protection	–
7. Basic living security	–
8. Social poverty alleviation	RMB30,000 used to support restoration of village roads
9. Other items	Balance of other targeted poverty alleviation loans of RMB98.05 million
III. Awards (content, class)	The Bank's Lankao Sub-branch was named "Advanced Unit for Supporting Local Development" by Lankao County Government

9.2.4 Subsequent Plan for Targeted Poverty Alleviation

According to overall planning under the National Inclusive Finance Strategy, the Bank will implement inclusive finance policies mainly through its Lankao Sub-branch established in the Lankao Inclusive Finance Pilot Zone. In particular, the Bank will increase the deployment of electronic equipment in poor villages to provide residents in poor villages with basic financial services including consumer services, transfers and remittances, and small withdrawals; promote tailor-made preferential financial products such as unemployment loans to increase credit extension to poor people and urban low-income groups; improve the efficiency of poverty alleviation loan approval process by making full use of big data capabilities to obtain more accurate information about poverty alleviation loan borrowers; advance the development of "inclusive finance outlets" and "Puhuitong" (普惠通) to realize the model of "customer acquisition via Puhuitong plus online credit business"; upgrade qualified farmers' withdrawal service outlets to farmers' payment service outlets which integrate functions such as cash deposit and withdrawal, inquiry & transfer, utility bill payment, investment and wealth management, in an effort to fully cover townships and towns with financial service outlets as soon as possible and provide one-stop, comprehensive and convenient financial services for farmers in poverty-stricken areas.

CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

10 OUTLOOK

The Bank will pursue coordinated development balancing speed, efficiency and quality, and concentrate on promoting comprehensive transformation and refined management to move towards high-quality development. Firstly, the Bank will push forward capital-light transformation by encouraging the steady development of low-risk, low capital business lines, scaling up capital-light business in investment banking such as mergers and acquisitions, matchmaking and underwriting of standard bonds, establishing a long-term mechanism for circulation of credit assets, promoting the revitalization of existing assets, and gradually optimizing the credit structure. Secondly, the Bank will continue to focus on product innovation and place innovation as the main driving force for future growth. To this end, we will intensify the transformation of innovative ideas, encourage diversified product innovation and business model innovation, improve the organizational structure and workflow for innovation, strengthen innovation performance assessment, and invest more resources in innovation. Thirdly, the Bank will accelerate digital transformation by setting up business line support centers with dedicated technical personnel to the deep integration of technology and business operations, improve the application of big data in marketing and risk control, and step up the effort to introduce technology talents. Fourthly, the Bank will continue to deepen the development of the three features of its positioning. In terms of trade finance, we will strive to scale up business volume and create highlights; in terms of small and micro finance, we will adhere to the “positioning in good customer base and focus on products”, speed up product development and iteration, and ensure to achieve the goals of “two increases and two controls”; in terms of finance for residents, we will continue to develop innovative hit products based on customer needs, create a comprehensive financial service model, and endeavor to increase the contribution from long-tail customers including dormant accounts. Fifthly, the Bank will continue to operate in compliance with laws and regulations, and shift the focus of compliance management from ex-post inspection to ex-ante prevention and process management, so as to close compliance loopholes and prevent misconduct at the source.

CHAPTER IV CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

1 CHANGES IN ORDINARY SHARES

1.1 Table of Changes in Ordinary Shares

Unit: Shares

	As at 31 December 2019		Increase/decrease during the Reporting Period (+/-)					As at 30 June 2020	
	Number	Proportion ⁽²⁾ (%)	Issuance of new shares	Bonus shares	Capitalization issue ⁽¹⁾	Others	Sub-total	Number	Proportion ⁽²⁾ (%)
I. Shares subject to trading moratorium	2,904,889,763	49.05	-	-	+289,809,867	-6,791,098	+283,018,769	3,187,908,532	48.94
1. State-owned shares	490,904,755	8.29	-	-	+49,090,475	-	+49,090,475	539,995,230	8.29
2. Shares held by state-owned legal persons	1,061,006,531	17.92	-	-	+106,100,652	-	+106,100,652	1,167,107,183	17.92
3. Shares held by other domestic investors	1,352,978,477	22.84	-	-	+134,618,740	-6,791,098	+127,827,642	1,480,806,119	22.73
Including: Shares held by domestic legal persons	1,322,509,778	22.33	-	-	+131,571,868	-6,791,098	+124,780,770	1,447,290,548	22.22
Shares held by domestic natural persons	30,468,699	0.51	-	-	+3,046,872	-	+3,046,872	33,515,571	0.51
4. Shares held by foreign investors	-	-	-	-	-	-	-	-	-
Including: Shares held by overseas legal persons	-	-	-	-	-	-	-	-	-
Shares held by overseas natural persons	-	-	-	-	-	-	-	-	-
II. Shares not subject to trading moratorium	3,017,042,137	50.95	-	-	+302,383,323	+6,791,098	+309,174,421	3,326,216,558	51.06
1. Ordinary Shares denominated in RMB	1,499,042,137	25.31	-	-	+150,583,323	+6,791,098	+157,374,421	1,656,416,558	25.43
2. Domestically-listed foreign shares	-	-	-	-	-	-	-	-	-
3. Overseas-listed foreign shares	1,518,000,000	25.64	-	-	+151,800,000	-	+151,800,000	1,669,800,000	25.63
4. Others	-	-	-	-	-	-	-	-	-
III. Total	5,921,931,900	100.00	-	-	+592,193,190	-	+592,193,190	6,514,125,090	100.00

Notes:

- Any fractional part of a Share arising from the capitalisation issue shall be handled pursuant to relevant requirements of the share registrar. The above number of Shares may deviate slightly due to the existence of fractional shares.
- The minor differences in the last digits are caused by rounding.
- During the Reporting Period, the Bank did not conduct any share repurchase.

As at the end of the Reporting Period, the Bank had 6,514,125,090 issued Ordinary Shares, including 4,844,325,090 A Shares and 1,669,800,000 H Shares.

CHAPTER IV CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

1.2 Description of Changes in Ordinary Shares

Changes in Ordinary Shares were mainly due to (1) the transfer-out of shares from the Bank's unrecognised holders' securities special accounts after the Shareholders completed the Share replacement registration; and (2) the Bank implemented the capitalization issue after such proposal was considered and approved at the 2019 AGM, the 2020 First A Shareholders Class Meeting and the 2020 First H Shareholders Class Meeting convened by the Bank on 20 May 2020, under which one new Share was issued for every 10 Shares held and a total of 592,193,190 Shares were issued, upon which total Ordinary Shares of the Bank increased from 5,921,931,900 Shares to 6,514,125,090 Shares.

1.3 The Impact of Changes in Ordinary Shares on Financial Indicators Such as Earnings per Share and Net Assets per Share in the Previous Year and the Latest Period

In June 2020, the Bank issued one new Share to all ordinary Shareholders for every 10 Shares held by way of capitalization issue. After the implementation of the capitalization issue, the number of Ordinary Shares of the Bank changed from 5,921,931,900 to 6,514,125,090. As required by the Compilation Rules for Information Disclosures by Companies that Offer Securities to the Public (No.9) – Calculation and Disclosure of Rate of Return on Net Assets and Earnings per Share (2010 Revision), basic earnings per Share, diluted earnings per Share, and net assets per Share attributable to ordinary Shareholders of the Bank during the comparison period shall be recalculated based on the total number of Shares after the capitalization issue. The impact of the capitalization issue on earnings per Share and net assets per Share for the previous year and the latest period are as follows:

Major financial indicators	For the six months ended 30 June		
	2020	2019 (after restatement)	2019 (before restatement)
Basic earnings per Share (RMB/Share)	0.37	0.38	0.42
Diluted earnings per Share (RMB/Share) ^(Note)	0.37	0.38	0.42

Net assets per Share attributable to ordinary shareholders of the Bank (RMB/Share)	As at	As at	As at
	30 June 2020	31 December 2019 (after restatement)	31 December 2019 (before restatement)
	4.98	4.72	5.20

Note: Diluted earnings per Share is calculated by dividing the adjusted net profit of the diluted potential Ordinary Shares attributable to ordinary shareholders of the Bank by the weighted average of the adjusted outstanding ordinary Shares of the Bank. During the Reporting Period and the comparison period, there were no diluted potential Ordinary Shares of the Bank, therefore, diluted earnings per Share equals basic earnings per Share.

CHAPTER IV CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

1.4 Changes in Shares Subject to Trading Moratorium during the Reporting Period

Unit: Shares

Name of Shareholder	Number of Shares subject to trading moratorium at the beginning of the period	Increase in the number of Shares subject to trading moratorium during the current period	Number of Shares lifted from trading moratorium during the current period	Number of Shares subject to trading moratorium at the end of the period	Reasons for being subject to trading moratorium	Date of lifting from trading moratorium
Three legal persons including Henan Provincial People's Hospital	6,771,828	-	6,771,828	-	Initial public offering	22 January 2020
Five natural persons including CHU Ligui (褚禮貴)	19,270	-	19,270	-	Initial public offering	22 January 2020
Shareholders whose Shares were still subject to trading moratorium period (excluding the above Shareholders)	2,898,098,665	289,809,867	-	3,187,908,532	Initial public offering	-
Total	2,904,889,763	289,809,867	6,791,098	3,187,908,532		

Note: The increase in Shares subject to trading moratorium during the Reporting Period was due to the capitalization issue implemented by the Bank in June 2020.

2 ISSUANCE AND LISTING OF SECURITIES

On 3 September 2019, the Bank convened the 2019 First Extraordinary General Meeting, 2019 First A Shareholders Class Meeting and 2019 First H Shareholders Class Meeting to consider and approve resolutions related to the non-public issuance of A Shares by the Bank, intending to issue no more than 1,000,000,000 A Shares (inclusive) by way of non-public issuance to no more than 10 target investors (including Zhengzhou Investment Holdings Co., Ltd. (鄭州投資控股有限公司), Bridge Trust Co., Ltd. (百瑞信託有限責任公司) and Henan Guoyuan Trade Co., Ltd. (河南國原貿易有限公司)) (inclusive), and raise no more than RMB6,000,000,000 (inclusive) of proceeds. For details, please refer to the announcements published by the Bank on CNINFO dated 17 July 2019, 16 August 2019 and 3 September 2019, as well as the announcements published on the website of the Hong Kong Stock Exchange dated 17 July 2019, 16 August 2019 and 3 September 2019, and the circular dated 16 August 2019.

In November 2019, the CBIRC Henan Office approved the Bank's non-public issuance of A Shares proposal. For details, please refer to the announcements published by the Bank on CNINFO and the website of the Hong Kong Stock Exchange dated 12 November 2019.

CHAPTER IV CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

On 20 May 2020, the Bank convened the 2019 AGM, 2020 First A Shareholders Class Meeting and 2020 First H Shareholders Class Meeting to consider and approve resolutions related to the revision of the non-public issuance of A Shares, intending to issue no more than 1,000,000,000 A Shares (inclusive) by way of non-public issuance to no more than 35 target investors (including Zhengzhou Investment Holdings Co., Ltd. (鄭州投資控股有限公司), Bridge Trust Co., Ltd. (百瑞信託有限責任公司) and Henan Guoyuan Trade Co., Ltd. (河南國原貿易有限公司)) (inclusive), and raise no more than RMB6,000,000,000 (inclusive) of proceeds. Meanwhile, the resolution regarding the plan of capitalization issue to issue one Share for every 10 Shares to ordinary Shareholders whose names appeared on the register of members on the dividend distribution registration date, totalling 592,193,190 Shares, was also considered and approved. Following the implementation of the capitalization issue, the number of Ordinary Shares of the Bank has been changed from 5,921,931,900 Shares to 6,514,125,090 Shares. The converted Shares are available for listing and trading and are not subject to trading moratorium. For details, please refer to the announcements published by the Bank on CNINFO dated 31 March 2020, 28 April 2020, 21 May 2020, and 19 June 2020 as well as the announcements published on the website of Hong Kong Stock Exchange dated 30 March 2020, 6 April 2020 and 20 May 2020, and the circular dated 28 April 2020.

On 3 July 2020, the Issuance Examination Committee of CSRC approved the Bank's application for the non-public issuance of A Shares. On 21 July 2020, the Bank received the Approval in relation to the Non-public Issuance of Shares by Bank of Zhengzhou Co., Ltd. (Zheng Jian Xu Ke [2020] No. 1485) 《關於核准鄭州銀行股份有限公司非公開發行股票的批覆》(證監許可[2020]1485號)) from the CSRC. For details, please refer to the announcements published by the Bank on CNINFO and the website of the Hong Kong Stock Exchange dated 6 July 2020 and 22 July 2020, respectively. The Bank will disclose further details and progress of the non-public issuance of A Shares as and when appropriate.

In August 2020, the Bank received the Approval of CBIRC Henan Office in relation to the Change of Registered Capital of Bank of Zhengzhou Co., Ltd. (Yu Yin Bao Jian Fu [2020] No. 295) 《河南銀保監局關於同意鄭州銀行股份有限公司變更註冊資本的批覆》(豫銀保監覆[2020] 295號)), which permitted the increase of the Bank's registered capital from RMB5,921,931,900 to RMB6,514,125,090 as its ordinary share capital increased as a result of the implementation of the capitalisation issue. The Bank will promptly complete relevant procedures including registration of industrial and commercial changes. For details, please refer to the announcements published by the Bank on CNINFO and the website of the Hong Kong Stock Exchange dated 19 August 2020.

During the Reporting Period, the Bank did not have any corporate bonds which were publicly issued and listed on any stock exchanges.

CHAPTER IV CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

3 INFORMATION ON ORDINARY SHAREHOLDERS

Number of Ordinary Shareholders and Their Shareholdings

As at the end of the Reporting Period, the Bank had a total of 117,331 ordinary Shareholders, of whom 117,275 were holders of A Shares and 56 were holders of H Shares.

The following table sets out the direct shareholdings of the top 10 ordinary Shareholders of the Bank as at the end of the Reporting Period:

Unit: Shares

Name of Shareholder	Nature of Shareholder	Class of Shares	Shareholdings percentage (%)	Number of Ordinary Shares held at the end of the Reporting Period	Changes over the Reporting Period (+/-)	Number of Ordinary Shares held subject to trading moratorium	Number of Ordinary Shares held not subject to trading moratorium	Pledged or frozen Status of Shares		
								Status of Shares	Number	
HKSCC Nominees Limited (香港中央結算(代理人)有限公司)	Overseas legal person	H Shares	25.63	1,669,651,313	+151,787,483	-	1,669,651,313	Unknown	-	
Zhengzhou Finance Bureau	State-owned	A Shares	8.34	543,178,769	+52,274,014	539,995,230	3,183,539	Pledged	242,990,000	
Yutai International (Henan) Real Estate Development Co., Ltd. (豫泰國際(河南)房地產開發有限公司)	Domestic non-state-owned legal person	A Shares	4.42	288,200,000	+26,200,000	288,200,000	-	Pledged	288,200,000	
Henan Xingye Real Estate Development Co., Ltd. (河南興業房地產開發有限公司)	Domestic non-state-owned legal person	A Shares	4.22	275,000,000	+25,000,000	275,000,000	-	Pledged	137,500,000	
Zhongyuan Trust Co., Ltd. (中原信託有限公司)	State-owned legal person	A Shares	4.04	263,369,118	+23,942,647	263,369,118	-	-	-	
Henan Chendong Industry Co., Ltd. (河南農東實業有限公司)	Domestic non-state-owned legal person	A Shares	3.82	248,600,000	+22,600,000	248,600,000	-	Pledged	124,299,998	
Zhengzhou Investment Holdings Co., Ltd. (鄭州投資控股有限公司)	State-owned legal person	A Shares	3.64	237,418,926	+21,740,162	237,246,640	172,286	-	-	
Henan Guoyuan Trade Co., Ltd. (河南國原貿易有限公司)	Domestic non-state-owned legal person	A Shares	3.36	218,951,121	+19,904,647	218,951,121	-	Pledged	164,450,000	
Bridge Trust Co., Ltd. (百瑞信託有限責任公司)	State-owned legal person	A Shares	1.94	126,166,863	+11,469,714	126,166,863	-	-	-	
Henan Shengrun Holding Group Co., Ltd. (河南盛潤控股集團有限公司)	Domestic non-state-owned legal person	A Shares	1.69	110,000,000	+10,000,000	110,000,000	-	Pledged	110,000,000	
Henan Zhenghong Real Estate Co., Ltd. (河南正弘置業有限公司)	Domestic non-state-owned legal person	A Shares	1.69	110,000,000	+10,000,000	110,000,000	-	Frozen	110,000,000	
								Pledged	108,911,000	
Strategic investors or ordinary legal persons becoming top 10 Shareholders by way of placing of new Shares (if any)			None							
Description of related party relationships or concerted actions of the above shareholders			Mr. FAN Yutao, deputy director of Zhengzhou Finance Bureau, is a director of Bridge Trust Co., Ltd.. Zhengzhou Finance Bureau wholly owns Zhengzhou Zhongrongchuang Industrial Investment Co., Ltd. (鄭州市中融創產業投資有限公司), which in turn wholly owns Zhengzhou Investment Holdings Co., Ltd. (鄭州投資控股有限公司). The Bank is not aware of any related party relationship among the above other Shareholders or whether they are parties acting in concert under the Administrative Measures on the Acquisition of Listed Companies (《上市公司收購管理辦法》).							
Description of the top 10 ordinary Shareholders participating in margin financing and securities lending business (if any)			None							

CHAPTER IV CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

The following table sets out the direct shareholdings of the top 10 ordinary Shareholders not subject to trading moratorium of the Bank as at the end of the Reporting Period:

Unit: Shares

Name of Shareholder	Number of Ordinary Shares held not subject to trading moratorium at the end of the Reporting Period	Type of Shares Class of Shares	Number
HKSCC Nominees Limited	1,669,651,313	H Shares	1,669,651,313
Henan Communications Industrial Development Co., Ltd. (河南交通實業發展有限公司)	46,075,157	A Shares	46,075,157
Henan Shenli Concrete Co., Ltd. (河南神力混凝土有限公司)	33,000,000	A Shares	33,000,000
Zhengzhou Hailong Industrial Co., Ltd. (鄭州海龍實業有限公司)	33,000,000	A Shares	33,000,000
Wugang Sino-Canada Mining Development Co., Ltd. (舞鋼中加礦業發展有限公司)	33,000,000	A Shares	33,000,000
Henan Juhe Real Estate Co., Ltd. (河南省聚合置業有限責任公司)	22,000,000	A Shares	22,000,000
Henan Zhiqiang Real Estate Co., Ltd. (河南志強置業有限公司)	22,000,000	A Shares	22,000,000
Changge Xianghe Aluminum Materials Co., Ltd. (長葛市祥合鋁材有限責任公司)	22,000,000	A Shares	22,000,000
Zhengzhou Yijian Group Co., Ltd. (鄭州一建集團有限公司)	22,000,000	A Shares	22,000,000
Henan Tian Lun Investment Holdings Company Limited (河南省天倫投資控股集團有限公司)	22,000,000	A Shares	22,000,000
Description of related party relationships or concerted actions among the top 10 ordinary Shareholders not subject to trading moratorium, and between the top 10 ordinary Shareholders not subject to trading moratorium and the top 10 ordinary Shareholders	The Bank is not aware of any related party relationship among the top 10 ordinary Shareholders not subject to trading moratorium, and between the top 10 ordinary Shareholders not subject to trading moratorium and the top 10 ordinary Shareholders or whether they are parties acting in concert under the Administrative Measures on the Acquisition of Listed Companies.		

Notes:

- The above data is sourced from the register of members of the Bank as at 30 June 2020.
- The Shares held by HKSCC Nominees Limited are held by it in the capacity of an agent and represents the aggregate number of H Shares held by all institutional and individual investors registered in HKSCC Nominees Limited as at the end of the Reporting Period.

During the Reporting Period, none of the top 10 ordinary Shareholders and the top 10 Shareholders of ordinary Shares not subject to trading moratorium carried out any agreed buy-back transactions.

CHAPTER IV CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

4 INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS IN THE SHARES AND UNDERLYING SHARES UNDER HONG KONG LAWS AND REGULATIONS

Based on the knowledge of the Directors, Supervisors and chief executive of the Bank, as at the end of the Reporting Period, the following persons, other than Directors, Supervisors and chief executive of the Bank, had, or were deemed or taken to have interests or short positions in the Shares and underlying Shares which would fall to be disclosed to the Bank and the Hong Kong Stock Exchange under provisions of Divisions 2 and 3 of Part XV of the SFO or, which were recorded in the register required to be kept by the Bank under section 336 of the SFO:

Name of substantial Shareholder	Class of Shares	Long/Short positions	Capacity	Number of Shares held directly or indirectly (Shares)	Percentage of issued Shares of the relevant class (%)	Percentage of total issued Ordinary Shares (%)
Zhengzhou Finance Bureau	A Shares	Long	Beneficial owner and interest of controlled corporation ⁽¹⁾	962,382,575	19.87	14.77
Yutai International (Henan) Real Estate Development Co., Ltd. (豫泰國際(河南)房地產開發有限公司)	A Shares	Long	Beneficial owner	288,200,000	5.95	4.42
Henan Yutai Investment & Development Co., Ltd. (河南省豫泰投資發展集團有限公司)	A Shares	Long	Interest of controlled corporation ⁽²⁾	288,200,000	5.95	4.42
ZHANG Xinya (張欣雅)	A Shares	Long	Interest of controlled corporation ⁽²⁾	288,200,000	5.95	4.42
Henan Xingye Real Estate Development Co., Ltd. (河南興業房地產開發有限公司)	A Shares	Long	Beneficial owner	275,000,000	5.68	4.22
Henan Zensun Enterprise Development Group Co., Ltd. (河南正商企業發展集團有限責任公司)	A Shares	Long	Interest of controlled corporation ⁽³⁾	275,000,000	5.68	4.22
Beijing Xiangcheng Investment Co., Ltd. (北京祥誠投資有限公司)	A Shares	Long	Interest of controlled corporation ⁽³⁾	275,000,000	5.68	4.22
ZHANG Huiqi (張惠琪)	A Shares	Long	Interest of controlled corporation ⁽³⁾	275,000,000	5.68	4.22
Zhongyuan Trust Co., Ltd. (中原信託有限公司)	A Shares	Long	Beneficial owner	263,369,118	5.44	4.04
Henan Zhongyuan Expressway Co., Ltd. (河南中原高速公路股份有限公司)	A Shares	Long	Interest of controlled corporation ⁽⁴⁾	263,369,118	5.44	4.04
Henan Transport Investment Group Co., Ltd. (河南交通投資集團有限公司)	A Shares	Long	Interest of controlled corporation ⁽⁴⁾	263,369,118	5.44	4.04
Henan Investment Group Co., Ltd. (河南投資集團有限公司)	A Shares	Long	Beneficial owner and interest of controlled corporation ⁽⁵⁾	362,115,251	7.48	5.56
Henan Chendong Industry Co., Ltd. (河南農東實業有限公司)	A Shares	Long	Beneficial owner	248,600,000	5.13	3.82
DU Liling (杜麗玲)	A Shares	Long	Interest of controlled corporation ⁽⁶⁾	248,600,000	5.13	3.82
WANG Meilan (王梅蘭)	A Shares	Long	Interest of controlled corporation ⁽⁶⁾	248,600,000	5.13	3.82
China Goldjoy Securities Limited (中國金洋證券有限公司)	H Shares	Long	Custodian	414,891,400	24.84	6.37
Yunnan International Holding Group Limited	H Shares	Long	Beneficial owner	250,098,885	14.98	3.84
Yunnan Energy Investment (HK) Co. Limited	H Shares	Long	Interest of controlled corporation ⁽⁷⁾	250,098,885	14.98	3.84
Yunnan Provincial Energy Investment Group Co., Ltd	H Shares	Long	Interest of controlled corporation ⁽⁷⁾	250,098,885	14.98	3.84
Hong Kong Oriental Sage Limited (香港東智有限公司)	H Shares	Long	Beneficial owner	245,300,000	14.69	3.77
Oriental Sage Limited (東智有限公司)	H Shares	Long	Interest of controlled corporation ⁽⁸⁾	245,300,000	14.69	3.77
Beijing Shang Finance Management Co. Ltd. (北京尚融資本管理有限公司)	H Shares	Long	Interest of controlled corporation ⁽⁹⁾	141,900,000	8.50	2.18
WEI Lidong (尉立東)	H Shares	Long	Interest of controlled corporation ⁽⁹⁾	141,900,000	8.50	2.18
Hong Kong Xingrui International Investment Co., Ltd. (香港興瑞國際投資有限公司)	H Shares	Long	Beneficial owner	110,000,000	6.59	1.69
Zhengzhou Airport Zone Xingrui Industrial Group Co., Ltd. (鄭州航空港區興瑞實業集團有限公司), formerly known as Zhengzhou Airport Zone Xingrui Industrial Co., Ltd. (鄭州航空港區興瑞實業有限公司)	H Shares	Long	Interest of controlled corporation ⁽¹⁰⁾	110,000,000	6.59	1.69

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Name of substantial Shareholder	Class of Shares	Long/Short positions	Capacity	Number of Shares held directly or indirectly (Shares)	Percentage of issued Shares of the relevant class (%)	Percentage of total issued Ordinary Shares (%)
Zhengzhou Airport Xinggang Investment Group Co., Ltd. (鄭州航空港興港投資集團有限公司), formerly known as Zhengzhou Xinzheng Integrated Free Trade Zone (Zhengzhou Airport Zone) Xinggang Investment and Development Co., Limited (鄭州新鄭綜合保稅區(鄭州航空港區)興港投資發展有限公司)	H Shares	Long	Interest of controlled corporation ⁽¹⁰⁾	110,000,000	6.59	1.69
Shenzhen Qianhai Ruimaotong Supply Chain Platform Service Co., Ltd. (深圳前海瑞茂通供應鏈平台服務有限公司)	H Shares	Long	Interest of controlled corporation ⁽¹⁰⁾	110,000,000	6.59	1.69
Jiangsu Jinhe Electricity and Fuel Co., Ltd. (江蘇晉和電力燃料有限公司)	H Shares	Long	Interest of controlled corporation ⁽¹⁰⁾	110,000,000	6.59	1.69
Ruimaotong Supply Chain Management Co., Ltd. (瑞茂通供應鏈管理股份有限公司)	H Shares	Long	Interest of controlled corporation ⁽¹⁰⁾	110,000,000	6.59	1.69
Zhengzhou Ruimaotong Supply Chain Management Co., Ltd. (鄭州瑞茂通供應鏈有限公司)	H Shares	Long	Interest of controlled corporation ⁽¹⁰⁾	110,000,000	6.59	1.69
Zhengzhou Zhongrui Industrial Group Co., Ltd. (鄭州中瑞實業集團有限公司), (formerly known as Henan Zhongrui Investment Co., Ltd. (河南中瑞投資有限公司))	H Shares	Long	Interest of controlled corporation ⁽¹⁰⁾	110,000,000	6.59	1.69
Henan Zhongrui Holding Co., Ltd. (河南中瑞控股有限公司)	H Shares	Long	Interest of controlled corporation ⁽¹⁰⁾	110,000,000	6.59	1.69
Zhengzhou Ruichang Enterprise Management Consulting Co., Ltd. (鄭州瑞昌企業管理諮詢有限公司)	H Shares	Long	Interest of controlled corporation ⁽¹⁰⁾	110,000,000	6.59	1.69
WAN Yongxing (萬永興)	H Shares	Long	Interest of controlled corporation ⁽¹⁰⁾	110,000,000	6.59	1.69
Zhengzhou Zhengdong New District Construction, Development & Investment Co., Ltd. (鄭州市鄭東新區建設開發投資總公司)	H Shares	Long	Beneficial owner ⁽¹¹⁾	110,000,000	6.59	1.69
Haitong International Financial Products (Singapore) Pte. Ltd.	H Shares	Long	Person having a security interest ⁽¹²⁾	110,000,000	6.59	1.69
Haitong International Securities Group (Singapore) Pte. Ltd.	H Shares	Long	Person having a security interest Interest of controlled corporation ⁽¹²⁾	110,000,000	6.59	1.69
Haitong International Securities Group Limited	H Shares	Long	Person having a security interest Interest of controlled corporation ⁽¹³⁾	157,300,000	9.42	2.41
Haitong International Holdings Limited	H Shares	Long	Person having a security interest Interest of controlled corporation ⁽¹³⁾	157,300,000	9.42	2.41
Haitong Securities Co., Ltd.	H Shares	Long	Person having a security interest Interest of controlled corporation ⁽¹³⁾	157,300,000	9.42	2.41
CITIC Securities Company Limited	H Shares	Long	Interest of controlled corporation ⁽¹⁴⁾	573,972,049	34.37	8.81
	H Shares	Short	Interest of controlled corporation ⁽¹⁴⁾	568,846,654	34.07	8.73
Goncius I Limited	H Shares	Long	Beneficial owner ⁽¹⁵⁾	115,501,859	6.92	1.77
	H Shares	Short	Beneficial owner ⁽¹⁵⁾	115,501,859	6.92	1.77
Huarong International Financial Holdings Limited	H Shares	Long	Beneficial owner ⁽¹⁶⁾	90,957,714	5.45	1.40
China Huarong Asset Management Co., Ltd.	H Shares	Long	Interest of controlled corporation ⁽¹⁶⁾	90,957,714	5.45	1.40

As far as the Bank is aware, the above number of Shares represents the respective Shareholders' interests and short positions as at the end of the Reporting Period, but the relevant number of Shares and information may be different from the summary of DI Forms submitted to the Hong Kong Stock Exchange by relevant Shareholders. This is mainly because the Bank made the calculation based on public information disclosed such as summary of DI Forms and the register of members of the Bank as well as the issuance of one Share for every 10 Shares in accordance with the capitalization issue completed on 30 June 2020.

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Notes:

1. These 962,382,575 Shares are directly or indirectly held by Zhengzhou Finance Bureau, including 543,178,769 Shares directly held by Zhengzhou Finance Bureau, 237,418,926 Shares held by Zhengzhou Investment Holdings Co., Ltd. (鄭州投資控股有限公司), 71,784,880 Shares held by Zhengzhou Development & Investment Group Co., Ltd. (鄭州發展投資集團有限公司), 55,000,000 Shares held by Zhengzhou City Sanitation & Cleaning Co., Ltd. (鄭州市環衛清潔有限公司) and 55,000,000 Shares held by Zhengzhou Municipal Construction Engineering General Corporation (鄭州市市政工程總公司). Zhengzhou Investment Holdings Co., Ltd. (鄭州投資控股有限公司), Zhengzhou Development & Investment Group Co., Ltd. (鄭州發展投資集團有限公司), Zhengzhou City Sanitation & Cleaning Co., Ltd. (鄭州市環衛清潔有限公司) and Zhengzhou Municipal Construction Engineering General Corporation (鄭州市市政工程總公司) are directly or indirectly wholly-owned by Zhengzhou Finance Bureau. By virtue of the SFO, Zhengzhou Finance Bureau is deemed to be interested in the Shares held by Zhengzhou Investment Holdings Co., Ltd. (鄭州投資控股有限公司), Zhengzhou Development & Investment Group Co., Ltd. (鄭州發展投資集團有限公司), Zhengzhou City Sanitation & Cleaning Co., Ltd. (鄭州市環衛清潔有限公司) and Zhengzhou Municipal Construction Engineering General Corporation (鄭州市市政工程總公司). Mr. FAN Yutao (樊玉濤), a non-executive Director, is the deputy director of Zhengzhou Finance Bureau.
2. Yutai International (Henan) Real Estate Development Co., Ltd. (豫泰國際(河南)房地產開發有限公司) is wholly-owned by Henan Yutai Investment & Development Co., Ltd. (河南省豫泰投資發展集團有限公司), which is in turn owned by Ms. ZHANG Xinya (張欣雅) as to 85%. By virtue of the SFO, both Henan Yutai Investment & Development Co., Ltd. (河南省豫泰投資發展集團有限公司) and Ms. ZHANG Xinya (張欣雅) are deemed to be interested in the Shares held by Yutai International (Henan) Real Estate Development Co., Ltd. (豫泰國際(河南)房地產開發有限公司).
3. Henan Xingye Real Estate Development Co., Ltd. (河南興業房地產開發有限公司) is wholly-owned by Henan Zensun Enterprise Development Group Co., Ltd. (河南正商企業發展集團有限責任公司). Henan Zensun Enterprise Development Group Co., Ltd. (河南正商企業發展集團有限責任公司) is in turn owned by Beijing Xiangcheng Investment Co., Ltd. (北京祥誠投資有限公司) and Ms. ZHANG Huiqi (張惠琪) as to 90% and 9% respectively. Beijing Xiangcheng Investment Co., Ltd. (北京祥誠投資有限公司) is owned by Ms. ZHANG Huiqi (張惠琪) as to 98%. By virtue of the SFO, Henan Zensun Enterprise Development Group Co., Ltd. (河南正商企業發展集團有限責任公司), Beijing Xiangcheng Investment Co., Ltd. (北京祥誠投資有限公司) and Ms. ZHANG Huiqi (張惠琪) are deemed to be interested in the Shares held by Henan Xingye Real Estate Development Co., Ltd. (河南興業房地產開發有限公司). Ms. ZHANG Huiqi (張惠琪) is the daughter, being above the age of 18, of Mr. ZHANG Jingguo (張敬國), a non-executive Director.
4. Zhongyuan Trust Co., Ltd. (中原信託有限公司) is owned by Henan Investment Group Co., Ltd. (河南投資集團有限公司) and Henan Zhongyuan Expressway Co., Ltd. (河南中原高速公路股份有限公司) as to approximately 58.97% and 31.91%, respectively. Henan Zhongyuan Expressway Co., Ltd. (河南中原高速公路股份有限公司) is owned by Henan Transport Investment Group Co., Ltd. (河南交通投資集團有限公司) as to approximately 45.09%. By virtue of the SFO, Henan Investment Group Co., Ltd. (河南投資集團有限公司), Henan Zhongyuan Expressway Co., Ltd. (河南中原高速公路股份有限公司) and Henan Transport Investment Group Co., Ltd. (河南交通投資集團有限公司) are deemed to be interested in the Shares held by Zhongyuan Trust Co., Ltd. (中原信託有限公司). Mr. JI Hongjun (姬宏俊), a non-executive Director, is the vice president of Zhongyuan Trust Co., Ltd. (中原信託有限公司).
5. These 362,115,251 Shares are directly and indirectly held by Henan Investment Group Co., Ltd. (河南投資集團有限公司), including 98,746,133 Shares directly held by Henan Investment Group Co., Ltd. (河南投資集團有限公司) and 263,369,118 Shares held by Zhongyuan Trust Co., Ltd. (中原信託有限公司). By virtue of the SFO, Henan Investment Group Co., Ltd. (河南投資集團有限公司) is deemed to be interested in the Shares held by Zhongyuan Trust Co., Ltd. (中原信託有限公司).

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6. Henan Chendong Industry Co., Ltd. (河南晨東實業有限公司) is owned as to 50% and 50% by Ms. DU Liling (杜麗玲) and Ms. WANG Meilan (王梅蘭) respectively. By virtue of the SFO, each of Ms. DU Liling (杜麗玲) and Ms. WANG Meilan (王梅蘭) is deemed to be interested in the Shares held by Henan Chendong Industry Co., Ltd. (河南晨東實業有限公司).
7. These 250,098,885 Shares are directly held by Yunnan International Holding Group Limited, which is owned by Yunnan Energy Investment (HK) Co., Limited as to 40%, while in turn Yunnan Energy Investment (HK) Co., Limited is wholly-owned by Yunnan Provincial Energy Investment Group Co., Ltd. By virtue of the SFO, Yunnan Energy Investment (HK) Co., Limited and Yunnan Provincial Energy Investment Group Co., Ltd. are deemed to be interested in the Shares held by Yunnan International Holding Group Limited.
8. These 245,300,000 Shares are directly held by Hong Kong Oriental Sage Limited (香港東智有限公司), which is wholly-owned by Oriental Sage Limited (東智有限公司). By virtue of the SFO, Oriental Sage Limited (東智有限公司) is deemed to be interested in the Shares held by Hong Kong Oriental Sage Limited (香港東智有限公司).
9. Beijing Shang Finance Management Co., Ltd. (北京尚融資本管理有限公司) is owned as to 99.90% by Mr. WEI Lidong (尉立東) and Beijing Shang Finance Management Co., Ltd. (北京尚融資本管理有限公司) holds a total of 141,900,000 Shares through certain subsidiaries. By virtue of the SFO, Mr. WEI Lidong (尉立東) is deemed to be interested in the Shares held by Beijing Shang Finance Management Co., Ltd. (北京尚融資本管理有限公司).
10. Hong Kong Xingrui International Investment Co., Ltd. (香港興瑞國際投資有限公司) (“**Hong Kong Xingrui**”) is wholly-owned by Zhengzhou Airport Zone Xingrui Industrial Group Co., Ltd. (鄭州航空港區興瑞實業集團有限公司) (“**Xingrui Industrial**”), formerly known as Zhengzhou Airport Zone Xingrui Industrial Co., Ltd. (鄭州航空港區興瑞實業有限公司), being a state-owned company under the Zhengzhou Airport Zone Economic Integrated Experimental Zone (Zhengzhou Xinzheng Integrated Free Trade Zone) Management Committee (鄭州航空港經濟綜合實驗區(鄭州新鄭綜合保稅區)管理委員會), formerly known as Zhengzhou Xinzheng Integrated Free Trade Zone (Zhengzhou Airport Zone) Management Committee (鄭州新鄭綜合保稅區(鄭州航空港區)管理委員會)). Xingrui Industrial is owned as to 51% and 49% by Zhengzhou Airport Xingrui Investment Holdings Co., Ltd. (鄭州航空港興港投資集團有限公司) (formerly known as: Zhengzhou Xinzheng Integrated Free Trade Zone (Zhengzhou Airport Zone) Xinggang Investment and Development Co., Ltd. (鄭州新鄭綜合保稅區(鄭州航空港區)興港投資發展有限公司) (“**Zhengzhou Xinggang**”), and Shenzhen Qianhai Ruimaotong Supply Chain Platform Service Co., Ltd. (深圳前海瑞茂通供應鏈平台服務有限公司) (“**Ruimaotong**”). Ruimaotong is wholly-owned by Jiangsu Jinhe Electricity and Fuel Co., Ltd. (江蘇晉和電力燃料有限公司) (“**Jiangsu Jinhe**”), which is in turn wholly owned by a company (being listed on the Shanghai Stock Exchange) under Ruimaotong Supply Chain Management Co., Ltd. (瑞茂通供應鏈管理股份有限公司) (“**Ruimaotong Supply Chain Management**”). Ruimaotong Supply Chain Management is owned as to 57.65 % by Zhengzhou Ruimaotong Supply Chain Management Co., Ltd. (鄭州瑞茂通供應鏈有限公司) (“**Zhengzhou Ruimaotong**”, which is wholly-owned by Zhengzhou Zhongrui Industrial Group Co., Ltd. (鄭州中瑞實業集團有限公司) (formerly known as Henan Zhongrui Investment Co., Ltd. (河南中瑞投資有限公司) (“**Zhengzhou Zhongrui**”). Zhengzhou Zhongrui is owned as to 90% by Henan Zhongrui Holding Co., Ltd. (河南中瑞控股有限公司) (“**Henan Zhongrui Holding**”), while Henan Zhongrui Holding is wholly-owned by Zhengzhou Ruichang Enterprise Management Consulting Co., Ltd. (鄭州瑞昌企業管理諮詢有限公司) (“**Zhengzhou Ruichang**”), which is owned as to 70% by Mr. WAN Yongxing (萬永興). By virtue of the SFO, Xingrui Industrial, Zhengzhou Xinggang, Ruimaotong, Jiangsu Jinhe, Ruimaotong Supply Chain Management, Zhengzhou Ruimaotong, Zhengzhou Zhongrui, Henan Zhongrui Holding, Zhengzhou Ruichang and Mr. WAN Yongxing are deemed to be interested in the Shares held by Hong Kong Xingrui.
11. Zhengzhou Zhengdong New District Construction Development Investment Co., Ltd. (鄭州市鄭東新區建設開發投資總公司) is established by the Zhengzhou Zhengdong New District Management Committee (鄭州市鄭東新區管理委員會).
12. Haitong International Financial Products (Singapore) Pte. Ltd. has a security interest in these 110,000,000 Shares. Haitong International Financial Products (Singapore) Pte. Ltd. is wholly-owned by Haitong International Securities Group (Singapore) Pte. Ltd., which is in turn wholly-owned by Haitong International (BVI) Limited. By virtue of the SFO, Haitong International Securities Group (Singapore) Pte. Ltd. and Haitong International (BVI) Limited are deemed to be interested in the Shares held by Haitong International Financial Products (Singapore) Pte. Ltd.

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13. 47,300,000 Shares are directly held by Haitong International Securities Company Limited, which is wholly-owned by Haitong International (BVI) Limited. By virtue of the SFO, Haitong International (BVI) Limited is deemed to be interested in the Shares held by Haitong International Securities Company Limited. Haitong International Securities Group (Singapore) Pte. Ltd. is wholly-owned by Haitong International (BVI) Limited as mentioned in note 12 hereinabove. Accordingly, Haitong International (BVI) Limited is deemed to be interested in a total of 157,300,000 Shares. Haitong International (BVI) Limited is wholly-owned by Haitong International Securities Group Limited, which is 64.40% owned by Haitong International Holdings Limited, which is in turn wholly-owned by Haitong Securities Co., Ltd. By virtue of the SFO, Haitong International Securities Group Limited, Haitong International Holdings Limited and Haitong Securities Co., Ltd. are all deemed to be interested in a total of 157,300,000 Shares held by Haitong International Financial Products (Singapore) Pte. Ltd. and Haitong International Securities Company Limited.

14. CITIC Securities Company Limited held 573,972,049 H Shares (long position) of the Bank and 568,846,654 H Shares (short position) of the Bank through certain of its wholly-owned subsidiaries. These 573,972,049 H Shares (long position) and 568,846,654 H Shares (short position) involve derivatives in the classes below:

386,281,529 H Shares (long position)	– Convertible instruments (on-exchange transaction)
187,690,520 H Shares (long position) and 568,846,654 H Shares (short position)	– Settled in cash (curb trading)

As the relevant interests involve derivatives, the information disclosed has not taken into account the calculation made by the Bank regarding the issuance of one Share to ordinary Shareholders for every 10 Shares held pursuant to the capitalization issue completed during the Reporting Period.

15. The 115,501,859 H Shares (long position) and 115,501,859 H Shares (short position) held by Goncius I Limited involve derivatives in the classes below:

115,501,859 H Shares (long position)	– Convertible instruments (on-exchange transaction)
115,501,859 H Shares (short position)	– Settled in cash (curb trading)

As the relevant interests involve derivatives, the information disclosed has not taken into account the calculation made by the Bank regarding the issuance of one Share to Ordinary Shareholders for every 10 Shares held pursuant to the capitalization issue completed during the Reporting Period.

16. Huarong International Financial Holdings Limited is owned as to 51% by Camellia Pacific Investment Holding Limited, which is wholly-owned by China Huarong International Holdings Limited. China Huarong International Holdings Limited is owned as to 88.10% and 11.90% by Huarong Real Estate Co., Ltd. (華融置業有限責任公司) and Huarong Zhiyuan Investment & Management Co., Ltd. respectively, while Huarong Real Estate Co., Ltd (華融置業有限責任公司) and Huarong Zhiyuan Investment & Management Co., Ltd. are both wholly-owned by China Huarong Asset Management Co., Ltd. By virtue of the SFO, China Huarong Asset Management Co., Ltd., is deemed to be interested in the Shares held by Huarong International Financial Holdings Limited. Furthermore, such 90,957,714 H Shares (long position) involve derivatives in the class below:

90,957,714 H Shares (long position)	– Others (on-exchange transaction)
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As the relevant interests involve derivatives, the information disclosed has not taken into account the calculation made by the Bank regarding the issuance of one Share to ordinary Shareholders for every 10 Shares held pursuant to the capitalization issue completed during the Reporting Period.

Save as disclosed above, as at the end of the Reporting Period, the Bank is not aware of any other person (other than the Directors, Supervisors and the chief executive of the Bank) having any interests or short positions in the Shares or underlying Shares as recorded in the register required to be kept by the Bank pursuant to section 336 of the SFO.

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5 INFORMATION ON CONTROLLING SHAREHOLDERS AND DE FACTO CONTROLLERS

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

6 SUBSTANTIAL SHAREHOLDERS

6.1 Holders with 5% or More Shareholding in the Bank

Zhengzhou Finance Bureau: Unified Social Credit Code is 11410100005252522X; the person in charge is Mr. ZHAO Xinmin (趙新民). As at the end of the Reporting Period, Zhengzhou Finance Bureau directly held 543,178,769 A Shares, accounting for 8.34% of the total issued Ordinary Shares of the Bank. In addition, Zhengzhou Investment Holdings Co., Ltd. (鄭州投資控股有限公司), Zhengzhou Development & Investment Group Co., Ltd. (鄭州發展投資集團有限公司), Zhengzhou City Sanitation & Cleaning Co., Ltd. (鄭州市環衛清潔有限公司) and Zhengzhou Municipal Construction Engineering General Corporation (鄭州市市政工程總公司) directly or indirectly wholly owned by Zhengzhou Finance Bureau hold a total of 419,203,806 A Shares. These Shares in total accounted for 962,382,575 A Shares and 14.77% of the total issued Ordinary Shares of the Bank. Mr. FAN Yutao, a non-executive Director, is the deputy director of Zhengzhou Finance Bureau. The related parties of Zhengzhou Finance Bureau include Zhengzhou Investment Holdings Co., Ltd. (鄭州投資控股有限公司), Zhengzhou Development & Investment Group Co., Ltd. (鄭州發展投資集團有限公司), and Zhengzhou City Sanitation & Cleaning Co., Ltd. (鄭州市環衛清潔有限公司). The ultimate beneficiary of Zhengzhou Finance Bureau is itself.

Henan Investment Group Co., Ltd. (河南投資集團有限公司): incorporated on 18 December 1991; the registered capital is RMB12 billion; the Unified Social Credit Code is 914100001699542485; the legal representative is Mr. LIU Xinyong (劉新勇); its main business scope covers investment management, investment in construction projects and house leasing. As at the end of the Reporting Period, Henan Investment Group Co., Ltd. directly held 98,746,133 A Shares, while Zhongyuan Trust Co., Ltd. (中原信託有限公司) controlled by it directly held 263,369,118 A Shares, which amounted to 362,115,251 A Shares in total, accounting for 5.56% of the total issued Ordinary Shares of the Bank. The controlling shareholder and de facto controller of Henan Investment Group Co., Ltd. is the Henan Provincial Department of Finance (河南省財政廳), and its related parties include Zhongyuan Trust Co., Ltd., Zhongyuan Yuze Financial Leasing (Shanghai) Co., Ltd. (中原豫澤融資租賃(上海)有限公司) and Henan Investment Group Huirong Fund Management Co., Ltd. (河南投資集團匯融基金管理有限公司), etc. The ultimate beneficiary of Henan Investment Group Co., Ltd. is itself.

CHAPTER IV CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

6.2 Other Substantial Shareholders

According to the requirement of the Provincial Measures on the Management of the Equity of Commercial Banks 《商業銀行股權管理暫行辦法》 (Former CBRC Order 2018 No. 1), information on other substantial Shareholders is as below:

Henan Xingye Real Estate Development Co., Ltd. (河南興業房地產開發有限公司): incorporated on 31 December 1998; the registered capital is RMB200 million; the Unified Social Credit Code is 914101001699781784; the legal representative is Mr. HUANG Kefei (黃可飛); the main business scope covers the development and operation of real estate (licensed), sales of building materials and house leasing. As at the end of the Reporting Period, Henan Xingye Real Estate Development Co., Ltd. held 275,000,000 A Shares, accounting for 4.22% of the total issued Ordinary Shares of the Bank. The controlling shareholder of Henan Xingye Real Estate Development Co., Ltd. is Henan Zensun Enterprise Development Co., Ltd. (河南正商企業發展集團有限責任公司), and its de facto controller is Ms. ZHANG Huiqi (張惠琪), who is the daughter, being above the age of 18, of Mr. ZHANG Jingguo (張敬國), a non-executive Director. Related parties include Henan Zensun Enterprise Development Co., Ltd., Henan Zensun Property Co., Ltd. (河南正商置業有限公司), Henan Zhengyang Construction Engineering Group Co., Ltd. (河南正陽建設工程集團有限公司), etc. The ultimate beneficiary of Henan Xingye Real Estate Development Co., Ltd. is itself.

Zhongyuan Trust Co., Ltd. (中原信託有限公司): incorporated on 27 November 2002; the registered capital is RMB4 billion; the Unified Social Credit Code is 91410000169953018F; the legal representative is Mr. CUI Zejun (崔澤軍); the main business scope covers the trusting of funds, movable property, immovable property, negotiable securities, other property or property rights; and engaged in the investment fund business as a sponsor for investment fund or fund management companies. As at the end of the Reporting Period, Zhongyuan Trust Co., Ltd. held 263,369,118 A Shares, accounting for 4.04% of the total issued Ordinary Shares of the Bank. Mr. JI Hongjun (姬宏俊), a non-executive Director, is the vice president of Zhongyuan Trust Co., Ltd. The controlling shareholder of Zhongyuan Trust Co., Ltd. is Henan Investment Group Co., Ltd. (河南投資集團有限公司), and the de facto controller is Henan Provincial Department of Finance (河南省財政廳). Related parties include Henan Investment Group Co., Ltd. (河南投資集團有限公司), Henan Zhongyuan Expressway Co., Ltd. (河南中原高速公路股份有限公司) and Henan Yuliang Grain Group Co., Ltd. (河南省豫糧糧食集團有限公司). The ultimate beneficiary of Zhongyuan Trust Co., Ltd. is itself.

Zhengzhou Investment Holdings Co., Ltd. (鄭州投資控股有限公司): incorporated on 25 October 2005; the registered capital is RMB3.51 billion; the Unified Social Credit Code is 91410100780545414U; the legal representative is Mr. LIANG Songwei (梁嵩巍); the main business scope covers investment and management of state-owned assets, real estate development and sales as well as house leasing. As at the end of the Reporting Period, Zhengzhou Investment Holdings Co., Ltd. held 237,418,926 A Shares, accounting for 3.64% of the total issued Ordinary Shares of the Bank. Mr. LIANG Songwei, a non-executive Director, is the chairman and general manager of Zhengzhou Investment Holdings Co., Ltd. The controlling shareholder of Zhengzhou Investment Holdings Co., Ltd. is Zhengzhou Zhongrongchuang Industrial Investment Co., Ltd. (鄭州市中融創產業投資有限公司), and the de facto controller is Zhengzhou Finance Bureau. Related parties include Zhengzhou Zhongrongchuang Industrial Investment Co., Ltd., Zhengzhou Jinyang Electric Co., Ltd. (鄭州金陽電氣有限公司) and Zhengzhou SDIC Industrial Development Fund (Limited Partnership) (鄭州國投產業發展基金(有限合夥)), etc. The ultimate beneficiary of Zhengzhou Investment Holdings Co., Ltd. is itself.

CHAPTER IV CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

Henan Guoyuan Trade Co., Ltd. (河南國原貿易有限公司): incorporated on 5 December 2005; the registered capital is RMB200 million; the Unified Social Credit Code is 91410100783405337J; the legal representative is Mr. ZHU Zhihui (朱志暉); the main business scope covers the sales of building and decorative materials, mechanical and electrical products (excluding automobiles), hardware and electrical equipment etc.; house leasing; wholesale and retail as well as pre-packaged food. As at the end of the Reporting Period, Henan Guoyuan Trade Co., Ltd. held 218,951,121 A Shares, accounting for 3.36% of the total issued Ordinary Shares of the Bank. Mr. ZHU Zhihui, a Supervisor, is the Chairman of Henan Guoyuan Trade Co., Ltd. The controlling shareholder and de facto controller of Henan Guoyuan Trade Co., Ltd. is Mr. ZHU Zhihui. Related parties include Henan Huida Jiarui Real Estate Co., Ltd. (河南暉達嘉睿置業有限公司), Henan Huida Construction & Investment Co., Ltd. (河南暉達建設投資有限公司) and Huida Holdings Co., Ltd. (暉達控股有限公司), etc. The ultimate beneficiary of Henan Guoyuan Trade Co., Ltd. is itself.

7 RESTRICTIONS ON REDUCTION OF SHAREHOLDINGS OF CONTROLLING SHAREHOLDERS, DE FACTO CONTROLLERS, PARTIES TO RESTRUCTURING OR OTHER ENTITIES WITH UNDERTAKINGS

During the Reporting Period, the Bank had no cases involving restrictions on reduction of shareholdings of controlling Shareholders, de facto controllers, parties to restructuring or other entities with undertakings.

8 PLEDGE AND FREEZING OF SHARES OF THE BANK

As at the end of the Reporting Period, to the knowledge of the Bank, 1,841,830,096 Ordinary Shares of the Bank (accounting for 28.27% of the total issued Ordinary Shares) were subject to pledges and 5,813,953 Ordinary Shares were subject to freezing. No Shares were subject to judicial auction during the Reporting Period. The Bank has no controlling Shareholders and therefore, there is no pledging of Shares of the Bank by controlling Shareholders.

9 PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OR REDEEMABLE SECURITIES OF THE BANK

During the Reporting Period, none of the Bank and its subsidiaries had purchased, sold or redeemed any listed securities or redeemable securities of the Bank.

CHAPTER V ISSUANCE OF PREFERENCE SHARES

1 ISSUANCE AND LISTING OF OFFSHORE PREFERENCE SHARES

The Bank issued non-cumulative perpetual Offshore Preference Shares in the amount of USD1,191 million at a dividend rate of 5.50% on 18 October 2017 through a private offering in the overseas market. The Offshore Preference Shares (abbreviation of preference shares: ZZBNK 17USDPREF; stock code: 04613) were listed on the Hong Kong Stock Exchange on 19 October 2017 with a nominal value of RMB100 per share at an offering price of USD20 per share. The total number of shares issued was 59,550,000, all of which were issued and fully paid in US dollars.

Based on the Renminbi central parity rate against the US dollar published by the China Foreign Exchange Trade System on 18 October 2017, the gross proceeds from the offering of the Offshore Preference Shares were approximately RMB7,860 million. Pursuant to applicable laws and regulations and approvals from the CBIRC, the CSRC and other relevant regulatory authorities, the proceeds raised from the Offshore Preference Shares issuance, after deduction of the issuance expenses, have been fully used to replenish the additional tier-one capital of the Bank, which is consistent with the specific use disclosed earlier.

For the issuance terms and relevant details of the Offshore Preference Shares, please refer to the relevant announcements and circulars of the Bank published on the websites of the Hong Kong Stock Exchange and the Bank.

2 NUMBER OF SHAREHOLDERS OF OFFSHORE PREFERENCE SHARES AND PARTICULARS OF SHAREHOLDING

As at the end of the Reporting Period, the total number of shareholders (or nominees) of Offshore Preference Shares of the Bank was one.

The following table sets out shareholdings of the top 10 shareholders (or nominees) of Offshore Preference Shares of the Bank as at the end of the Reporting Period:

Unit: Shares

Name of Shareholder	Type of Shareholder	Shareholding percentage ⁽³⁾ (%)	Number of Shares held as at the end of the Reporting Period	Changes over the Reporting Period	Shares pledged or frozen Status of shares	Number
The Bank of New York Depository (Nominees) Limited	Overseas legal person	100	59,550,000	-	Unknown	Unknown
Description of different requirements on other terms of preference shares held other than dividend distribution and residual property distribution		None				
Description of the related party relationships or concerted actions among top 10 shareholders of preference shares and between top 10 shareholders of preference shares and top 10 ordinary Shareholders		The Bank is not aware of any related party relationship between the above shareholders of preference shares and the top 10 ordinary Shareholders or whether they are parties acting in concert under the Administrative Measures on the Acquisition of Listed Companies.				

CHAPTER V ISSUANCE OF PREFERENCE SHARES

Notes:

1. The above data is sourced from the register of the shareholders of Offshore Preference Shares of the Bank as at 30 June 2020.
2. The above Offshore Preference Shares were issued through a private offering, and information of nominees of the allottees was recorded on the register of shareholders of preference shares.
3. “Shareholding percentage” refers to the percentage of Offshore Preference Shares held by shareholders of preference shares in the total issued Offshore Preference Shares.

3 PROFIT DISTRIBUTION OF OFFSHORE PREFERENCE SHARES

During the Reporting Period, the Bank did not implement any profit distribution of Offshore Preference Shares.

4 REPURCHASE OR CONVERSION OF OFFSHORE PREFERENCE SHARES

During the Reporting Period, there was no repurchase or conversion of the Offshore Preference Shares of the Bank.

5 RESUMPTION, EXERCISE OF VOTING RIGHTS OF OFFSHORE PREFERENCE SHARES DURING THE REPORTING PERIOD

During the Reporting Period, no voting rights of the Offshore Preference Shares were resumed or exercised.

6 ACCOUNTING POLICIES ADOPTED FOR OFFSHORE PREFERENCE SHARES AND REASONS

In accordance with Accounting Standards for Enterprises No. 22 – Recognition and Measurement of Financial Instruments, Accounting Standards for Enterprises No. 37 – Presentation of Financial Instruments, and Rules on the Difference between Financial Liabilities and Equity Instruments and Relevant Accounting Treatment promulgated by the MOF, as well as International Financial Reporting Standards No. 9 – Financial Instruments and International Accounting Standards No. 32 – Financial Instruments: Presentation, the provisions of the issued and existing Offshore Preference Shares conform to the requirements as equity instruments, and will be calculated as equity instruments.

CHAPTER VI DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, STAFF AND INSTITUTIONS

1 DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT AND THEIR DIRECT SHAREHOLDINGS

Directors

Name	Gender	Date of birth	Position	Status	Term of office	Class of Shares	Number of			Number of			
							Shares held as at the beginning of the Reporting Period	Increase in the number of Shares held during the Reporting Period	Decrease in the number of Shares held during the Reporting Period	Number of Shares held as at the end of the Reporting Period	Shares granted as at the beginning of the Reporting Period	Number of Shares granted during the Reporting Period	Number of restricted Shares granted as at the end of the Reporting Period
WANG Tianyu (王天宇)	M	March 1966	Chairman Executive Director	In office In office	2011.3.9-2021.6.14 2005.12.16-2021.6.14	A Share	25,003	2,500	-	27,503	-	-	-
SHEN Xueqing (申學清)	M	July 1965	President Executive Director	In office In office	Since 5 April 2012 2012.7.12-2021.6.14	-	-	-	-	-	-	-	-
XIA Hua (夏華)	M	August 1967	Vice Chairman Executive Director	In office In office	2020.7.2 2020.7.2	-	-	-	-	-	-	-	-
FAN Yutao (樊玉濤)	M	May 1966	Non-executive Director	In office	2015.9.8-2021.6.14	-	-	-	-	-	-	-	-
ZHANG Jingguo (張敬國)	M	July 1963	Non-executive Director	In office	2012.7.12-2021.6.14	-	-	-	-	-	-	-	-
Ji Hongjun (姬宏俊)	M	June 1963	Non-executive Director	In office	2012.7.12-2021.6.14	-	-	-	-	-	-	-	-
LIANG Songwei (梁嵩巍)	M	August 1968	Non-executive Director	In office	2012.7.12-2021.6.14	-	-	-	-	-	-	-	-
WANG Shihao (王世豪)	M	April 1950	Non-executive Director	In office	2018.7.5-2021.6.14	-	-	-	-	-	-	-	-
XIE Taifeng (謝太峰)	M	August 1958	Independent non-executive Director	In office	2015.9.8-2021.6.14	-	-	-	-	-	-	-	-
WU Ge (吳華)	M	May 1967	Independent non-executive Director	In office	2015.9.8-2021.6.14	-	-	-	-	-	-	-	-
CHAN Mei Bo Mabel (陳美寶)	F	November 1971	Independent non-executive Director	In office	2015.9.8-2021.6.14	-	-	-	-	-	-	-	-
LI Yanyan (李燕燕)	F	January 1968	Independent non-executive Director	In office	2018.7.5-2021.6.14	-	-	-	-	-	-	-	-
FENG Tao (馮濤)	M	September 1963	Vice Chairman Executive Director	Resigned Resigned	2016.8.4-2020.4.24 2016.8.4-2020.4.24	-	-	-	-	-	-	-	-

Notes:

- The starting dates of the term of office represent the dates on which the relevant qualifications are approved by the banking regulatory authority.
- The increase in the number of Shares is due to the completion of the capitalization issue by the Bank by way of issuing 1 Share for every 10 Shares on 30 June 2020.

CHAPTER VI DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, STAFF AND INSTITUTIONS

Supervisors

Name	Gender	Date of birth	Position	Status	Term of office	Class of Shares	Number of		Number of Shares held as at the beginning of the Reporting Period	Number of Shares held as at the end of the Reporting Period	Number of restricted Shares granted		Number of restricted Shares granted as at the end of the Reporting Period
							Increase in the number of Shares held during the Reporting Period	Decrease in the number of Shares held during the Reporting Period			Number of Shares granted as at the beginning of the Reporting Period	Number of Shares granted during the Reporting Period	
ZHAO Lijuan (趙麗娟)	F	September 1962	Chairwoman of the Board of Supervisors	In office	2016.6.17-2021.6.14	-	-	-	-	-	-	-	-
			Employee Supervisor	In office	2018.6.15-2021.6.14	-	-	-	-	-	-	-	-
ZHU Zhilui (朱志輝)	M	August 1969	Shareholder Supervisor	In office	2015.6.18-2021.6.14	-	-	-	-	-	-	-	-
MA Baojun (馬寶軍)	M	March 1963	External Supervisor	In office	2018.1.19-2021.6.14	-	-	-	-	-	-	-	-
SONG Ke (宋科)	M	April 1962	External Supervisor	In office	2017.5.19-2021.6.14	-	-	-	-	-	-	-	-
CHENG Jie (成潔)	F	December 1968	Employee Supervisor	In office	2018.6.15-2021.6.14	A Share	6,309	631	-	6,940	-	-	-
LI Huaibin (李懷斌)	M	September 1969	Employee Supervisor	In office	2018.6.15-2021.6.14	-	-	-	-	-	-	-	-

Note: The increase in the number of Shares is due to the completion of the capitalization issue by the Bank by way of issuing 1 Share for every 10 Shares on 30 June 2020.

CHAPTER VI DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, STAFF AND INSTITUTIONS

Senior Management

Name	Gender	Date of birth	Position	Status	Term of office	Class of Shares	Number of Shares			Number of restricted Shares			
							held as at the beginning of the Reporting Period	Increase in the number of Shares held during the Reporting Period	Decrease in the number of Shares held during the Reporting Period	Number of Shares held as at the end of the Reporting Period	Number of Shares granted as at the beginning of the Reporting Period	Number of Shares granted during the Reporting Period	Number of restricted Shares granted as at the end of the Reporting Period
SHEN Xueqing (申學清)	M	July 1965	President	In office	Since 5 April 2012	-	-	-	-	-	-	-	-
GUO Zhibin (郭志彬)	M	October 1968	Vice President	In office	Since 30 December 2015	A Share	37,320	3,732	-	41,052	-	-	-
SUN Haigang (孫海剛)	M	August 1977	Vice President	In office	Since 28 February 2018	-	-	-	-	-	-	-	-
ZHANG Wenjian (張文建)	M	June 1965	Vice President	In office	Since 28 February 2018	-	-	-	-	-	-	-	-
FU Chungqiao (傅春喬)	M	October 1973	Vice President	In office	Since 29 March 2019	-	-	-	-	-	-	-	-
			Secretary of the Board	In office	Since 18 October 2013	-	-	-	-	-	-	-	-
LI Lei (李磊)	M	August 1973	Assistant to President	In office	Since 21 November 2017	A Share	74,344	7,434	-	81,778	-	-	-
ZHANG Houlin (張厚林)	M	June 1976	Assistant to President	In office	Since 21 November 2017	-	-	-	-	-	-	-	-
LI Hong (李紅)	F	February 1973	Assistant to President	In office	Since 29 March 2019	A Share	26,746	2,675	-	29,421	-	-	-
LIU Jiuqing (劉久慶)	M	March 1978	Assistant to President	In office	Since 29 March 2019	-	-	-	-	-	-	-	-
JIANG Tao (姜濤)	M	April 1972	Chief Information Officer	In office	Since 31 December 2015	A Share	5,000	500	-	5,500	-	-	-
WANG Yanli (王豔麗)	F	October 1970	Chief Risk Officer	In office	Since 12 February 2018	A Share	111,515	11,151	-	122,666	-	-	-
WANG Zhaoyi (王兆瑛)	F	November 1967	Chief Auditor	In office	Since 8 March 2018	A Share	70,617	7,062	-	77,679	-	-	-
XIA Hua (夏華)	M	August 1967	Vice President	Resigned	2012.2.6- 2020.7.7	-	-	-	-	-	-	-	-

Notes:

1. The starting dates of the term of office represent the dates on which the relevant qualifications are approved by the banking regulatory authority.
2. The increase in the number of Shares is due to the completion of the capitalization issue by the Bank by way of issuing 1 Share for every 10 Shares on 30 June 2020.

CHAPTER VI DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, STAFF AND INSTITUTIONS

2 CHANGES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Name	Position	Type	Date	Reason
FENG Tao (馮濤)	Vice Chairman, Executive Director	Resigned	2020.4.24	Resignation due to age
XIA Hua (夏華)	Vice Chairman, Executive Director	Elected	2020.7.2	Work reallocation
XIA Hua (夏華)	Vice President	Resigned	2020.7.7	Work reallocation

On 24 April 2020, Mr. FENG Tao resigned from his positions as the vice chairman and an executive Director of the Bank due to age. For details, please refer to the announcement published by the Bank on the website of CNINFO dated 27 April 2020 and the announcement on the website of the Hong Kong Stock Exchange dated 26 April 2020.

On 24 April 2020, the Board considered and approved the nomination of Mr. XIA Hua as a candidate for an executive Director of the sixth session of the Board of the Bank. On 20 May 2020, the 2019 AGM of the Bank considered and approved the appointment of Mr. XIA Hua as an executive Director of the sixth session of the Board of the Bank. On 20 May 2020, the Board considered and approved the appointment of Mr. XIA Hua as the vice chairman of the Bank. On 2 July 2020, the CBIRC Henan Office approved the qualifications of Mr. XIA Hua to act as a Director and the vice chairman. For details, please refer to the announcements published by the Bank on the website of CNINFO dated 27 April 2020, 21 May 2020 and 7 July 2020; and the announcements on the website of the Hong Kong Stock Exchange dated 26 April 2020, 27 April 2020, 20 May 2020 and 6 July 2020.

On 7 July 2020, Mr. XIA Hua resigned from his position as the vice president of the Bank due to work reallocation. For details, please refer to the announcements dated 8 July 2020 published by the Bank on the websites of CNINFO and the Hong Kong Stock Exchange.

3 CHANGES OF PARTICULARS OF DIRECTORS AND SUPERVISORS DURING THE REPORTING PERIOD

During the Reporting Period, the Bank was informed that an independent non-executive Director Ms. CHAN Mei Bo Mabel assumed the position of independent non-executive director of Renrui Human Resources Technology Holdings Limited (listed on the Hong Kong Stock Exchange, stock code: 06919) since November 2019.

Save as disclosed above, there is no other change of particulars of Directors and Supervisors of the Bank during the Reporting Period.

CHAPTER VI DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, STAFF AND INSTITUTIONS

4 SECURITIES TRANSACTIONS BY DIRECTORS, SUPERVISORS AND RELEVANT EMPLOYEES

The Bank has adopted a code of conduct on terms no less exacting than the required standards in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Stock Exchange Listing Rules as its code of conduct governing securities transactions conducted by the Directors, Supervisors and relevant employees of the Bank. After having made inquiries to all Directors and Supervisors, they confirmed that they had complied with the above code during the Reporting Period. The Bank is not aware of any breach of the code by any relevant employee.

The Bank is not aware of any breach of the restrictive share trading requirements under the Guidelines of the Shenzhen Stock Exchange for the Standard Operation of Listed Companies and other regulatory documents by any Director, Supervisor or senior management personnel.

5 INTERESTS AND SHORT POSITIONS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE

As at the end of the Reporting Period, the interests of Directors, Supervisors and chief executive of the Bank in the Shares, underlying Shares and debentures of the Bank or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO of Hong Kong or as otherwise notified to the Bank and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in Appendix 10 of the Stock Exchange Listing Rules are set out as follows:

Name	Position	Class of Shares	Nature	Number of Shares held directly or indirectly (Shares) (Long position)	Percentage of the relevant class of Shares in issue (%)	Percentage of all ordinary Shares in issue (%)
WANG Tianyu	Director	A Share	Beneficial owner	27,503	0.00057	0.00042
ZHU Zhihui	Supervisor	A Share	Interest of controlled corporation ^(Note)	218,951,121	4.52	3.36
CHENG Jie	Supervisor	A Share	Beneficial owner	6,940	0.00014	0.00011

Note: 218,951,121 A Shares of the Bank are held directly by Henan Guoyuan Trade Co., Ltd. (河南國原貿易有限公司), which is owned as to 90% by Mr. ZHU Zhihui, a Supervisor of the Bank. By virtue of the SFO, Mr. ZHU Zhihui is deemed to be interested in the Shares held by Henan Guoyuan Trade Co., Ltd..

Save as disclosed above, none of the Directors, Supervisors or chief executive of the Bank held any interests or short positions in any Shares, underlying Shares and debentures of the Bank or its associated corporations as at the end of the Reporting Period.

CHAPTER VI DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, STAFF AND INSTITUTIONS

6 STAFF

6.1 Composition

As at the end of the Reporting Period, the Bank had 4,913 employees, and its subsidiaries had 321 employees. The Group had a total of 5,234 employees.

By department/function

Job category	Number of employees	Percentage
Corporate banking	730	14%
Retail banking	1,451	28%
Risk management, internal audit and compliance	442	8%
Finance and accounting	1,417	27%
Information technology	201	4%
Business management and support	993	19%
Total	5,234	100%

By age

Age group	Number of employees	Percentage
30 years old and below	2,134	41%
31 to 40 years old	2,196	42%
41 to 50 years old	723	14%
Over 50 years old	181	3%
Total	5,234	100%

CHAPTER VI DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, STAFF AND INSTITUTIONS

By level of education

Highest level of education	Number of employees	Percentage
Master's degree or above	890	17%
Bachelor's degree	3,798	73%
Non-degree tertiary	499	9%
Others	47	1%
Total	5,234	100%

6.2 Staff Training Plan

The Bank formulated a comprehensive training plan based on the annual development strategies and the business development needs. The Bank enhanced its training system to provide a strong talent pool and institutional support for the long-term development of the Bank. During the Reporting Period, the Bank focused on building a brand-new online learning management platform, establishing part-time training manager teams, and improving its training management systems and mechanisms. As normal offline training could not be carried out amid the pandemic, we made full use of the resources of internal and external online training platforms to conduct online training for the corporate, retail and operations lines to boost the marketing capabilities of their teams and further improve our talent infrastructure for business development of the whole Bank. We focused on making arrangements for and carrying out the establishment of a curriculum system for professionals including independent approvers and customer managers, ongoing training for new recruits, course development for staff transferred to other posts, reserve cadres training for head office staff, the establishment of a system for internal trainers, and training for middle and senior management staff.

6.3 Remuneration Policy for Staff

The Bank adheres to the principles of “fairness, competition and motivation” in formulating its remuneration policy. In other words, the remuneration policy shall reflect external fairness, internal fairness and individual fairness of salary; it shall be conducive to enhancing our market competitiveness and attractiveness to talented people. When adjusting its remuneration structure, the Bank will increase the level of remuneration for positions with remunerations far below the market level based on surveys on market salary levels, so as to ensure that the level of remuneration offered by us is competitive; it shall also make our salary a better incentive in motivating our employees by incorporating floating wages and performance-linked bonus and other incentive components into our salary packages. The Bank provides employees at different positions with equal promotion opportunities by designing different promotion channels. The Bank makes social insurance contributions and housing provident fund contributions and provides other employee benefit packages for employees in accordance with applicable laws, rules and regulations of the PRC.

CHAPTER VI DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, STAFF AND INSTITUTIONS

7 BASIC INFORMATION OF INSTITUTIONS UNDER THE BANK

The following table sets out the branches and sub-branches of the Bank as at the end of the Reporting Period:

Region	Name of branch	Business address (China)	Number of institutions under the Bank	Number of employees	Asset size (RMB'000)
Zhengzhou, Henan	Headquarters	22 Shangwu Waihuan Road, Zhengdong New District, Zhengzhou City, Henan Province	In charge of 116 branch institutions in districts of Zhengzhou for conducting external business and 56 institutions in other prefectural-level cities in Henan for conducting external business	4,913	514,016,701
Zhengzhou, Henan	Branch institutions in districts of Zhengzhou for conducting external business directly managed by the headquarters	-	99	3,480	428,887,335
Zhengzhou, Henan	Small Business Financial Service Center	Room 102, 1-2/F and Room 301-309, 3/F, 4A, North of Longhu Zhonghuan South Road and East of Jiuru Road, Zhengdong New District, Zhengzhou City, Henan Province	In charge of 17 institutions for conducting external business	317	5,110,353
Nanyang, Henan	Nanyang	The junction of Zhongjing Road and Fanli Road, Wancheng District, Nanyang City, Henan Province	In charge of 10 institutions for conducting external business	160	9,609,832
Xinxiang, Henan	Xinxiang	No. 278, Xiangyang Road, Xinxiang City, Henan Province	In charge of 7 institutions for conducting external business	127	5,444,695
Luoyang, Henan	Luoyang	Longan Building (隆安大廈), the junction of Guanlin Road and Houzaimen Street, Luolong District, Luoyang City, Henan Province	In charge of 7 institutions for conducting external business	122	14,352,273

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Region	Name of branch	Business address (China)	Number of institutions under the Bank	Number of employees	Asset size (RMB'000)
Anyang, Henan	Anyang	Yiwu International Business & Trade Mansion, the junction of Zhonghua Road and Delong Street, Andong New District, Anyang City, Henan Province	In charge of 7 institutions for conducting external business	93	9,261,031
Shangqiu, Henan	Shangqiu	Floor A2B, Siji Harbour, Wenhua Road North and Zhongzhou Road East, Liangyuan District, Shangqiu City, Henan Province	In charge of 5 institutions for conducting external business	104	7,251,034
Xuchang, Henan	Xuchang	Juncheng International Building (亨通君成國際大廈), the southwest junction of Liancheng Avenue and Weiwen Road, Weidu District, Xuchang City, Henan Province	In charge of 4 institutions for conducting external business	83	6,726,361
Luohe, Henan	Luohe	Floor 1-5, Changjian International (昌建國際), the junction of Songshan West Branch Road and Mudanjiang Road, Yancheng District, Luohe City, Henan Province	In charge of 3 institutions for conducting external business	54	3,124,303
Xinyang, Henan	Xinyang	Floor 1-2, Zhongle Baihua Mansion (中樂百花公館), the junction of Xinqi Avenue and Xinba Street, Yangshan New District, Xinyang City, Henan Province	In charge of 4 institutions for conducting external business	78	2,535,396
Puyang, Henan	Puyang	The northwest of junction of Renmin Road and Kaizhou Road, Longhua District, Puyang City, Henan Province	In charge of 2 institutions for conducting external business	67	5,381,561

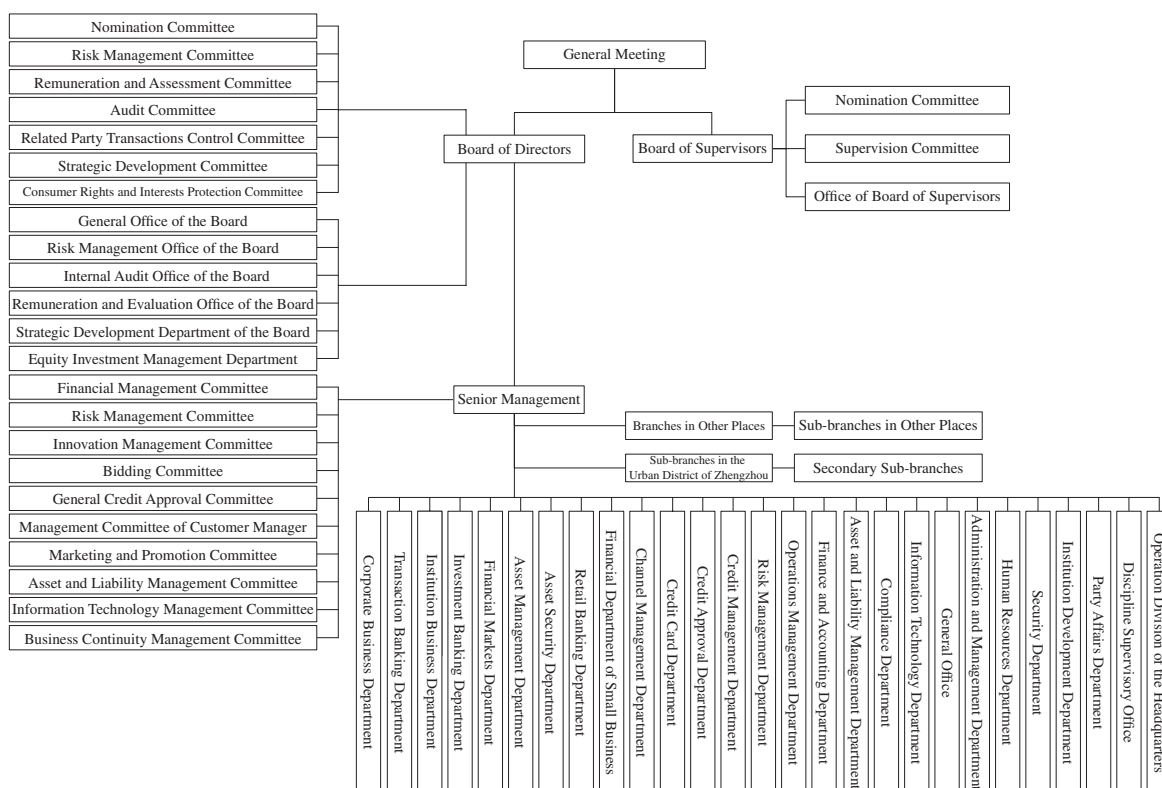
CHAPTER VI DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, STAFF AND INSTITUTIONS

Region	Name of branch	Business address (China)	Number of institutions under the Bank	Number of employees	Asset size (RMB'000)
Pingdingshan, Henan	Pingdingshan	The southeast of junction of Kaiyuan Road and Qinggong Road, Zhanhe District, Pingdingshan City, Henan Province	In charge of 2 institutions for conducting external business	57	5,177,941
Zhumadian, Henan	Zhumadian	The southwest of junction of Huaihe Avenue and Tianzhongshan Avenue, Zhumadian City, Henan Province	In charge of 1 institution for conducting external business	46	3,544,561
Kaifeng, Henan	Kaifeng	The southeast of junction of Jinming Avenue and Hanxing Road, Kaifeng City, Henan Province	In charge of 2 institutions for conducting external business	58	4,324,232
Zhoukou, Henan	Zhoukou	The southeast of junction of Jiaotong Avenue and Bayi Avenue, Zhoukou City, Henan Province	In charge of 1 institution for conducting external business	35	3,133,592
Hebi, Henan	Hebi ^(Note)	The northeast of junction of Qishui Avenue and Zihuai Lane, Qibin District, Hebi City, Henan Province	In charge of 1 institution for conducting external business	32	152,201

Note: On 8 May 2020, the Bank opened its Hebi Branch.

CHAPTER VII CORPORATE GOVERNANCE

1 COMPANY STRUCTURE DIAGRAM



2 OVERVIEW OF CORPORATE GOVERNANCE

The Bank has established a relatively sound corporate governance structure, including the general meeting, the Board, the Board of Supervisors, and senior management, to regulate operation, specify duties and maintain effective balance, so as to fully protect and safeguard the legitimate rights and interests of domestic and international Shareholders and other stakeholders. During the Reporting Period, the Bank continued to optimize its corporate governance structure, improved various systems of corporate governance, and enhanced corporate governance level, in strict accordance with the requirements of the Company Law, the Securities Law, the Corporate Governance Guidelines for Listed Companies issued by the CSRC, the SZSE Listing Rules, the Guidelines for the Standardized Operation of Listed Companies on the Shenzhen Stock Exchange, and the Stock Exchange Listing Rules together with the Bank's corporate governance practice. As at the end of the Reporting Period, there was no significant inconsistency between the Bank's actual corporate governance practice and the requirements of the Company Law and relevant provisions of the CSRC, nor did the Bank receive relevant documents on administrative or regulatory measures from the regulatory authorities requiring rectification within a time limit. Meanwhile, the Bank strictly abided by the code provisions of the Corporate Governance Code and the Stock Exchange Listing Rules relating to inside information disclosure. The Directors are not aware of any information indicating that the Bank had not complied with the code provisions set out in the Corporate Governance Code during the Reporting Period.

CHAPTER VII CORPORATE GOVERNANCE

3 CONVENING OF GENERAL MEETING

Number, session and type	Investor participation ratio	Date of convening	Date of Meeting Resolutions	Disclosure index
2019 AGM	55.19%	20 May 2020	20 May 2020	The website of the Hong Kong Stock Exchange (www.hkexnews.hk) The website of the Bank (www.zzbank.cn) CNINFO (www.cninfo.com.cn)
2020 first A Shareholders class meeting	68.31%	20 May 2020	20 May 2020	The website of the Hong Kong Stock Exchange (www.hkexnews.hk) The website of the Bank (www.zzbank.cn) CNINFO (www.cninfo.com.cn)
2020 first H Shareholders class meeting	14.15%	20 May 2020	20 May 2020	The website of the Hong Kong Stock Exchange (www.hkexnews.hk) The website of the Bank (www.zzbank.cn) CNINFO (www.cninfo.com.cn)

During the Reporting Period, the Bank held one annual general meeting, one A Shareholders class meeting, and one H Shareholders class meeting, the particulars of which are as follows:

On 20 May 2020, the Bank held the 2019 AGM in Zhengzhou, Henan. In the meeting, 25 resolutions regarding, among other things, the work report of the Board, the work report of the Board of Supervisors, financial accounts, financial budget, plan for profit distribution and capitalization issue, amendments to the Articles of Association, and matters relating to the revised non-public issuance of A Shares were considered and approved;

On 20 May 2020, the Bank held the 2020 first A Shareholders class meeting in Zhengzhou, Henan. In the meeting, five resolutions regarding the plan for profit distribution and capitalization issue, amendments to the Articles of Association, and matters relating to the revised non-public issuance of A Shares were considered and approved; and

On 20 May 2020, the Bank held the 2020 first H Shareholders class meeting in Zhengzhou, Henan. In the meeting, five resolutions regarding the plan for profit distribution and capitalization issue, amendments to the Articles of Association, and matters relating to the revised non-public issuance of A Shares were considered and approved.

CHAPTER VII CORPORATE GOVERNANCE

The convening, notices, holding and voting procedures of the above general meetings were in line with the relevant provisions of the relevant laws and regulations and the Articles of Association.

During the Reporting Period, the Bank did not have any situation in which the shareholders of Offshore Preference Shares whose voting rights were resumed requested to convene extraordinary general meetings, convene and chair general meetings, or submit provisional proposals for general meetings.

4 MEETINGS HELD BY THE BOARD OF DIRECTORS AND ITS SPECIAL COMMITTEES

During the Reporting Period, the Board of Directors held six meetings, at which 55 resolutions were considered and approved. The special committees of the Board of Directors held 18 meetings in total, at which 49 resolutions were considered and approved. In particular, the strategic development committee held one meeting at which one resolution was considered and approved; the risk management committee held three meetings at which 11 resolutions were considered and approved; the related party transactions control committee held three meetings at which 11 resolutions were considered and approved; the audit committee held four meetings at which 13 resolutions were considered and approved; the nomination committee held four meetings at which seven resolutions were considered and approved; the remuneration and assessment committee held two meetings at which three resolutions were considered and approved; and the consumer rights and interests protection committee held one meeting at which three resolutions were considered and approved.

5 MEETINGS HELD BY THE BOARD OF SUPERVISORS AND ITS SPECIAL COMMITTEES

During the Reporting Period, the Board of Supervisors held a total of three meetings, at which 10 resolutions were considered and approved. In particular, the nomination committee of the Board of Supervisors held one meeting at which three resolutions were considered and approved.

6 AMENDMENTS TO THE ARTICLES OF ASSOCIATION

During the Reporting Period, the Bank, based on its actual conditions, had amended certain articles in the Articles of Association in compliance with laws and regulations, as well as the requirements of regulatory documents including the Company Law, the Reply of the State Council on the Adjustment of the Notice Period of the General Meeting and Other Matters Applicable to the Overseas Listed Companies (Guo Han [2019] No. 97), the Guidelines for Articles of Association of Listed Companies, and the Management Measures for the Issuance of Securities by Listed Companies. The amendments were considered and approved at the 2019 AGM, the 2020 first A Shareholders class meeting and the 2020 first H Shareholders class meeting and have yet to obtain the approval from banking regulatory authorities. For details about the amendments, please refer to the announcements of the Bank dated 31 March 2020, 28 April 2020, and 21 May 2020 published on the website of CNINFO and announcements dated 30 March 2020 and 20 May 2020 and the circular dated 28 April 2020 published on the website of the Hong Kong Stock Exchange.

CHAPTER VII CORPORATE GOVERNANCE

7 INTERNAL CONTROL AND INTERNAL AUDIT

Internal Control

During the Reporting Period, the Bank improved its management mechanisms, conducted culture promotion and strengthened compliance supervision to continuously enhance the guiding and promotional effect of the endogenous power of internal control compliance management. Firstly, the Bank promoted the construction of compliance culture to enhance the awareness of legal compliance. By convening a bank-wide compliance meeting, issuing a compliance culture construction plan, formulating 13 “top prohibitions” for employee behavior, and improving the internal whistle-blowing mechanism, the Bank promoted an internal control and compliance culture to make compliance a code of conduct deeply embedded in the heart of employees. Secondly, the Bank established regulations and systems and improved the internal control system. By constantly rationalizing the systems, internalizing regulatory rules and initiating post-event evaluation on the systems, the Bank effectively rectified the loopholes in the systems and made up for management weaknesses. Thirdly, the Bank commenced process risk identification assessment. For business links with insufficient risk control, relevant departments would formulate improvement measures and carry out process optimization. Fourthly, the Bank effectively carried out internal control compliance inspections and built risk prevention and control barriers. It made full use of big data-driven risk control technologies and models to optimize risk monitoring models. A dedicated compliance manager team conducted compliance inspections through a combination of on-site and off-site inspections. Fifthly, the Bank established a smooth information reporting channel. Risk hazards and internal control defects identified during internal control and compliance management actions will be reported to relevant departments and the senior management by ways of early warning, compliance recommendations, management reports, etc.

Internal Audit

In accordance with the requirements of the Guidelines on Internal Audit of Commercial Banks and Guidelines on Internal Control of Commercial Banks, the Bank has established an independent and vertical internal audit management system. The internal audit department of the Bank is subordinated to the Board of Directors and works under the specific guidance of the audit committee of the Board of Directors. Adhering to the principles of independence, objectivity and significance, the internal audit department conscientiously performs its duties, regularly reports to the Board of Directors and the Board of Supervisors on the progress of the audit work, and timely submits audit reports and informs the senior management in accordance with regulatory requirements and relevant system requirements. It establishes the overall planning and annual work plan for internal audit of the Bank, and makes arrangements for and implements the audit of the Bank’s various business activities, operation status and financial obligations of key staff members during their tenure of service; inspects and evaluates the implementation of laws, regulations and rules and suggests improvements to the management.

CHAPTER VIII SIGNIFICANT EVENTS

1 PROFIT DISTRIBUTION DURING THE REPORTING PERIOD

As considered and approved at the 2019 AGM, the 2020 first A Shareholders class meeting and the 2020 first H Shareholders class meeting, the Bank had distributed a cash dividend of RMB1.00 (tax inclusive) for every 10 Shares to the A Shareholders whose names appeared on the register of members of A Shares of the Bank on 29 June 2020 and to the H Shareholders whose names appeared on the register of members of H Shares of the Bank on 2 June 2020, and issued one new Share to the above-mentioned ordinary Shareholders for every 10 Shares held by way of capitalization issue. Total cash dividend amounted to RMB592,193,000 and a total of 592,193,190 Shares were issued. The total number of ordinary Shares of the Bank increased from 5,921,931,900 Shares to 6,514,125,090 Shares after the issue.

The Bank has no plan to distribute cash dividends and bonus Shares or transfer capital reserves fund into its capital for the first half of 2020.

2 ISSUANCE AND REPURCHASE OF BONDS

The Bank issued the tier II capital bonds (Bonds code: 1620066), whose date of value was 21 December 2016, in an amount of RMB3 billion in the national interbank bond market on 19 December 2016, with a fixed rate for a term of 10 years. The Bank shall have the issuer redemption right at the end of the fifth year and the coupon rate is 4.10%.

The Bank issued the tier II capital bonds (Bonds code: 1720014), whose date of value was 31 March 2017, in an amount of RMB2 billion in the national interbank bond market on 30 March 2017, with a fixed rate for a term of 10 years. The Bank shall have the issuer redemption right at the end of the fifth year and the coupon rate is 4.80%.

The Bank issued the 2017 first tranche of green financial bonds (Bonds code: 1720065), whose book-building was recorded in the national interbank bond market, in an amount of RMB3 billion on 5 September 2017, for a maturity term of three years and a coupon rate of 4.70%. The proceeds from the issuance of the bonds was specially used for green industry projects as defined in the List of Projects Supported by Green Financial Bonds (《綠色金融債券支持項目目錄》) formulated by the Green Finance Committee of China Society of Finance & Banking (中國金融學會綠色金融專業委員會).

The Bank issued the 2019 first tranche of green financial bonds (Bonds code: 1920043), whose book-building was recorded in the national interbank bond market, in an amount of RMB2 billion on 3 June 2019, for a maturity term of three years and a coupon rate of 3.70%. The proceeds from the issuance of the bonds was specially used for green industry projects as defined in the List of Projects Supported by Green Financial Bonds formulated by the Green Finance Committee of China Society of Finance & Banking.

3 UNDERTAKINGS FULLY PERFORMED BY THE BANK'S DE FACTO CONTROLLER, SHAREHOLDERS, RELATED PARTIES, PURCHASERS AND THE BANK DURING THE REPORTING PERIOD AND UNDERTAKINGS OVERDUE BUT NOT FULLY PERFORMED AS AT THE END OF THE REPORTING PERIOD

All undertakings given by the de facto controller, shareholders, related parties, purchasers and/or the Bank as set out in the Bank's 2019 annual report were still being performed, and there were neither undertakings fully performed during the Reporting Period nor undertakings overdue but not fully performed as at the end of the Reporting Period.

CHAPTER VIII SIGNIFICANT EVENTS

4 SIGNIFICANT RELATED PARTY TRANSACTIONS

In accordance with the Administrative Measures for Related Party Transactions Between Commercial Banks and Insiders or Shareholders, the SZSE Listing Rules, the Accounting Standards for Business Enterprises, and other laws, administrative rules, departmental regulations and regulatory documents, the Bank continuously perfected the Administrative Measures for Related Party Transactions and other systems, improved the management mechanism of related party transactions, and prudently approved related party transactions in reliance on technology system, so as to prevent the risk of related party transactions. During the Reporting Period, related party transactions between the Bank and its related parties are conducted in the ordinary course of its business with terms and prices agreed in accordance with the principles of good faith and fairness as well as on conditions no better than non-related party transactions of the same type. Such related party transactions had no significant impact on the operation results and financial conditions of the Bank and the indicators on the control of related party transactions were in compliance with related regulations of regulatory authorities.

4.1 Related Parties Directly or Indirectly Holding 5% or more Shares of the Bank

Name of the related party	Relationship		Organization type	Registered capital	Legal representative	Principal business	Change(s) in the Reporting Period
	with the related party	Place of registration					
Zhengzhou Finance Bureau (鄭州市財政局)	Shareholder	N/A	Government departments	N/A	N/A	N/A	Nil
Henan Investment Group Co., Ltd. (河南投資集團有限公司)	Shareholder	Zhengzhou, Henan	Company with limited liability (wholly state-owned)	RMB12 billion	LIU Xinyong	Investment management, investment in construction projects, industrial production information as well as machinery and equipment required for construction projects, sale of raw materials of products for investment projects (other than those subject to national specific regulations); housing lease (For any of the abovementioned businesses which are subject to approval, the company is not allowed to operate such business before obtaining approval)	Nil

CHAPTER VIII SIGNIFICANT EVENTS

4.2 Significant Related Party Transactions

In accordance with the relevant requirements of the Administrative Measures for Related Party Transactions Between Commercial Banks and Insiders or Shareholders and the Administrative Measures for Related Party Transactions of the Bank, the definitions of related party transactions are as follows:

A general related party transaction shall refer to a transaction between the Bank and a single related party with an amount of no more than 1% of the net capital of the Bank and the balance of the transactions between the Bank and the related party after such transaction shall constitute no more than 5% of the net capital of the Bank. A significant related party transaction shall refer to a transaction between the Bank and a single related party with an amount of more than 1% of the net capital of the Bank or the balance of the transactions between the Bank and the related party after such transaction shall constitute more than 5% of the net capital of the Bank. If the transaction is non-credit-grant-type, the transaction amount shall be the cumulative amount of all relevant transaction balances between the Bank and the same related party conducted within a consecutive 12-month period; if the transaction is credit-grant-type, the transaction amount shall be the credit balance between the Bank and the same related party; if the transaction involves both non-credit-grant-type and credit-grant-type, the transaction amount shall be summarized and calculated. In calculating the amount of transactions between a natural person related party and the Bank, the transactions between the person's close relatives and the Bank shall be aggregated; in calculating the amount of transactions between a legal person related party or other organizations and the Bank, the transactions between the legal persons or other organizations constituting a group client and the Bank shall be aggregated.

4.3 Implementations of Related Party Transactions

The Bank considered and approved the Resolution regarding the estimated quota on recurring related party transactions of Bank of Zhengzhou Co., Ltd for 2020 at the 2019 AGM. During the Reporting Period, the Bank strictly implemented related requirements of the Company Law and the SZSE Listing Rules, and none of the related party transactions with related parties exceeded the estimated quota on recurring related party transactions for 2020. Details of the transactions are shown in the table below. Other than the following transactions, the Bank did not have other major related party transactions that meet the above requirements.

CHAPTER VIII SIGNIFICANT EVENTS

4.3.1 Related party transactions of corporation credit grant type

Unit: RMB'000

Number	Related client	Estimated quota on recurring related party transactions	Actual total credit granted	Related legal persons	Credit granted
1	Zhengzhou Construction Investment Group Co., Ltd. (鄭州市建設投資集團有限公司) and its related parties	3,200,000	3,170,000	Zhengzhou Construction Investment Group Co., Ltd. (鄭州市建設投資集團有限公司)	690,000
				Zhengzhou Road and Bridge Construction Investment Group Co., Ltd. (鄭州路橋建設投資集團有限公司)	1,188,500
				Zhengzhou Highway Engineering Company (鄭州市公路工程公司)	601,500
				Zhengzhou Songyue Highway Development Co., Ltd. (鄭州嵩岳公路開發有限公司)	690,000
2	Zhengzhou Transportation Construction Investment Co., Ltd. (鄭州交通建設投資有限公司) and its related parties	1,200,000	800,000	Zhengzhou Transportation Construction Investment Co., Ltd. (鄭州交通建設投資有限公司)	800,000
3	Zhengzhou Municipal Construction Engineering General Corporation (鄭州市市政工程總公司) and its related parties	5,500,000	450,000	Zhengzhou Municipal Construction Engineering General Corporation (鄭州市市政工程總公司)	300,000
				Henan Kanghui Cement Products Co., Ltd. (河南康暉水泥製品有限公司)	150,000
4	Henan Investment Group Co., Ltd. (河南投資集團有限公司) and its related parties	4,000,000	1,610,000	Henan Investment Group Co., Ltd. (河南投資集團有限公司)	150,000
				Luohe Big Data Operation Co., Ltd. (漯河市大數據運營有限公司)	380,000
				Henan Yicheng Holdings Co., Ltd. (河南頤城控股有限公司)	380,000
				Henan City Development & Investment Co., Ltd. (河南城市發展投資有限公司)	300,000
				Henan Development Gas Co., Ltd. (河南省發展燃氣有限公司)	200,000
Xinxiang Zhongyi Power Generation Co. Ltd. (新鄉中益發電有限公司)	200,000				

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Number	Related client	Estimated quota on recurring related party transactions	Actual total credit granted	Related legal persons	Credit granted
5	Henan Zhengyang Construction Engineering Group Co., Ltd. (河南正陽建設工程集團有限公司) and its related parties	3,500,000	1,127,000	Henan Zhengyang Construction Engineering Group Co., Ltd. (河南正陽建設工程集團有限公司)	420,000
				Zhengzhou Airport Economic Comprehensive Experimental Zone Zhenghui Micro-credit Co., Ltd. (鄭州航空港經濟綜合實驗區正輝小額貸款有限公司)	50,000
				Zensun Enterprises Limited (正商實業有限公司)	525,000
				Henan Zensun Property Management Co., Ltd. (河南正商物業管理有限公司)	132,000
6	Henan Huida Jiarui Real Estate Co., Ltd. (河南暉達嘉睿置業有限公司) and its related parties	3,000,000	2,615,000	Zhengzhou Huida Industrial Development Co., Ltd. (鄭州暉達實業發展有限公司)	500,000
				Henan Huida Construction Investment Co., Ltd. (河南暉達建設投資有限公司)	1,289,000
				Zhengzhou Yingshou Trading Co., Ltd. (鄭州盈首商貿有限公司)	120,000
				Henan Xincheng Real Estate Co., Ltd. (河南新城置業有限公司)	180,000
				Henan Yingshuo Construction Engineering Co., Ltd. (河南盈碩建築工程有限公司)	526,000
7	Zhengzhou Zhongrongchuang Industrial Investment Co., Ltd. (鄭州市中融創產業投資有限公司) and its related parties	4,200,000	2,120,000	Zhengzhou Zhongrongchuang Industrial Investment Co., Ltd. (鄭州市中融創產業投資有限公司)	1,000,000
				Zhengzhou Investment Holdings Co., Ltd. (鄭州投資控股有限公司)	390,000
				Zhengzhou Guotou Industrial Development Fund (Limited Partnership) (鄭州國投產業發展基金(有限合夥))	400,000
				Zhengzhou State-owned Holding Xicheng Construction Co., Ltd. (鄭州國控西城建設有限公司)	330,000
8	Henan Asset Management Company Limited (河南資產管理有限公司) and its related parties	1,900,000	1,390,000	Henan Asset Management Company Limited (河南資產管理有限公司)	1,390,000
9	Bank of Lanzhou Co., Ltd. (蘭州銀行股份有限公司)	2,000,000	1,000,000	Bank of Lanzhou Co., Ltd. (蘭州銀行股份有限公司)	1,000,000

CHAPTER VIII SIGNIFICANT EVENTS

4.3.2 Credit-grant-type Related Transactions of Subsidiaries

Unit: RMB'000

Number	Related client	Credit-grant-type business	
		Estimated quota on recurring related party transactions	Credit granted
1	Jiuding Financial Leasing Company	4,000,000	3,000,000
2	Fugou Zhengyin County Bank	500,000	220,000
3	Xinmi Zhengyin County Bank	300,000	300,000
4	Xunxian Zhengyin County Bank	300,000	150,000
5	Queshan Zhengyin County Bank	350,000	100,000
6	Zhongmu Zhengyin County Bank	300,000	300,000
7	Yanling Zhengyin County Bank	300,000	20,000
8	Xinzheng Zhengyin County Bank	300,000	100,000

4.3.3 Credit-grant-type Related Transactions of Natural Persons

As at the end of the Reporting Period, the credit balance of natural person related parties in the Bank was RMB71,954,200, which did not exceed the limit of RMB200 million for the aggregate quota of natural person related parties under estimated quota on recurring related party transactions for 2020.

4.3.4 Other Related Party Transactions

A total of RMB435,160,000 of credit assets was transferred to Henan Asset Management Company Limited (河南資產管理有限公司); a total of trust custody and supervision fees of RMB4,792,900 was provided to Bridge Trust Co., Ltd.; a total of trust custody and supervision fees of RMB117,497,300 was provided to Zhongyuan Trust Co., Ltd. The largest single transaction of interbank bonds and capital transaction business with each of the Bank of Lanzhou Co., Ltd., the Bank of Guizhou Co., Ltd. (貴州銀行股份有限公司) and Central China Securities Co., Ltd. (中原證券股份有限公司) amounted to RMB803,641,800, RMB994,989,400 and RMB337,984,200, respectively; the subsidiary county banks purchased a total of RMB4.34 billion of wealth management products from the Bank, of which Fugou Zhengyin County Bank purchased an amount of RMB190 million and Zhongmu Zhengyin County Bank purchased an amount of RMB4.15 billion. None of the above transactions exceeded the estimated quota on recurring related party transactions for 2020.

CHAPTER VIII SIGNIFICANT EVENTS

The Bank intended to issue A Shares by means of non-public issuance, and entered into conditional share subscription agreements and supplemental agreements with Zhengzhou Investment Holdings Co., Ltd., Bridge Trust Co., Ltd. and Henan Guoyuan Trade Co., Ltd.. Zhengzhou Investment Holdings Co., Ltd. proposed to subscribe for not less than 171,500,000 A Shares, and the subscription amount shall be equal to the number of subscription shares multiplied by the issue price; Bridge Trust Co., Ltd. proposed to subscribe for not more than RMB860 million and not less than RMB660 million, and the number of Shares to be subscribed shall be equal to the subscription amount divided by the issue price; Henan Guoyuan Trade Co., Ltd. proposed to subscribe for not more than RMB600 million and not less than RMB450 million, and the number of Shares to be subscribed shall be equal to the subscription amount divided by the issue price. Such amended transactions constituted related party transactions of the Bank and had been considered and approved at the 2019 AGM of the Bank. For details, please refer to the announcements published on CNINFO by the Bank dated 31 March 2020, 28 April 2020 and 21 May 2020 and on the website of the Hong Kong Stock Exchange dated 30 March 2020, 6 April 2020 and 20 May 2020 and the circular dated 28 April 2020.

5 SIGNIFICANT CONTRACTS AND INFORMATION ON THEIR PERFORMANCE

5.1 Entrustment, Contracting and Leasing Matters

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

5.2 Significant Guarantees

During the Reporting Period, the Bank did not have any material guarantee that needed to be disclosed save for the financial guarantees within the business scope as approved by the People's Bank of China and the CBIRC.

5.3 Entrusted Wealth Management

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

5.4 Other Significant Contracts

During the Reporting Period, the Bank had no other significant contractual matters required to be disclosed, other than those disclosed in this Report, other announcements and circulars of the Bank.

CHAPTER VIII SIGNIFICANT EVENTS

6 LOAN AGREEMENTS OR FINANCIAL ASSISTANCE OF THE BANK

During the Reporting Period, the Bank did not provide any of its affiliated companies with any financial assistance or guarantees required to be disclosed under Rule 13.16 of the Stock Exchange Listing Rules. The Bank does not have controlling Shareholders or de facto controllers, nor has it entered into any loan agreements with covenants relating to specific performance of the controlling Shareholders of the Bank or breached the terms of any loan agreements.

7 SIGNIFICANT ACQUISITION, DISPOSAL AND ABSORPTION OF ASSETS AND EQUITY

During the Reporting Period, the Bank had no significant acquisition, disposal or absorption of assets and equity.

8 SIGNIFICANT LITIGATION AND ARBITRATION

The Bank is involved in certain litigation and arbitration matters arising from its ordinary course of business due to the recovery of borrowings and other reasons. As at the end of the Reporting Period, the total amount of the pending litigations and arbitrations in which the Bank acted as the plaintiff or the applicant was RMB2,265 million; while the total amount of the pending litigation and arbitration of the Bank acting as the defendant or the respondent was RMB2 million. During the Reporting Period, the Bank had no material litigation or arbitration matters that had material adverse impact on its financial position and operating results.

9 MATTERS RELATED TO MEDIA SKEPTICISM

During the Reporting Period, the Bank had no matters related to widespread media skepticism.

10 PUNISHMENT AND REMEDIAL ACTIONS OF THE BANK AND ITS DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND SHAREHOLDERS HOLDING MORE THAN 5% OF THE SHARES

During the Reporting Period, to the best knowledge of the Bank, none of the Bank, its current and former Directors, Supervisors, senior management personnel of the Bank or shareholders with shareholding of more than 5% was subject to investigation by competent authorities, and enforcement actions by judiciary authorities or disciplinary departments; was brought before relevant judiciary authorities or prosecuted for criminal responsibilities; was subject to investigations or administrative punishments by the CSRC; was prohibited against entry into the market or identified as an inappropriate person; or was the subject of any material administrative punishments imposed by other administrative authorities or public reprimands by any stock exchanges.

CHAPTER VIII SIGNIFICANT EVENTS

11 INTEGRITY OF THE BANK AND ITS CONTROLLING SHAREHOLDERS AND DE FACTO CONTROLLERS

As at the end of the Reporting Period, the Bank did not have any controlling Shareholders or de facto controllers. During the Reporting Period, other than the following case, the Bank and the Bank's largest Shareholder were not involved in any cases, in which other effective judgments by any courts were not satisfied, or debts carrying a large amount of money were due but not yet paid off.

In 2017, Henan Zhipeng Real Estate Co., Ltd. (河南志鵬置業有限公司), as the plaintiff, filed a civil lawsuit in the court against the former legal representative of Henan Guoyuan Auction Co., Ltd. (河南省國源拍賣有限公司) (now deregistered), other relevant parties and the Bank as defendants, requesting the court to confirm that the auction of the creditor's rights over a certain loan owned by the Bank conducted by Henan Guoyuan Auction Co., Ltd. as entrusted by the Bank from March to April 2011 shall be invalid, and filed claims, among other things, for the return by the Bank of the transaction price of RMB26.00 million paid by the plaintiff for its participation in and successful bid at the auction. After the hearing by Zhengzhou Municipal Intermediate People's Court of First Instance and by Henan Provincial Higher People's Court of Second Instance, the two courts determined that the aforesaid auction was invalid on the ground, among other things, that the auction company's auction procedures were in violation of the relevant regulations, and ruled that the Bank shall return the auction money of RMB26.00 million and bear a portion of the case's fees, and that Henan Zhipeng Real Estate Co., Ltd. shall return the creditor's rights certificate involved in the auction to the Bank. In this regard, the Bank has filed a petition for a re-trial with the Supreme People's Court. The Supreme People's Court has accepted the case in July 2020 but the case had not been heard as of the Latest Practicable Date. The Bank has performed the ruling by returning the auction money and bearing some of the case's fees, but has not performed the closing procedures. The Court of First Instance and the Court of Second Instance in this case have confirmed in their written judgments that the Bank was not at fault during the auction procedures. The dispute over the auction contract is not expected to have a significant impact on the Bank's profits for the current or subsequent periods.

12 CAPITAL OCCUPATION BY CONTROLLING SHAREHOLDERS AND RELATED PARTIES OF THE BANK FOR NON-OPERATING PURPOSES

There was no capital occupation of the Bank by its controlling Shareholders and related parties.

13 SPECIAL STATEMENT AND INDEPENDENT OPINION OF INDEPENDENT NON-EXECUTIVE DIRECTORS ON EXTERNAL GUARANTEES OF THE BANK AND CAPITAL OCCUPATION BY THE CONTROLLING SHAREHOLDERS AND RELATED PARTIES OF THE BANK

Guarantee business is one of the regular banking businesses of the Bank, which is approved by the People's Bank of China and the CBIRC. The Bank attached great importance to the risk management of this business, strictly implemented relevant operation processes and approval procedures, and effectively controlled the risk of external guarantee business. During the Reporting Period, the Bank meticulously implemented the relevant requirements of Zheng Jian Fa [2003] No. 56 Document (證監發[2003]56號文件) and had no unlawful guarantees.

As at the end of the Reporting Period, there was no capital occupation by the controlling Shareholders and related parties of the Bank.

CHAPTER VIII SIGNIFICANT EVENTS

14 SHARE OPTION SCHEME, EMPLOYEE SHARE OWNERSHIP SCHEME OR OTHER EMPLOYEE INCENTIVE MEASURES AND THEIR ACTUAL IMPLEMENTATIONS DURING THE REPORTING PERIOD

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

15 MATTERS RELATED TO BANKRUPTCY AND REORGANIZATION

There was no matter related to bankruptcy and reorganization of the Bank during the Reporting Period.

16 APPOINTMENT AND DISMISSAL OF ACCOUNTING FIRMS

As considered and approved at the 2019 AGM, the Bank re-appointed KPMG Huazhen LLP and KPMG as its domestic and overseas auditors for 2020, respectively, and their term shall last until the conclusion of the 2020 annual general meeting of the Bank.

17 AUDIT REVIEW

The financial statements for the six months ended 30 June 2020, prepared by the Bank according to the PRC GAAP and IFRS, and were unaudited. KPMG Huazhen LLP and KPMG had reviewed such financial statements, respectively. The Report was reviewed by the audit committee of the Board and the Board of the Bank.

18 EXPLANATION ON OTHER SIGNIFICANT EVENTS

During the Reporting Period, the Bank had no other significant events, other than those disclosed in this Report, other announcements and circulars of the Bank.

19 SIGNIFICANT EVENTS OF THE BANK'S SUBSIDIARIES

During the Reporting Period, the Bank's subsidiaries had no significant events.

CHAPTER IX REVIEW REPORT

Review report to the board of directors of Bank of Zhengzhou 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 120 to 235 which comprises the consolidated statement of financial position of Bank of Zhengzhou Co., Ltd. (the "Bank") and its subsidiaries (collectively the "Group") as of 30 June 2020 and the related consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the six months 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 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 the 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

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the six months ended 30 June 2020 – unaudited
(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	Six months ended 30 June	
		2020 (unaudited)	2019 (unaudited)
Interest income		11,645,506	10,318,812
Interest expense		(6,222,994)	(6,379,217)
Net interest income	4	5,422,512	3,939,595
Fee and commission income		1,127,167	840,485
Fee and commission expense		(70,331)	(64,909)
Net fee and commission income	5	1,056,836	775,576
Net trading gains	6	402,118	326,170
Net gains arising from investments	7	792,343	1,176,162
Other operating income	8	6,715	14,082
Operating income		7,680,524	6,231,585
Operating expenses	9	(1,418,500)	(1,716,342)
Impairment losses on assets	10	(3,209,685)	(1,485,424)
Operating profit		3,052,339	3,029,819
Share of profits of associates	20	30,081	29,095
Profit before taxation		3,082,420	3,058,914
Income tax expense	11	(609,420)	(548,880)
Profit for the period		2,473,000	2,510,034
Net profit attributable to:			
Equity shareholders of the Bank		2,417,853	2,469,317
Non-controlling interests		55,147	40,717
		2,473,000	2,510,034

The notes on pages 129 to 235 form part of these financial reports.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the six months ended 30 June 2020 – unaudited (continued)
(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	Six months ended 30 June	
		2020 (unaudited)	2019 (unaudited)
Profit for the period		2,473,000	2,510,034
Other comprehensive income:			
Other comprehensive income net of tax attributable to equity shareholders of the Bank			
Item that may be reclassified subsequently to profit or loss			
– Net gain from debt instruments measured at fair value through other comprehensive income		(139,129)	29,269
Item that will not be reclassified subsequently to profit or loss			
– Remeasurement of net defined benefit liability		(891)	630
Non-controlling interests		13	(28)
Other comprehensive income net of tax		(140,007)	29,871
Total comprehensive income		2,332,993	2,539,905
Total comprehensive income attributable to:			
Equity shareholders of the Bank		2,277,833	2,499,216
Non-controlling interests		55,160	40,689
		2,332,993	2,539,905
Basic and diluted earnings per share (restated for comparative period) (in RMB)	12	0.37	0.38

The notes on pages 129 to 235 form part of these financial reports.

Consolidated statement of financial position

at 30 June 2020 – unaudited
(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	30 June 2020 (unaudited)	31 December 2019 (audited)
Assets			
Cash and deposits with central bank	13	31,833,892	38,465,676
Deposits with banks and other financial institutions	14	2,914,964	1,930,394
Placements with banks and other financial institutions	15	1,872,743	2,784,681
Derivative financial assets	27	30,000	94,602
Financial assets held under resale agreements	16	7,669,685	2,998,744
Loans and advances to customers	17	209,294,377	189,266,541
Financial investments:			
– Financial investments at fair value through profit or loss	18	61,021,348	55,062,294
– Financial investments at fair value through other comprehensive income	18	25,479,545	15,751,610
– Financial investments measured at amortized cost	18	167,034,098	173,168,422
Finance lease receivables	19	17,568,635	12,501,697
Interest in associates	20	374,717	376,874
Property and equipment	21	2,559,325	2,372,354
Deferred tax assets	22	3,342,277	2,834,990
Other assets	23	2,877,327	2,869,248
Total assets		533,872,933	500,478,127
Liabilities			
Due to central bank	24	16,408,987	9,954,864
Deposits from banks and other financial institutions	25	20,301,652	18,906,118
Placements from banks and other financial institutions	26	17,320,293	14,113,018
Derivative financial liabilities	27	65,967	4,944
Financial assets sold under repurchase agreements	28	19,624,666	16,385,737
Deposits from customers	29	319,548,187	292,125,786
Tax payable		997,030	745,840
Debt securities issued	30	94,582,627	105,245,667
Other liabilities	31	3,393,194	3,104,531
Total liabilities		492,242,603	460,586,505

The notes on pages 129 to 235 form part of these financial reports.

Consolidated statement of financial position

at 30 June 2020 – unaudited (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	30 June 2020 (unaudited)	31 December 2019 (audited)
Equity			
Share capital	32	6,514,125	5,921,932
Other equity instruments			
Include: preference shares	35	7,825,508	7,825,508
Capital reserve	33	4,571,462	5,163,655
Surplus reserve	33	2,675,548	2,675,548
General reserve	33	6,619,553	6,619,553
Fair value reserve	33	(42,066)	97,063
Remeasurement of net defined benefit liability	33	(47,315)	(46,424)
Retained earnings	34	12,159,147	10,333,487
Total equity attributable to equity shareholders of the Bank		40,275,962	38,590,322
Non-controlling interests		1,354,368	1,301,300
Total equity		41,630,330	39,891,622
Total liabilities and equity		533,872,933	500,478,127

Approved and authorised for issue by the board of directors on 28 August 2020.

Wang Tianyu
Chairman of the
Board of Directors
Executive Director

Shen Xueqing
President
Executive Director

Fu Chunqiao
Chief accountant

Gao Chenxin
*General Manager of the Planning and
Finance Department*

(Company chop)

The notes on pages 129 to 235 form part of these financial reports.

Consolidated Statement of Changes in Equity

for the six months ended 30 June 2020 – unaudited
(Expressed in thousands of Renminbi, unless otherwise stated)

	Attributable to equity shareholders of the Bank										Total equity	
	Note	Share capital	Other equity instruments	Capital reserve	Surplus reserve	General reserve	Fair value reserve	Remeasurement of net defined benefit liability	Retained earnings	Sub-total		Non-controlling interests
Balance at 1 January 2019		5,921,932	7,825,508	5,163,655	2,356,214	5,870,320	38,590	(44,492)	9,518,012	36,649,739	1,213,760	37,863,499
Profit for the period		-	-	-	-	-	-	-	2,469,317	2,469,317	40,717	2,510,034
Other comprehensive income	33(d)(e)	-	-	-	-	-	29,269	630	-	29,899	(28)	29,871
Total comprehensive income		-	-	-	-	-	29,269	630	2,469,317	2,499,216	40,689	2,539,905
Appropriation of profit:									(888,290)	(888,290)	-	(888,290)
Cash dividends for the year 2018		-	-	-	-	-	-	-	-	-	-	-
Balance at 30 June 2019 (unaudited)		5,921,932	7,825,508	5,163,655	2,356,214	5,870,320	67,859	(43,862)	11,099,039	38,260,665	1,254,449	39,515,114

The notes on pages 129 to 235 form part of these financial reports.

Consolidated Statement of Changes in Equity

for the six months ended 30 June 2020 – unaudited (continued)
(Expressed in thousands of Renminbi, unless otherwise stated)

	Attributable to equity shareholders of the Bank											
	Note	Share capital	Other equity instruments	Capital reserve	Surplus reserve	General reserve	Fair value reserve	Remeasurement of net defined benefit liability	Retained earnings	Sub-total	Non-controlling interests	Total equity
Balance at 1 July 2019		5,921,932	7,825,508	5,163,655	2,356,214	5,870,320	67,859	(43,862)	11,099,039	38,260,665	1,254,449	39,515,114
Profit for the period		-	-	-	-	-	-	-	815,805	815,805	47,381	863,186
Other comprehensive income	33(d)(e)	-	-	-	-	-	29,204	(2,562)	-	26,642	(530)	26,112
Total comprehensive income		-	-	-	-	-	29,204	(2,562)	815,805	842,447	46,851	889,298
Appropriation of profit:												
Appropriation to surplus reserve		-	-	-	319,334	-	-	-	(319,334)	-	-	-
Appropriation to general reserve		-	-	-	-	749,233	-	-	(749,233)	-	-	-
Cash dividends on preference shares	34(b)	-	-	-	-	-	-	-	(512,790)	(512,790)	-	(512,790)
Sub-total		-	-	-	319,334	749,233	-	-	(1,581,357)	(512,790)	-	(512,790)
Balance at 31 December 2019 (audited)		5,921,932	7,825,508	5,163,655	2,675,548	6,619,553	97,063	(46,424)	10,333,487	38,590,322	1,301,300	39,891,622

The notes on pages 129 to 235 form part of these financial reports.

Consolidated Statement of Changes in Equity

for the six months ended 30 June 2020 – unaudited (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

Note	Attributable to equity shareholders of the Bank										
	Share capital	Other equity instruments	Capital reserve	Surplus reserve	General reserve	Fair value reserve	Remeasurement of net defined benefit liability	Retained earnings	Sub-total	Non-controlling interests	Total equity
Balance at 1 January 2020	5,921,932	7,825,508	5,163,655	2,675,548	6,619,553	97,063	(46,424)	10,333,487	38,590,322	1,301,300	39,891,622
Profit for the period	-	-	-	-	-	-	-	2,417,853	2,417,853	55,147	2,473,000
Other comprehensive income	-	-	-	-	-	(139,129)	(891)	-	(140,020)	13	(140,007)
Total comprehensive income	-	-	-	-	-	(139,129)	(891)	2,417,853	2,277,833	55,160	2,332,993
Appropriation of profit:											
Share capital converted from capital reserve	592,193	-	(592,193)	-	-	-	-	-	-	-	-
Cash dividends for the year 2019	-	-	-	-	-	-	-	(592,193)	(592,193)	(2,092)	(594,285)
Balance at 30 June 2020 (unaudited)	6,514,125	7,825,508	4,571,462	2,675,548	6,619,553	(42,066)	(47,315)	12,159,147	40,275,962	1,354,368	41,630,330

The notes on pages 129 to 235 form part of these financial reports.

Consolidated Cash Flow Statement

for the six months ended 30 June 2020 – unaudited
(Expressed in thousands of Renminbi, unless otherwise stated)

	Six months ended 30 June	
	2020 (unaudited)	2019 (unaudited)
Cash flows from operating activities		
Profit before tax	3,082,420	3,058,914
<i>Adjustments for:</i>		
Impairment losses on assets	3,209,685	1,485,424
Depreciation and amortisation	218,201	237,150
Unrealised foreign exchange (gains)/losses	(42,864)	27,165
Net losses from disposal of long-term assets	593	115
Net trading gains of financial investments at fair value through profit or loss	(104,893)	(153,397)
Net gains arising from investments	(892,859)	(1,139,596)
Share of profits of associates	(30,081)	(29,095)
Interest expense on debt securities issued	1,498,551	1,708,829
Interest income on financial investments	(4,936,852)	(4,622,181)
	2,001,901	573,328
<i>Changes in operating assets</i>		
Net decrease in deposits with central bank	2,577,727	733,727
Net decrease in deposits and placements with banks and other financial institutions	103,450	675,106
Net (increase)/decrease in financial investments at fair value through profit or loss	(7,404,646)	4,922,793
Net increase in loans and advances to customers	(22,044,797)	(18,356,061)
Net (increase)/decrease in financial assets held under resale agreements	(4,670,887)	3,328,451
Net (increase)/decrease in finance lease receivables	(5,115,838)	661,880
Net increase in other operating assets	(322,721)	(395,813)
	(36,877,712)	(8,429,917)
<i>Changes in operating liabilities</i>		
Net increase in amounts due to central bank	6,348,110	982,500
Net increase/(decrease) in deposits and placements from banks and other financial institutions	4,587,852	(7,476,850)
Net increase in financial assets sold under repurchase agreements	3,239,637	2,950,920
Net increase in deposits from customers	27,976,454	7,464,314
Net (decrease)/increase in other operating liabilities	(81,243)	235,346
	42,070,810	4,156,230
Cash generated from/(used in) operations	7,194,999	(3,700,359)
Income tax paid	(874,237)	(599,582)
Net cash flows generated from/(used in) operating activities	6,320,762	(4,299,941)

The notes on pages 129 to 235 form part of these financial reports.

Consolidated Cash Flow Statement

for the six months ended 30 June 2020 – unaudited (continued)
(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	Six months ended 30 June	
		2020 (unaudited)	2019 (unaudited)
Cash flows from investing activities			
Proceeds from disposal and redemption of investments		134,268,978	74,459,313
Proceeds from disposal of property and equipment and other assets		287	8,842
Payments on acquisition of investments		(139,445,847)	(92,456,139)
Dividends and interest received		7,873,919	6,095,464
Payments on acquisition of property and equipment and other assets		(134,275)	(473,149)
Net cash flows generated from/(used in) investing activities		2,563,062	(12,365,669)
Cash flows from financing activities			
Proceeds received from debt securities issued		45,748,581	51,618,165
Repayment of debt securities issued		(57,750,000)	(44,220,987)
Interest paid on debt securities issued		(160,171)	(1,724,087)
Dividends paid		(562,978)	(888,290)
Cash flows from other financing activities		(51,010)	–
Net cash flows (used in)/generated from financing activities		(12,775,578)	4,784,801
Net decrease in cash and cash equivalents		(3,891,754)	(11,880,809)
Cash and cash equivalents as at 1 January		17,766,563	22,521,114
Effect of foreign exchange rate changes on cash and cash equivalents		14,688	4,537
Cash and cash equivalents as at 30 June	36(a)	13,889,497	10,644,842
Net cash flows generated from operating activities include:			
Interest received		7,890,156	6,816,531
Interest paid		(5,149,044)	(5,328,574)

The notes on pages 129 to 235 form part of these financial reports.

Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

1 BACKGROUND INFORMATION

Bank of Zhengzhou Co., Ltd., formerly known as City Commercial Bank of Zhengzhou Co., Ltd., is a joint-stock commercial bank established with the approval of the People's Bank of China (the "PBOC") in accordance with the notice of JiYinFu [2000] No. 64. The Bank changed its name to Bank of Zhengzhou Co., Ltd. in October 2009. The registered address is No.22 Business Waihuan Road, Zhengdong New District, Zhengzhou City, Henan Province. The Bank operates in Henan Province of the PRC.

The Bank obtained its financial institution license No. B1036H241010001 from the former China Banking Regulatory Commission ("the former CBRC"), and obtained its business license No. 410000100052554 from the State Administration for Industry and Commerce of the People's Republic of China (the "PRC"). The Bank is regulated by the China Banking Insurance Regulatory Commission (the "CBIRC") authorized by the State Council.

In December 2015, the Bank's H-shares were listed on the Main Board of the Stock Exchange of Hong Kong Limited (Stock code: 06196). In September 2018, the Bank's A-share was listed on the SME Board of the Shenzhen Stock Exchange (Stock code: 002936).

The principal activities of the Bank and its subsidiaries (collectively the "Group") includes taking deposits from the public; extending short-term, medium-term and long-term loans; effecting domestic settlements; accepting and discounting bills; issuing financial bonds; acting as the issuing agent, cashing agent and the underwriting of government bonds; trading government bonds; engaging in interbank borrowings; financial leasing; offering guarantees; providing safe-deposit box service; collecting and making payments as agent and acting as insurance agent; accepting entrusted loans and other businesses approved by the banking regulatory authorities under the State Council.

For subsidiaries of the Bank, refer to note 20 for more information.

2 BASIS OF PREPARATION

The 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").

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 report. Details of any changes in accounting policies are set out in note 3.

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. Actual results may differ from these estimates.

Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

2 BASIS OF PREPARATION (CONTINUED)

This interim financial report contains condensed consolidated 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 Group since the 2019 annual financial statements. The condensed consolidated interim financial statements and 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 Institute of Certified Public Accountants.

3 CHANGES IN ACCOUNTING POLICIES

The Group has applied the following amendments to IFRSs issued by the IASB to these financial statements for the current accounting period:

- Amendments to IFRS 3, Definition of a Business
- Amendment to IFRS 16, Covid-19-Related Rent Concessions

The changes in accounting policies are also expected to be reflected in the Group’s annual financial statements for the year ending 31 December 2020.

None of these developments have had a material effect on how the Group’s results and financial position for the current or prior periods have been prepared or presented in this interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

4 NET INTEREST INCOME

	Six months ended 30 June	
	2020	2019
Interest income arising from		
Deposits with central bank	207,609	237,603
Deposits and placements with banks and other financial institutions	53,290	94,517
Loans and advances to customers		
– Corporate loans and advances	3,990,846	3,316,743
– Personal loans and advances	1,777,032	1,368,875
– Discounted bills	148,303	218,360
Financial assets held under resale agreements	58,149	75,617
Financial investments	4,936,852	4,622,181
Finance lease receivables	473,425	384,916
Sub-total	11,645,506	10,318,812
Interest expense arising from		
Amounts due to central bank	(218,482)	(70,124)
Deposits and placements from banks and other financial institutions	(526,517)	(752,116)
Deposits from customers	(3,789,038)	(3,637,155)
Financial assets sold under repurchase agreements	(190,406)	(210,993)
Debt securities issued	(1,498,551)	(1,708,829)
Sub-total	(6,222,994)	(6,379,217)
Net interest income	5,422,512	3,939,595

Interest expense on financial liabilities with maturity over five years mainly included the interest expense on deposits from customers and debt securities issued.

Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

5 NET FEE AND COMMISSION INCOME

	Six months ended 30 June	
	2020	2019
Fee and commission income		
Agency and custody services fees	776,229	573,216
Underwriting and advisory fees	148,515	121,764
Acceptance and guarantee services fees	101,927	67,249
Bank card services fees	83,567	65,488
Others	16,929	12,768
Sub-total	1,127,167	840,485
Fee and commission expense	(70,331)	(64,909)
Net fee and commission income	1,056,836	775,576

6 NET TRADING GAINS

	Note	Six months ended 30 June	
		2020	2019
Net gains from debt securities and investment funds	(a)	236,196	350,551
Net foreign exchange gains/(losses)	(b)	165,922	(24,357)
Net losses from interest rate swap		–	(24)
Total		402,118	326,170

(a) Net gains from debt securities and funds include gains arising from the buying and selling of, net gains arising from and changes in the fair value of financial assets held for trading.

(b) Net foreign exchange gains mainly included gains from purchase and sale of foreign currency spot, net gains arising from and changes in the fair value of foreign currency derivatives, and translation of foreign currency monetary assets and liabilities into Renminbi.

Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

7 NET GAINS ARISING FROM INVESTMENTS

	Six months ended 30 June	
	2020	2019
Net gains from debt securities	321,554	45,129
Net gains from other debt instruments	470,789	1,131,033
Total	792,343	1,176,162

8 OTHER OPERATING INCOME

	Six months ended 30 June	
	2020	2019
Rental income	3,107	7,755
Government grants	873	1,331
Net losses on disposal of property and equipment	(593)	(115)
Others	3,328	5,111
Total	6,715	14,082

Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

9 OPERATING EXPENSES

	Six months ended 30 June	
	2020	2019
Staff costs		
– Salaries, bonuses and allowance	646,479	769,770
– Social insurance and annuity	70,692	125,397
– Supplementary retirement benefits	3,169	9,549
– Staff welfare	52,742	83,200
– Housing allowance	48,072	40,402
– Others	17,470	20,085
Sub-total	838,624	1,048,403
Depreciation and amortisation	218,201	237,150
– Depreciation of right-of-use assets	61,491	78,072
– Others	156,710	159,078
Property management expenses	34,316	37,314
Office expenses	17,921	24,759
Tax and surcharges	68,505	54,730
Interest expense of lease liabilities	7,177	9,452
Other general and administrative expenses	233,756	304,534
Total	1,418,500	1,716,342

10 IMPAIRMENT LOSSES ON ASSETS

	Six months ended 30 June	
	2020	2019
Loans and advances to customers measured at amortised cost	2,230,087	970,189
Loans and advances to customers measured at fair value through other comprehensive income	33,894	38,071
Financial investments measured at amortised cost	786,722	440,868
Financial investments at fair value through other comprehensive income	1,035	284
Finance lease receivables	130,000	20,000
Financial assets held under resale agreements	193	(1,929)
Placements with banks and other financial institutions	(194)	611
Deposits with banks and other financial institutions	43	14
Off-balance sheet credit commitments	27,905	17,316
Total	3,209,685	1,485,424

Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

11 INCOME TAX EXPENSE

(a) Income tax for the period:

	Note	Six months ended 30 June	
		2020	2019
Current tax		1,017,312	758,201
Deferred tax	22	(460,614)	(305,423)
Adjustment for prior years		52,722	96,102
Total		609,420	548,880

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

	Note	Six months ended 30 June	
		2020	2019
Profit before tax		3,082,420	3,058,914
Statutory tax rate		25%	25%
Income tax calculated at statutory tax rate		770,605	764,728
Non-deductible expenses		6,297	1,197
Non-taxable income	(1)	(220,204)	(319,221)
Tax effect of unrecognised tax losses		–	6,074
Adjustment for prior years		52,722	96,102
Income tax		609,420	548,880

(1) Non-taxable income consists of interest income from the PRC government bonds and share of profits of associates, which are exempted from income tax under the PRC tax regulations.

Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

12 BASIC AND DILUTED EARNINGS PER SHARE

The calculation of basic and diluted earnings per share of the Group is based on the following:

	Note	Six months ended 30 June	
		2020	2019
Earnings:			
Profit for the period attributable to ordinary shareholders of the Bank		2,417,853	2,469,317
Shares:			
Weighted average number of ordinary shares (in thousand shares)	(a)	6,514,125	6,514,125
Basic and diluted earnings per share attributable to ordinary shareholders of the Bank (in RMB)		0.37	0.38

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

In June 2020, the Bank implemented the 2019 equity distribution plan to convert capital reserve to share capital. Therefore, the earnings per share for comparative reporting period are recalculated according to the adjusted number of shares.

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

	Six months ended 30 June	
	2020	2019
Number of ordinary shares as at 1 January	5,921,932	5,921,932
Increase in weighted average number of ordinary shares (restated for comparative period)	592,193	592,193
Weighted average number of ordinary shares	6,514,125	6,514,125

Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

13 CASH AND DEPOSITS WITH CENTRAL BANK

	Note	30 June 2020	31 December 2019
Cash on hand		1,269,553	818,502
Deposits with central bank			
– Statutory deposit reserves	(a)	22,051,091	24,597,792
– Surplus deposit reserves	(b)	8,237,921	12,739,930
– Fiscal deposits		265,152	296,178
– Interest accrued		10,175	13,274
Sub-total		30,564,339	37,647,174
Total		31,833,892	38,465,676

- (a) The Bank and its subsidiaries place statutory deposit reserves with the PBOC in accordance with relevant regulations. As at the end of the relevant period/year, the statutory deposit reserve ratios applicable to the Bank were as follows:

	30 June 2020	31 December 2019
Reserve ratio for RMB deposits	7.0%	8.5%
Reserve ratio for foreign currency deposits	5.0%	5.0%

The statutory deposit reserves are not available for the Group's daily business.

The subsidiaries of the Bank are required to place statutory RMB deposits reserve at rates determined by the PBOC.

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

Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

14 DEPOSITS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

Analysed by type and location of counterparty

	30 June 2020	31 December 2019
Deposits in mainland China		
– Banks	2,735,829	1,677,433
– Other financial institutions	–	565
Sub-total	2,735,829	1,677,998
Deposits outside mainland China		
– Banks	178,075	252,536
Sub-total	178,075	252,536
Total	2,913,904	1,930,534
Interest accrued	1,695	452
Less: provision for impairment losses	(635)	(592)
Total	2,914,964	1,930,394

Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

15 PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	30 June 2020	31 December 2019
Placements in mainland China		
– Banks	1,168,118	997,597
– Other financial institutions	700,000	1,700,000
Placements outside mainland China		
– Banks	–	83,449
Total	1,868,118	2,781,046
Interest accrued	5,167	4,371
Less: provision for impairment losses	(542)	(736)
Total carrying amount	1,872,743	2,784,681

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(Expressed in thousands of Renminbi, unless otherwise stated)

16 FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

(a) Analysed by type and location of counterparty

	30 June 2020	31 December 2019
In mainland China		
– Banks	6,301,263	1,781,820
– Other financial institutions	1,367,929	1,216,485
Total	7,669,192	2,998,305
Interest accrued	741	494
Less: provision for impairment losses	(248)	(55)
Total	7,669,685	2,998,744

(b) Analysed by type of collateral

	30 June 2020	31 December 2019
Debt securities	5,675,067	2,998,305
Bills	1,994,125	–
Interest accrued	741	494
Less: provision for impairment losses	(248)	(55)
Total	7,669,685	2,998,744

Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

17 LOANS AND ADVANCES TO CUSTOMERS

(a) Analysed by nature

	30 June 2020	31 December 2019
Loans and advances to customers measured at amortised cost		
Corporate loans and advances	134,593,302	121,496,875
Personal loans and advances		
– Personal business loans	21,843,491	20,912,865
– Residential mortgage	39,747,345	30,052,807
– Personal consumption loans	2,472,142	5,807,222
– Credit card	2,939,307	2,820,929
Sub-total	67,002,285	59,593,823
Total amount of loans and advances to customers measured at amortised cost	201,595,587	181,090,698
Loans and advances to customers measured at fair value through other comprehensive income		
– Corporate loans and advances-Forfeiting	3,930,975	3,068,741
– Discounted bills	10,082,890	11,752,226
Sub-total	14,013,865	14,820,967
Gross loans and advances to customers	215,609,452	195,911,665
Interest accrued	842,996	682,722
Less: Provision for impairment losses on loans and advances to customers measured at amortised cost	(7,158,071)	(7,327,846)
Net loans and advances to customers	209,294,377	189,266,541

Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

17 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(b) Analysed by economic sector

	30 June 2020		
	Amount	Percentage	Loans and advances secured by collaterals
Real estate	31,147,035	14.45%	16,333,333
Wholesale and retail	23,391,282	10.84%	9,243,683
Water, environment and public facility management	20,260,400	9.40%	3,020,313
Manufacturing	16,325,094	7.57%	4,148,403
Leasing and commercial services	14,007,655	6.50%	3,624,776
Construction	12,580,238	5.83%	3,783,183
Transportation, storage and postal services	3,040,616	1.41%	1,869,231
Production and supply of electric and heating power, gas and water	3,037,658	1.41%	842,840
Agriculture, forestry, animal husbandry and fishery	2,164,522	1.00%	525,638
Culture, sports and entertainment	1,732,190	0.80%	1,306,200
Accommodation and catering	1,285,805	0.60%	1,161,368
Mining	633,100	0.29%	103,300
Others	8,918,682	4.14%	1,913,340
Sub-total of corporate loans and advances	138,524,277	64.24%	47,875,608
Personal loans and advances	67,002,285	31.08%	56,806,867
Discounted bills	10,082,890	4.68%	10,082,890
Gross loans and advances to customers	215,609,452	100.00%	114,765,365

Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

17 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(b) Analysed by economic sector (Continued)

	31 December 2019		
	Amount	Percentage	Loans and advances secured by collaterals
Wholesale and retail	27,095,140	13.83%	12,035,736
Real estate	26,677,880	13.62%	16,171,219
Water, environment and public facility management	16,128,317	8.23%	2,864,540
Manufacturing	14,577,464	7.44%	3,790,602
Construction	12,156,369	6.21%	5,359,425
Leasing and commercial services	10,892,165	5.56%	3,346,461
Transportation, storage and postal services	2,604,391	1.33%	1,331,173
Production and supply of electric and heating power, gas and water	2,369,014	1.21%	640,660
Culture, sports and entertainment	1,808,720	0.92%	1,635,690
Agriculture, forestry, animal husbandry and fishery	1,685,307	0.86%	678,712
Accommodation and catering	1,317,211	0.67%	1,195,588
Mining	322,300	0.16%	89,500
Others	6,931,338	3.54%	1,369,165
Sub-total of corporate loans and advances	124,565,616	63.58%	50,508,471
Personal loans and advances	59,593,823	30.42%	47,716,326
Discounted bills	11,752,226	6.00%	11,752,226
Gross loans and advances to customers	195,911,665	100.00%	109,977,023

Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

17 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(c) Analysed by type of collateral

	30 June 2020	31 December 2019
Unsecured loans	28,821,576	26,395,641
Guaranteed loans	72,022,510	59,539,001
Collateral loans		
– Loans secured by tangible assets other than monetary assets	88,570,123	77,715,145
– Loans secured by intangible assets or monetary assets	26,195,243	32,261,878
Gross loans and advances to customers	215,609,452	195,911,665
Interest accrued	842,996	682,722
Less: provision for impairment losses on loans and advances to customers measured at amortised cost	(7,158,071)	(7,327,846)
Net loans and advances to customers	209,294,377	189,266,541

(d) Overdue loans analysed by overdue period

	30 June 2020				Total
	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	
Unsecured loans	59,033	99,876	5,684	7,409	172,002
Guaranteed loans	865,606	1,808,265	1,285,747	592,015	4,551,633
Loans secured by tangible assets other than monetary assets	450,768	586,239	473,522	110,898	1,621,427
Loans secured by intangible assets or monetary assets	–	586,861	106,450	–	693,311
Total	1,375,407	3,081,241	1,871,403	710,322	7,038,373
As a percentage of gross loans and advances to customers	0.64%	1.43%	0.87%	0.33%	3.27%

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(Expressed in thousands of Renminbi, unless otherwise stated)

17 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(d) Overdue loans analysed by overdue period (Continued)

	31 December 2019				Total
	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	
Unsecured loans	104,356	34,950	13,056	–	152,362
Guaranteed loans	1,656,742	1,198,988	1,268,471	346,300	4,470,501
Loans secured by tangible assets other than monetary assets	678,530	445,447	446,428	35,310	1,605,715
Loans secured by intangible assets or monetary assets	585,596	220,400	108,953	–	914,949
Total	3,025,224	1,899,785	1,836,908	381,610	7,143,527
As a percentage of gross loans and advances to customers	1.54%	0.97%	0.94%	0.19%	3.64%

Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

17 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(e) Loans and advances and provision for impairment losses

	30 June 2020			Total
	Loans and advances that are assessed for 12-month ECL	Not credit-impaired loans and advances that are assessed for lifetime ECL	Credit-impaired loans and advances that are assessed for lifetime ECL	
Total loans and advances to customers measured at amortised cost	194,220,571	1,213,243	6,161,773	201,595,587
Less: provision for impairment losses on loans and advances to customers measured at amortised cost	(3,564,578)	(296,289)	(3,297,204)	(7,158,071)
Carrying amount of loans and advances to customers measured at amortised cost (excluding accrued interest)	190,655,993	916,954	2,864,569	194,437,516
Carrying amount of loans and advances to customers measured at fair value through other comprehensive income (excluding accrued interest)	13,431,894	–	581,971	14,013,865
Total carrying amount of loans and advances to customers (excluding accrued interest)	204,087,887	916,954	3,446,540	208,451,381

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(Expressed in thousands of Renminbi, unless otherwise stated)

17 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(e) Loans and advances and provision for impairment losses (Continued)

	31 December 2019			Total
	Loans and advances that are assessed for 12-month ECL	Not credit-impaired loans and advances that are assessed for lifetime ECL	Credit-impaired loans and advances that are assessed for lifetime ECL	
Total loans and advances to customers measured at amortised cost	171,031,061	4,427,237	5,632,400	181,090,698
Less: provision for impairment losses on loans and advances to customers measured at amortised cost	(2,790,879)	(1,069,890)	(3,467,077)	(7,327,846)
Carrying amount of loans and advances to customers measured at amortised cost (excluding accrued interest)	168,240,182	3,357,347	2,165,323	173,762,852
Carrying amount of loans and advances to customers measured at fair value through other comprehensive income (excluding accrued interest)	14,235,371	585,596	–	14,820,967
Total carrying amount of loans and advances to customers (excluding accrued interest)	182,475,553	3,942,943	2,165,323	188,583,819

Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

17 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(f) Movements of provision for impairment losses

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

	30 June 2020			
	12-months ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit- impaired	Total
As at 1 January 2020	2,790,879	1,069,890	3,467,077	7,327,846
Transferred:				
– to 12-months ECL	395,098	(395,098)	–	–
– to lifetime ECL not credit-impaired	(6,896)	7,436	(540)	–
– to lifetime ECL credit-impaired	(11,532)	(399,338)	410,870	–
Charge for the period	397,029	13,399	1,819,659	2,230,087
Write-offs and disposals	–	–	(2,529,099)	(2,529,099)
Recoveries of loans previously written off	–	–	129,237	129,237
As at 30 June 2020	3,564,578	296,289	3,297,204	7,158,071

	31 December 2019			
	12-months ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit- impaired	Total
As at 1 January 2019	1,971,808	1,244,144	2,847,019	6,062,971
Transferred:				
– to 12-months ECL	152	(152)	–	–
– to lifetime ECL not credit-impaired	(31,447)	35,197	(3,750)	–
– to lifetime ECL credit-impaired	(109,270)	(285,473)	394,743	–
Charge for the year	959,636	76,174	3,640,648	4,676,458
Write-offs and disposals	–	–	(3,869,583)	(3,869,583)
Recoveries of loans previously written off	–	–	458,000	458,000
As at 31 December 2019	2,790,879	1,069,890	3,467,077	7,327,846

Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

17 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(f) 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:

	30 June 2020			Total
	12-months ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	
As at 1 January 2020	21,529	75,472	-	97,001
Transferred:				
- to 12-months ECL	-	-	-	-
- to lifetime ECL not credit-impaired	-	(75,472)	75,472	-
- to lifetime ECL credit-impaired	-	-	-	-
Charge for the period	11,866	-	22,028	33,894
As at 30 June 2020	33,395	-	97,500	130,895

	31 December 2019			Total
	12-months ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	
As at 1 January 2019	34,405	-	-	34,405
Transferred:				
- to 12-months ECL	-	-	-	-
- to lifetime ECL not credit-impaired	(17,305)	17,305	-	-
- to lifetime ECL credit-impaired	-	-	-	-
Charge for the year	4,429	58,167	-	62,596
As at 31 December 2019	21,529	75,472	-	97,001

Provision for impairment of loans and advances to customers measured at fair value through other comprehensive income are recognized in other comprehensive income, while the impairment losses are recognized in profit or loss. Besides, the carrying amount of the financial assets presented in the balance sheet are not reduced.

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(Expressed in thousands of Renminbi, unless otherwise stated)

18 FINANCIAL INVESTMENTS

	Note	30 June 2020	31 December 2019
Financial investments at fair value through profit or loss	(a)	61,021,348	55,062,294
Financial investments at fair value through other comprehensive income	(b)	25,167,299	15,424,513
Financial investments measured at amortised cost	(c)	165,537,190	171,736,562
Interest accrued		1,809,154	1,758,957
Total		253,534,991	243,982,326

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

	Note	30 June 2020	31 December 2019
Debt securities			
– Debt securities held for trading purpose	(1)	18,638,935	12,354,905
Investment funds and other investments			
– Investment funds held for trading purpose		7,476,365	6,242,542
– Other financial investments at fair value through profit or loss	(2)	34,906,048	36,464,847
Total		61,021,348	55,062,294

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(Expressed in thousands of Renminbi, unless otherwise stated)

18 FINANCIAL INVESTMENTS (CONTINUED)

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

(1) Debt securities held for trading purpose

	30 June 2020	31 December 2019
Mainland China		
– Government	7,165,645	7,206,297
– Policy banks	10,372,001	2,875,175
– Banks and other financial institutions	233,078	1,442,218
– Corporate	868,211	831,215
Total	18,638,935	12,354,905
Debt securities analysed into		
– Listed outside Hong Kong	8,276,798	8,276,336
– Unlisted	10,362,137	4,078,569
Total	18,638,935	12,354,905

(2) Other financial investments at fair value through profit or loss

	30 June 2020	31 December 2019
Other financial investments at fair value through profit or loss		
– Investment management products managed by securities companies	20,511,259	20,112,305
– Investment management products under trust scheme	7,323,222	9,538,950
– Wealth management products	190,000	30,000
– Others	6,881,567	6,783,592
Total	34,906,048	36,464,847

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(Expressed in thousands of Renminbi, unless otherwise stated)

18 FINANCIAL INVESTMENTS (CONTINUED)

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

	30 June 2020	31 December 2019
Debt instruments		
– Government	17,026,010	7,072,319
– Policy banks	7,983,927	8,017,880
– Bank and other financial institutions	30,277	–
– Corporate	118,685	325,914
– Interest accrued	312,246	327,097
Sub-total	25,471,145	15,743,210
Equity instruments	8,400	8,400
Total	25,479,545	15,751,610
Debt instrument investment by category		
– Listed outside Hong Kong	17,246,735	7,504,187
– Unlisted	7,912,164	7,911,926
– Interest accrued	312,246	327,097
	25,471,145	15,743,210
Equity instrument investment by category		
– Unlisted	8,400	8,400
	8,400	8,400

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(Expressed in thousands of Renminbi, unless otherwise stated)

18 FINANCIAL INVESTMENTS (CONTINUED)

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

Movements of provision for impairment of financial investments measured at fair value through other comprehensive income during the period:

	12-months ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit- impaired	Total
Balance at the beginning of the period	1,166	–	–	1,166
Charge for the period	1,035	–	–	1,035
Balance at the end of the period	2,201	–	–	2,201

Provision for impairment of financial investments measured at fair value through other comprehensive income are recognised in other comprehensive income, while losses/gains from impairment are included in profit or loss. Besides, the book value of the financial assets presented in the balance sheet are not reduced.

(c) Financial investments measured at amortised cost:

	Note	30 June 2020	31 December 2019
Debt securities	(1)	47,419,393	49,281,931
Investment management products under the trust scheme		68,900,768	67,950,697
Investment management products managed by securities companies		35,983,285	36,581,276
Other beneficial right transaction plans		6,118,000	8,526,500
Others		10,466,408	11,960,100
Sub-total		168,887,854	174,300,504
Interest accrued		1,496,908	1,431,860
Less: Provision for impairment losses	(2)	(3,350,664)	(2,563,942)
Total		167,034,098	173,168,422

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(Expressed in thousands of Renminbi, unless otherwise stated)

18 FINANCIAL INVESTMENTS (CONTINUED)

(c) Financial investments measured at amortised cost: (Continued)

(1) Debt securities:

	30 June 2020	31 December 2019
Debt securities		
– Government	16,867,836	17,335,867
– Policy banks	22,542,656	23,102,693
– Banks and other financial institutions	972,082	1,532,226
– Corporate	7,036,819	7,311,145
– Interest accrued	915,218	1,009,383
Total	48,334,611	50,291,314
Debt securities analysed into:		
– Listed outside Hong Kong	19,328,250	20,185,899
– Unlisted	28,091,143	29,096,032
– Interest accrued	915,218	1,009,383
Total	48,334,611	50,291,314

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(Expressed in thousands of Renminbi, unless otherwise stated)

18 FINANCIAL INVESTMENTS (CONTINUED)

(c) Financial investments measured at amortised cost: (Continued)

- (2) Movements of provision for impairment of financial investments measured at amortised cost is as follows:

	30 June 2020			Total
	12-months ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	
As at 1 January 2020	970,460	754,280	839,202	2,563,942
Transferred:				
– to 12-months ECL	-	-	-	-
– to lifetime ECL not credit-impaired	(15,356)	15,356	-	-
– to lifetime ECL credit-impaired	-	(190,577)	190,577	-
(Reversal)/charge for the period	(15,539)	216,697	585,564	786,722
As at 30 June 2020	939,565	795,756	1,615,343	3,350,664

	31 December 2019			Total
	12-months ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	
As at 1 January 2019	876,837	420,000	429,783	1,726,620
Transferred:				
– to 12-months ECL	-	-	-	-
– to lifetime ECL not credit-impaired	(38,990)	38,990	-	-
– to lifetime ECL credit-impaired	(13,947)	-	13,947	-
Charge for the year	146,560	295,290	395,472	837,322
As at 31 December 2019	970,460	754,280	839,202	2,563,942

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19 FINANCE LEASE RECEIVABLES

	30 June 2020	31 December 2019
Minimum finance lease receivables	20,672,299	14,387,519
Less: Unearned finance lease income	(2,632,258)	(1,463,317)
Present value of finance lease receivables	18,040,041	12,924,202
Interest accrued	177,449	96,350
Less: Provision for impairment losses	(648,855)	(518,855)
Total	17,568,635	12,501,697

- (a) Finance lease receivables, unearned finance lease income and minimum finance lease receivables analysed by remaining period are listed as follows:

	30 June 2020			31 December 2019		
	Minimum finance lease receivables	Unearned finance lease income	Present value of finance lease receivables	Minimum finance lease receivables	Unearned finance lease income	Present value of finance lease receivables
Less than 1 year	8,312,064	(1,199,401)	7,112,663	6,768,809	(763,683)	6,005,126
1 year to 2 years	5,006,366	(658,633)	4,347,733	4,106,813	(381,121)	3,725,692
2 years to 3 years	2,833,071	(402,680)	2,430,391	1,693,450	(171,264)	1,522,186
3 years to 5 years	3,597,035	(320,924)	3,276,111	1,107,050	(121,299)	985,751
More than 5 years	923,763	(50,620)	873,143	711,397	(25,950)	685,447
	20,672,299	(2,632,258)	18,040,041	14,387,519	(1,463,317)	12,924,202

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(Expressed in thousands of Renminbi, unless otherwise stated)

19 FINANCE LEASE RECEIVABLES (CONTINUED)

(b) Movements of provision for impairment losses

	30 June 2020			Total
	12-months ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	
As at 1 January 2020	229,911	167,424	121,520	518,855
Transferred:				
– to 12-months ECL	137,947	(74,325)	(63,622)	–
– to lifetime ECL not credit-impaired	(5,736)	5,736	–	–
– to lifetime ECL credit-impaired	(5,723)	–	5,723	–
Charge for the period	505	55,103	132,290	187,898
Written back on disposal	–	–	(57,898)	(57,898)
As at 30 June 2020	356,904	153,938	138,013	648,855

	31 December 2019			Total
	12-months ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	
As at 1 January 2019	218,694	130,160	–	348,854
Transferred:				
– to lifetime ECL not credit-impaired	(3,408)	3,408	–	–
– to lifetime ECL credit-impaired	(5,265)	–	5,265	–
Charge for the year	19,890	186,787	116,255	322,932
Written back on disposal	–	(152,931)	–	(152,931)
As at 31 December 2019	229,911	167,424	121,520	518,855

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20 INVESTMENT IN SUBSIDIARIES AND INTEREST IN ASSOCIATES

(a) Investment in subsidiaries

The Group's subsidiaries as at the end of the reporting period are as follows:

Name	Percentage of equity interest		Voting rights	Paid-in capital	Amount invested by the Bank	Place of incorporation registration	Principal activity
	30 June 2020	31 December 2019	30 June 2020	30 June 2020			
	%	%	%				
Fugou Zhengyin County Bank Co., Ltd.	50.20	50.20	50.20	60,000	30,120	China	Banking
Xinmi Zhengyin County Bank Co., Ltd.	51.20	51.20	51.20	125,000	74,033	China	Banking
Henan Jiuding Financial Leasing Co., Ltd.	51.00	51.00	51.00	2,000,000	1,020,000	China	Leasing
Xunxian Zhengyin County Bank Co., Ltd.	51.00	51.00	51.00	50,000	25,500	China	Banking
Queshan Zhengyin County Bank Co., Ltd.	51.00	51.00	51.00	50,000	25,500	China	Banking

Fugou Zhengyin County Bank Co., Ltd. was incorporated on 3 December 2015. Henan Jiuding Financial Leasing Co., Ltd. was incorporated on 23 March 2016. Xunxian Zhengyin County Bank Co., Ltd. was incorporated on 6 November 2017. Queshan Zhengyin County Bank Co., Ltd. was incorporated on 14 November 2017. Xinmi Zhengyin County Bank Co., Ltd. became a subsidiary of the Bank since 1 January 2017. The five subsidiaries have no material non-controlling interest to the Group.

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(Expressed in thousands of Renminbi, unless otherwise stated)

20 INVESTMENT IN SUBSIDIARIES AND INTEREST IN ASSOCIATES (CONTINUED)

(b) Interest in associates

	30 June 2020	31 December 2019
Interest in associates	374,717	376,874
Total	374,717	376,874

The following list contains the Group's associates, all of which are individually immaterial to the Group and are unlisted corporate entities whose quoted market price are not available:

Name	Note	Percentages of equity/ voting rights%		Place of incorporation/ registration	Business sector
		30 June 2020	31 December 2019		
Zhongmu Zhengyin County Bank Co., Ltd.	(1)	18.53	18.53	China	Banking
Yanling Zhengyin County Bank Co., Ltd.		30.00	30.00	China	Banking
Xinzheng Zhengyin County Bank Co., Ltd.		25.00	25.00	China	Banking

(1) The Group has representation on the board of directors of Zhongmu Zhengyin County Bank Co., Ltd., and has significant influence over it.

The following table illustrates the aggregate information of the Group's associates that are not individually material:

	30 June 2020	31 December 2019
Aggregate carrying amount of the individually immaterial associates in the consolidated statements of financial position of the Group	374,717	376,874
Aggregate amounts of the Group's share of results of the associates		
– Profit from continuing operations	30,081	55,793
– Other comprehensive income	–	–
– Total comprehensive income	30,081	55,793

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21 PROPERTY AND EQUIPMENT

	Premises	Electronic equipment	Vehicles	Office equipment and others	Construction in progress	Total
Cost						
As at 1 January 2019	1,892,881	629,914	14,106	262,811	177,067	2,976,779
Additions	237,891	82,677	1,157	28,096	139,616	489,437
Disposals	-	(4,994)	(3,555)	(20,707)	-	(29,256)
As at 31 December 2019	2,130,772	707,597	11,708	270,200	316,683	3,436,960
Additions	187,920	29,457	51	7,494	54,653	279,575
Disposals	-	(763)	-	(2,762)	-	(3,525)
As at 30 June 2020	2,318,692	736,291	11,759	274,932	371,336	3,713,010
Accumulated depreciation						
As at 1 January 2019	(259,410)	(424,443)	(10,517)	(197,055)	-	(891,425)
Additions	(62,527)	(92,502)	(887)	(40,814)	-	(196,730)
Disposals	-	4,628	3,377	19,548	-	27,553
As at 31 December 2019	(321,937)	(512,317)	(8,027)	(218,321)	-	(1,060,602)
Additions	(33,238)	(40,789)	(493)	(17,909)	-	(92,429)
Disposals	-	729	-	2,621	-	3,350
As at 30 June 2020	(355,175)	(552,377)	(8,520)	(233,609)	-	(1,149,681)
Impairment						
As at 1 January 2019/ 31 December 2019/ 30 June 2020	(1,355)	(1,893)	-	(756)	-	(4,004)
Net book value						
As at 31 December 2019	1,807,480	193,387	3,681	51,123	316,683	2,372,354
As at 30 June 2020	1,962,162	182,021	3,239	40,567	371,336	2,559,325

The carrying amount of premises without title deeds as at 30 June 2020 was RMB257 million (31 December 2019: RMB260 million). The Group is still in the progress of applying for the outstanding title deeds for the above premises. The Group expected that there would be no significant cost in obtaining the title deeds.

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(Expressed in thousands of Renminbi, unless otherwise stated)

21 PROPERTY AND EQUIPMENT (CONTINUED)

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

	30 June 2020	31 December 2019
Held in mainland China		
– Medium-term leases (10 – 50 years)	1,909,383	1,803,920
– Short-term leases (less than 10 years)	52,779	3,560
Total	1,962,162	1,807,480

22 DEFERRED TAX ASSETS

(a) Analysed by nature

	30 June 2020		31 December 2019	
	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)
Allowance for impairment losses	13,086,544	3,271,636	11,658,096	2,914,524
Accrued staff costs	226,824	56,706	199,944	49,986
Fair value changes in financial instruments	(375,620)	(93,905)	(873,236)	(218,309)
Provisions	315,528	78,882	287,623	71,906
Others	115,832	28,958	67,532	16,883
Net deferred income tax assets	13,369,108	3,342,277	11,339,959	2,834,990

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22 DEFERRED TAX ASSETS (CONTINUED)

(b) Analysed by movement

	At 1 January 2020	Recognised in profit or loss	Recognised in other comprehensive income	At 30 June 2020
Allowance for impairment losses	2,914,524	357,112	–	3,271,636
Accrued staff costs	49,986	6,423	297	56,706
Fair value changes in financial instruments	(218,309)	69,295	55,109	(93,905)
Provisions	71,906	6,976	–	78,882
Others	16,883	12,075	–	28,958
Net deferred income tax assets	2,834,990	451,881	55,406	3,342,277

	At 1 January 2019	Recognised in profit or loss	Recognised in other comprehensive income	At 31 December 2019
Allowance for impairment losses	2,004,099	910,425	–	2,914,524
Accrued staff costs	46,195	3,148	643	49,986
Fair value changes in financial instruments	(141,495)	(73,294)	(3,520)	(218,309)
Provisions	59,205	12,701	–	71,906
Others	(20,217)	37,100	–	16,883
Net deferred income tax assets	1,947,787	890,080	(2,877)	2,834,990

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23 OTHER ASSETS

	Note	30 June 2020	31 December 2019
Interest receivables	(a)	670,308	494,896
Prepayments		356,684	495,975
Intangible assets	(b)	868,520	887,770
Leasehold improvements		118,556	134,477
Right-of-use assets	(c)	388,284	425,238
Other receivables		497,298	453,215
Sub-total		2,899,650	2,891,571
Less: allowance for impairment losses		(22,323)	(22,323)
Total		2,877,327	2,869,248

(a) Interest receivables

	30 June 2020	31 December 2019
Interest receivables arising from:		
– Investments	601,443	415,147
– Loans and advances to customers	37,186	58,656
– Others	31,679	21,093
Sub-total	670,308	494,896
Less: allowance for impairment losses	(19,397)	(19,397)
Total	650,911	475,499

Interest receivable only includes interest that has been due for the relevant financial instruments but not yet received at the balance sheet date. Interest on financial instruments based on the effective interest method has been reflected in the balance of corresponding financial instruments.

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23 OTHER ASSETS (CONTINUED)

(b) Intangible assets

	30 June 2020	31 December 2019
Cost		
As at 1 January	1,104,679	897,108
Additions	17,818	215,035
Decrease	-	(7,464)
As at 30 June/31 December	1,122,497	1,104,679
Accumulated amortisation		
As at 1 January	(216,909)	(157,566)
Additions	(37,068)	(66,432)
Decrease	-	7,089
As at 30 June/31 December	(253,977)	(216,909)
Impairment		
As at 1 January and 30 June/31 December	(145)	(145)
Net book value		
As at 1 January	887,625	739,397
As at 30 June/31 December	868,375	887,625

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(Expressed in thousands of Renminbi, unless otherwise stated)

23 OTHER ASSETS (CONTINUED)

(c) Right-of-use assets

	Premises	Vehicles	Office equipment and others	Total
Cost				
As at 1 January 2019	521,232	7,397	2,152	530,781
Additions	47,441	850	788	49,079
Disposals	(38,318)	(382)	(183)	(38,883)
As at 31 December 2019	530,355	7,865	2,757	540,977
Additions	23,511	1,026	–	24,537
Disposals	(9,015)	(1,771)	(353)	(11,139)
As at 30 June 2020	544,851	7,120	2,404	554,375
Accumulated depreciation				
As at 1 January 2019	–	–	–	–
Additions	(149,480)	(4,043)	(1,099)	(154,622)
Disposals	38,318	382	183	38,883
As at 31 December 2019	(111,162)	(3,661)	(916)	(115,739)
Additions	(58,920)	(1,948)	(623)	(61,491)
Disposals	9,015	1,771	353	11,139
As at 30 June 2020	(161,067)	(3,838)	(1,186)	(166,091)
Net book value				
As at 31 December 2019	419,193	4,204	1,841	425,238
As at 30 June 2020	383,784	3,282	1,218	388,284

24 DUE TO CENTRAL BANK

	30 June 2020	31 December 2019
Due to central bank	16,200,610	9,852,500
Interest accrued	208,377	102,364
Total	16,408,987	9,954,864

Due to central bank mainly includes Medium-term Lending Facility and Reload for Supporting Small Businesses.

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25 DEPOSITS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	30 June 2020	31 December 2019
In mainland China		
– Banks	15,756,642	18,346,082
– Other financial institutions	4,412,404	464,659
– Interest accrued	132,606	95,377
Total	20,301,652	18,906,118

26 PLACEMENTS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	30 June 2020	31 December 2019
In mainland China		
– Banks	16,675,000	13,769,630
Outside mainland China		
– Banks	492,866	168,689
Interest accrued	152,427	174,699
Total	17,320,293	14,113,018

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27 DERIVATIVE FINANCIAL INSTRUMENTS

The Group enters into derivative contracts mainly including non-deliverable forwards and credit risk mitigation agreement.

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 Group but does not reflect the risk.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in any orderly transaction between market participants at measured date.

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

	30 June 2020		
	Notional amount	Fair value (assets)	Fair value (liabilities)
– Non-deliverable forwards	10,619,250	30,000	(65,190)
– Credit risk mitigation agreement	80,000	–	(777)
Total	10,699,250	30,000	(65,967)

	31 December 2019		
	Notional amount	Fair value (assets)	Fair value (liabilities)
– Non-deliverable forwards	11,022,396	94,602	(4,944)
Total	11,022,396	94,602	(4,944)

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28 FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

(a) Analysed by type and location of counterparty

	30 June 2020	31 December 2019
In mainland China		
– PBOC	4,857,060	2,192,323
– Banks	14,763,000	14,188,100
– Interest accrued	4,606	5,314
Total	19,624,666	16,385,737

(b) Analysed by type of collateral

	30 June 2020	31 December 2019
Debt securities	19,413,000	16,348,100
Bills	207,060	32,323
Interest accrued	4,606	5,314
Total	19,624,666	16,385,737

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29 DEPOSITS FROM CUSTOMERS

	30 June 2020	31 December 2019
Demand deposits		
– Corporate deposits	75,456,833	79,289,145
– Personal deposits	25,626,442	23,333,801
Sub-total	101,083,275	102,622,946
Time deposits		
– Corporate deposits	104,270,231	87,157,489
– Personal deposits	81,262,266	72,253,415
Sub-total	185,532,497	159,410,904
Pledged deposits		
– Acceptances	23,796,532	21,064,677
– Letters of guarantees	779,612	964,296
– Letters of credit	4,004,243	3,288,577
– Others	1,333,846	1,035,816
Sub-total	29,914,233	26,353,366
Others	663,309	829,644
Sub-total	663,309	829,644
Interest accrued	2,354,873	2,908,926
Total	319,548,187	292,125,786

Deposits from customers are measured at amortised cost.

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30 DEBT SECURITIES ISSUED

	Note	30 June 2020	31 December 2019
Financial bonds	(a)	4,998,012	4,997,009
Tier-two capital bonds	(b)	4,998,160	4,998,020
Interbank deposits		84,371,226	95,082,903
Interest accrued		215,229	167,735
Total		94,582,627	105,245,667

(a) Financial bonds

Fixed rate green financial bonds of RMB2.0 billion with a term of three years was issued in June 2019. The coupon rate is 3.70% per annum.

Fixed rate green financial bonds of RMB3.0 billion with a term of three years was issued in September 2017. The coupon rate is 4.70% per annum.

(b) Tier-two capital bonds

Fixed rate tier-two capital bonds of RMB2.0 billion with a term of ten years were issued in March 2017. The coupon rate is 4.80% per annum.

Fixed rate tier-two capital bonds of RMB3.0 billion with a term of ten years were issued in December 2016. The coupon rate is 4.10% per annum.

31 OTHER LIABILITIES

	Note	30 June 2020	31 December 2019
Accrued staff costs	(a)	548,183	734,585
Finance lease payable		736,500	740,535
Dormant accounts		34,736	35,861
Payment and collection clearance accounts		424,917	332,766
Dividend payable		57,743	28,528
Expected credit losses of credit commitment	(b)	315,528	287,623
Lease liabilities	(c)	356,281	383,405
Others		919,306	561,228
Total		3,393,194	3,104,531

Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

31 OTHER LIABILITIES (CONTINUED)

(a) Accrued staff costs

	Note	30 June 2020	31 December 2019
Salary, bonuses and allowances payable		324,423	549,034
Staff welfare		45	86
Social insurance and annuity payable		35,432	592
Housing allowances payable		59	51
Labor union fee, staff and workers' education fee		7,217	1,591
Supplementary retirement benefits payable	(1)	181,007	183,231
Total		548,183	734,585

(1) Supplementary retirement benefits ("SRB")

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

The amount represents the present value of the total estimated amount of future benefits that the Group is committed to pay for eligible employees at the end of the reporting period. The Group's obligations in respect of the SRB were assessed using projected unit credit method by qualified staff (a member of society of Actuaries in America) of an external independent actuary: Mercer Consulting (China) Ltd..

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

	30 June 2020	31 December 2019
Present value of early retirement plan	21,311	24,208
Present value of supplementary retirement plan	159,696	159,023
Total	181,007	183,231

Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

31 OTHER LIABILITIES (CONTINUED)

(a) Accrued staff costs (Continued)

(1) Supplementary retirement benefits ("SRB") (Continued)

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

	30 June 2020	31 December 2019
As at 1 January	183,231	184,780
Benefits paid during the period/year	(6,581)	(19,521)
Defined benefit cost recognised in profit or loss	3,169	15,397
Defined benefit cost recognised in other comprehensive income	1,188	2,575
As at 30 June/31 December	181,007	183,231

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

Early retirement plan	30 June 2020	31 December 2019
Discount rate	2.40%	2.80%
Retired age		
– Male	60	60
– Female	55	55
Annual increase rate of internal salary	8.00%	8.00%

Supplementary retirement plan	30 June 2020	31 December 2019
Discount rate	3.30%	3.40%
Retired age		
– Male	60	60
– Female	55	55

Death rate for age 20 – 105	30 June 2020	31 December 2019
– Male	0.0248% – 100%	0.0248% – 100%
– Female	0.012% – 100%	0.012% – 100%

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(Expressed in thousands of Renminbi, unless otherwise stated)

31 OTHER LIABILITIES (CONTINUED)

(b) Expected credit losses of credit commitment

As at 30 June 2020 and 31 December 2019, movements of expected credit losses of credit commitment during the period/year are as follows:

	30 June 2020			
	12-months ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit- impaired	Total
As at 1 January 2020	284,626	583	2,414	287,623
Transferred:				
– to 12-months ECL	1,402	(38)	(1,364)	–
– to lifetime ECL not credit-impaired	(10)	208	(198)	–
– to lifetime ECL credit-impaired	(5)	(36)	41	–
Charge for the period	26,526	18	1,361	27,905
As at 30 June 2020	312,539	735	2,254	315,528
	31 December 2019			
	12-months ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit- impaired	Total
As at 1 January 2019	225,926	253	10,643	236,822
Transferred:				
– to 12-months ECL	186	(59)	(127)	–
– to lifetime ECL not credit-impaired	(2)	2	–	–
– to lifetime ECL credit-impaired	(11)	(87)	98	–
Charge/(reversal) for the year	58,527	474	(8,200)	50,801
As at 31 December 2019	284,626	583	2,414	287,623

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(Expressed in thousands of Renminbi, unless otherwise stated)

31 OTHER LIABILITIES (CONTINUED)

(c) Lease liabilities

The maturity analysis of lease liabilities – undiscounted analysis:

	30 June 2020
Within one year (inclusive)	59,291
Between one year and two years (inclusive)	87,714
Between two years and three years (inclusive)	70,745
Between three years and five years (inclusive)	136,030
More than five years	24,576
Total undiscounted lease liabilities	378,356
Total carrying amount	356,281

32 SHARE CAPITAL

Authorised and issued share capital

	30 June 2020	31 December 2019
Ordinary shares listed in Mainland China (A-share)	4,844,325	4,403,932
Ordinary shares listed in Hong Kong (H-share)	1,669,800	1,518,000
Total	6,514,125	5,921,932

In December 2015, the Bank issued 1,200 million H-shares with a par value of RMB1 at an offering price of HKD3.85 per share (the “H-share offering”). The premium arising from the H-share offering amounting to RMB2,562 million was recorded in capital reserve. Immediately following the H-share offering, 120 million ordinary shares in Mainland China shares held by the National Council and Social Security Fund were converted to H-shares pursuant to the relevant PRC regulations relating to the reduction of state-owned shares.

In January 2016, the Bank issued 180 million H-shares (H-shares’ over-allotment option) with a par value of RMB1 at an offering price of HKD3.85 per share. The premium arising from the offering amounting to RMB392 million was recorded in capital reserve.

Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

32 SHARE CAPITAL (CONTINUED)

Authorised and issued share capital (Continued)

In September 2018, the Bank issued 600 million A-shares with a par value of RMB1 at an offering price of RMB4.59 per share (the “A-share offering”). The premium arising from the A-share offering amounting to RMB2,109 million was recorded in capital reserve.

In June 2020, the Bank converted capital reserve to share capital on the basis of 1 share for every 10 shares offered to all ordinary shareholders, and the total number of shares increased was 592 million. No industrial and commercial change registration has been carried out.

All the above H-shares have been listed on the Stock Exchange of Hong Kong Limited since 20 January 2016. The H-shares rank pari passu in all respects with the existing A-share listed in Mainland China including the right to receive all dividends and distributions declared or made.

33 RESERVES

(a) Capital reserve

	30 June 2020	31 December 2019
Share premium	4,506,847	5,099,040
Others	64,615	64,615
Total	4,571,462	5,163,655

(b) Surplus reserve

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

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 PRC GAAP after making good prior year’s accumulated loss, to statutory surplus reserve fund until the reserve fund balance reaches 50% of its registered capital.

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

Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

33 RESERVES (CONTINUED)

(c) General reserve

With effect from 1 July 2012, 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.

(d) Fair value reserve

	30 June 2020	31 December 2019
As at 1 January	97,063	38,590
Change in fair value recognised in other comprehensive income	(74,316)	365,216
Transfer to profit or loss upon disposal	(111,190)	(287,253)
Less: deferred income tax	46,377	(19,490)
Sub-total	(139,129)	58,473
As at 30 June/31 December	(42,066)	97,063

(e) Remeasurement of net defined benefit liability

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

	30 June 2020	31 December 2019
As at 1 January	(46,424)	(44,492)
Remeasurement of net defined benefit liability	(1,188)	(2,575)
Less: deferred income tax	297	643
Sub-total	(891)	(1,932)
As at 30 June/31 December	(47,315)	(46,424)

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(Expressed in thousands of Renminbi, unless otherwise stated)

33 RESERVES (CONTINUED)

(f) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Bank's individual components of equity between the beginning and the end of the period/year are set out below:

The Bank

	Note	Share capital	Other equity instruments	Capital reserve	Surplus reserve	General reserve	Fair value reserve	Remeasurement of net defined benefit liability	Retained earnings	Total
Balance at 1 January 2020		5,921,932	7,825,508	5,163,713	2,675,548	6,513,200	97,076	(46,424)	10,261,329	38,411,882
Profit for the period		-	-	-	-	-	-	-	2,360,457	2,360,457
Other comprehensive income		-	-	-	-	-	(139,142)	(891)	(592,193)	(140,033)
Total comprehensive income		-	-	-	-	-	(139,142)	(891)	2,360,457	2,220,424
Appropriation of profit:										
- Share capital converted from capital reserve	33(a)	592,193	-	(592,193)	-	-	-	-	-	-
- Cash dividend on ordinary shares	34(a)	-	-	-	-	-	-	-	(592,193)	(592,193)
Sub-total		592,193	-	(592,193)	-	-	-	-	(592,193)	(592,193)
Balance at 30 June 2020		6,514,125	7,825,508	4,571,520	2,675,548	6,513,200	(42,066)	(47,315)	12,029,593	40,040,113

Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

33 RESERVES (CONTINUED)

(f) Movements in components of equity (Continued)

The Bank

	Note	Share capital	Other equity instruments	Capital reserve	Surplus reserve	General reserve	Fair value reserve	Remeasurement of net defined benefit liability	Retained earnings	Total
Balance at 1 January 2019		5,921,932	7,825,508	5,163,713	2,366,214	5,813,200	38,020	(44,492)	9,488,400	36,562,495
Profit for the year		-	-	-	-	-	-	-	3,193,343	3,193,343
Other comprehensive income		-	-	-	-	-	59,056	(1,932)	-	57,124
Total comprehensive income		-	-	-	-	-	59,056	(1,932)	3,193,343	3,250,467
Appropriation of profit:										
- Appropriation to surplus reserve	33(b)	-	-	-	319,334	-	-	-	(319,334)	-
- Appropriation to general reserve	33(c)	-	-	-	-	700,000	-	-	(700,000)	-
- Cash dividend on ordinary shares	34(a)	-	-	-	-	-	-	-	(888,290)	(888,290)
- Cash dividend on preference shares	34(b)	-	-	-	-	-	-	-	(512,790)	(512,790)
Sub-total		-	-	-	319,334	700,000	-	-	(2,420,414)	(1,401,080)
Balance at 31 December 2019		5,921,932	7,825,508	5,163,713	2,675,548	6,513,200	97,076	(46,424)	10,261,329	38,411,882

Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

34 PROFIT DISTRIBUTION

(a) Dividends for Ordinary Shares

In accordance with the resolution of the Bank's 2019 Annual General meeting held on 20 May 2020, the shareholders approved the profit distribution plan for the year ended 31 December 2019 and declared cash dividends of RMB1 per ten shares before tax and in an aggregation amount of approximately RMB592 million to all existing A and H shareholders.

(b) Dividends for Preference Shares

As per the resolution and authorization of the General Meeting, the Bank reviewed and approved the Proposal on Distribution of Dividends for Preference Shares at the meeting of its Board of Directors on 20 August 2019, permitting the Bank to distribute the dividends on the Bank's offshore preference shares on 18 October 2019.

Dividends on the Bank's offshore preference shares are paid annually in cash, and calculated based on the aggregate value of the offshore preference shares. Dividends on the preference shares are non-cumulative. Holders of preference shares are only entitled to dividends at the prescribed dividend rate, but are not entitled to any distribution of residual profits of the Bank together with the holders of ordinary shares. According to the dividend distribution plan in the preference share issuance proposal, the Bank distributed a dividend of USD72.78 million, aggregating to RMB512.79 million at the rate on dividend declared date. In practice, the dividend was distributed in the currency of the preference share. According to relevant laws, when the Bank distributes dividends for preference shares, the enterprise income tax shall be withheld by the Bank at a rate of 10%. According to the requirements of the terms and conditions of the offshore preference shares, the Bank shall pay the relevant taxes, in addition to the dividends for offshore preference shares.

35 OTHER EQUITY INSTRUMENTS

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

Financial instrument outstanding	Time issued	Classifications	Dividend		Quantities	In original currency million	In RMB million	Maturity	Conversion conditions
			yield ratio/ Interest rate	Issue price					
Offshore preference shares	2017/10/18	Equity	5.50%	USD20/share	59,550,000	1,191	7,860	None	Mandatory conversion trigger events
Less: issuing cost							(34)		
Book value							7,826		

Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

35 OTHER EQUITY INSTRUMENTS (CONTINUED)

(b) Main clause

(1) *Dividend*

Fixed rate for a certain period after issuance. Dividend reset every 5 years thereafter to the sum of the benchmark rate and the fixed spread. The fixed spread will be equal to the spread between the dividend rate at the time of issuance and the benchmark rate.

The fixed spread will remain unchanged throughout the term of the preference shares. Dividends will be paid annually.

If the Bank has distributable after-tax profit after making up for previous years' losses and contributing to the statutory reserve and general reserve, the Bank may pay dividends to the offshore preference shareholders in accordance with the articles of association of the Bank, provided that the capital adequacy ratio of the Bank meets regulatory requirements. The offshore preference shareholders shall rank in priority to the ordinary shareholders in terms of dividend distribution.

Any declaration and payment of all of the dividends on the offshore preference shares by the Bank will be determined by the board in accordance with the authorisation given by the general meeting. Any cancellation of all or part of the dividends on the offshore preference shares shall be subject to the consideration and approval by the general meeting. If the Bank cancels all or part of the distribution of dividends on the offshore preference shares, the Bank shall not distribute any dividends to the ordinary shareholders from the next day following the resolution being approved at the general meeting until the resumption of payment of dividends in full.

(2) *Dividend accumulation*

The dividends on the offshore preference shares will be non-cumulative (namely, in the event of any cancellation by the Bank of all or part of the dividends on the offshore preference shares, any amount of dividends not paid to the offshore preference shareholders in full in the current period will not be accumulated to the following dividend periods).

(3) *Distribution of residual profits*

After receiving the dividends at the prescribed dividend rate, the offshore preference shareholders shall not be entitled to any distribution of residual profits of the Bank together with the ordinary shareholders.

Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

35 OTHER EQUITY INSTRUMENTS (CONTINUED)

(b) Main clause (Continued)

(4) *Mandatory conversion trigger events*

Upon the occurrence of an additional tier 1 capital trigger event (namely, the core tier 1 capital adequacy ratio of the Bank falling to 5.125% or below), the Bank shall have the right to convert, without the approval of the offshore preference shareholders, all or part of the offshore preference shares then issued and outstanding into H Shares based on the aggregate value of such offshore preference shares in order to restore the core tier 1 capital adequacy ratio of the Bank to above 5.125%. In case of partial conversion, the offshore preference shares shall be converted ratably and on the same conditions. Upon conversion of the offshore preference shares into H Shares, such H Shares will not be converted back to preference shares under any circumstances.

Upon the occurrence of a tier 2 capital trigger event, the Bank shall have the right to convert, without the approval of the offshore preference shareholders, all of the offshore preference shares then issued and outstanding into H Shares based on the aggregate value of such offshore preference shares. Upon conversion of the offshore preference shares into H Shares, such H Shares will not be converted back to preference shares under any circumstances. A tier 2 capital trigger event means the earlier of the following events: (1) the CBIRC having concluded that without a conversion or write-off of the Bank's capital, the Bank would become non-viable, and (2) the relevant authorities having concluded that without a public sector injection of capital or equivalent support, the Bank would become non-viable.

(5) *Conditional redemption*

From the fifth year following the date of issuance of the offshore preference shares, and subject to obtaining the approval of the CBIRC or its affiliates and the compliance with the relevant requirements, the Bank shall have the right to redeem all or part of the offshore preference shares.

The redemption price of the offshore preference shares will be an amount equal to the issue price plus the amount of dividend declared but unpaid for the current period.

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(Expressed in thousands of Renminbi, unless otherwise stated)

36 NOTES TO CONSOLIDATED CASH FLOW STATEMENT

(a) Cash and cash equivalents comprise:

	30 June 2020	31 December 2019
Cash on hand	1,269,553	818,502
Surplus deposit reserves with central bank	8,237,921	12,739,930
Deposits with banks and other financial institutions with original maturity of three months or less	2,513,906	1,510,534
Placements with banks and other financial institutions with original maturity of three months or less	1,868,117	2,697,597
Total	13,889,497	17,766,563

37 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(a) Relationship of related parties

(i) Major shareholders

Major shareholders include shareholders of the Bank with 5% or above shareholding.

Shareholding in the Bank:

	30 June 2020	31 December 2019
Zhengzhou Finance Bureau	8.34%	8.29%

(ii) Subsidiaries and associates of the Bank

The detailed information of the Bank's subsidiaries and associates is set out in Note 20.

(iii) 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 subsidiaries) 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 37 (a)(i) or their controlling shareholders. Other related parties also include post-employment benefit plans of the Bank (Note 31(a)).

Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

37 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

(b) Related party transactions and balances

Related party transactions of the Group mainly refer to loans and deposits, which are entered into in the normal course and terms of business, with consistent pricing policies as in transactions with independent third parties.

(i) Transactions with major shareholders

	30 June 2020	31 December 2019
Balances at the end of the period/year:		
Deposits from customers	2,858,925	1,397,414
Other liabilities	63,686	67,078
	Six months ended 30 June	
	2020	2019
Transactions during the period:		
Interest expense	16,525	859

(ii) Transactions with subsidiaries

	30 June 2020	31 December 2019
Balances at the end of the period/year:		
Deposits from banks and other financial institutions	1,072,214	2,293,573
Guarantee for subsidiaries	170,000	170,000
	Six months ended 30 June	
	2020	2019
Transactions during the period:		
Interest expense	10,837	7,406

The above balances and transactions with subsidiaries have been eliminated in full in the consolidated financial statements.

Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

37 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

(b) Related party transactions and balances (Continued)

(iii) Transactions with associates

	30 June 2020	31 December 2019
Balances at the end of the period/year:		
Deposits/placements with banks and other financial institutions	259,774	254,996
Deposits/placements from banks and other financial institutions	484,248	506,496
	Six months ended 30 June	
	2020	2019
Transactions during the period:		
Interest income	1,870	1,037
Interest expense	3,671	1,085

(iv) Transactions with other major related parties

	30 June 2020	31 December 2019
Balances at the end of the period/year:		
Loans and advances to customers	7,000,509	6,104,301
Financial investments measured at amortised cost	5,948,278	4,922,613
Financial investments at fair value through profit or loss	277,734	1,473,457
Deposits from customers	5,621,675	7,317,350
Deposits/placements from banks and other financial institutions	108,698	314,032

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(Expressed in thousands of Renminbi, unless otherwise stated)

37 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

(b) Related party transactions and balances (Continued)

(iv) Transactions with other major related parties (Continued)

	Six months ended 30 June	
	2020	2019
Transactions during the period:		
Interest income	475,310	146,732
Net trading gains	4,681	4,605
Interest expense	26,918	21,395
Fee and commission income	122,290	208,221

(c) Key management personnel

(i) Transactions with key management personnel

	30 June 2020	31 December 2019
	Balances at the end of the period/year:	
Loans and advances to customers	8,947	21,877
Deposits from customers	37,365	33,671

	Six months ended 30 June	
	2020	2019
Transactions during the period:		
Interest income	217	283
Interest expense	435	361

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(Expressed in thousands of Renminbi, unless otherwise stated)

37 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

(c) Key management personnel (Continued)

(ii) Key management personnel remuneration

	Six months ended 30 June	
	2020	2019
Salaries and other emoluments	5,731	6,680
Discretionary bonuses	14,756	13,468
Contribution by the employee to social insurance and welfare plans, housing allowance, etc.	806	760
Total	21,293	20,908

No post-employment benefits, termination benefits or other long-term benefits were provided to key management personnel for the period ended 30 June 2020 and 30 June 2019.

(iii) Loans to key officers

Loans and advances to directors, supervisors and officers of the Bank, which are disclosed pursuant to section 78 of Schedule 11 to the new Hong Kong Companies Ordinance (Cap.622), with reference to section 161 of the predecessor Hong Kong Companies Ordinance (Cap.32), are as follows:

	30 June 2020	31 December 2019
Aggregate amount of relevant loans outstanding as at the period/year end	8,947	21,877
Maximum aggregate amount of relevant loans outstanding during the period/year	9,747	22,677

There were no amount due but unpaid, nor any impairment provision made against the principal or interest on these loans at 30 June 2020 (31 December 2019: Nil).

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38 SEGMENT REPORTING

(a) Business Segment

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

Corporate banking

This segment represents the provision of a range of financial products and services to corporations, government agencies and financial institutions. These products and services include corporate loans and advances, trade finance and deposit taking activities, financial leasing, agency services, and remittance and settlement 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 and deposit taking activities, bank card business, personal wealth management services, remittance and settlement services, and collection and payment agency services.

Treasury business

This segment covers the Group's treasury business including interbank money market transactions, repurchases transactions and investments. The treasury segment also covers management of the Group's overall liquidity position, including issuance of debts.

Others

These represent equity investment and related income and any other business which cannot form a single reportable segment.

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

Internal charges and transfer prices are determined with reference to market rates and have been reflected in the performance of each segment. Interest income and expense 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, with the exception of deferred income tax assets. Segment income, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated 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 Report

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38 SEGMENT REPORTING (CONTINUED)

(a) Business Segment (Continued)

	Six months ended 30 June 2020				
	Corporate banking	Retail banking	Treasury business	Others	Total
Operating income					
External net interest income	2,457,667	450,045	2,514,800	-	5,422,512
Internal net interest income/(expense)	583,881	526,049	(1,109,930)	-	-
Net interest income	3,041,548	976,094	1,404,870	-	5,422,512
Net fee and commission income	294,708	49,529	712,599	-	1,056,836
Net trading gains	65,905	-	336,213	-	402,118
Net gains arising from investments	-	-	792,343	-	792,343
Other operating income	-	-	-	6,715	6,715
Operating income	3,402,161	1,025,623	3,246,025	6,715	7,680,524
Operating expenses	(652,887)	(236,800)	(517,305)	(11,508)	(1,418,500)
Impairment losses on assets	(1,724,265)	(697,620)	(787,800)	-	(3,209,685)
Operating profit/(loss)	1,025,009	91,203	1,940,920	(4,793)	3,052,339
Share of profits of associates	-	-	-	30,081	30,081
Profit before taxation	1,025,009	91,203	1,940,920	25,288	3,082,420
Other segment information					
- Depreciation and amortisation	114,412	68,767	35,022	-	218,201
- Capital expenditure	133,661	48,169	110,584	1,081	293,495
	30 June 2020				
	Corporate banking	Retail banking	Treasury business	Others	Total
Segment assets	181,540,801	79,082,902	268,716,825	1,190,128	530,530,656
Deferred tax assets					3,342,277
Total assets					533,872,933
Segment liabilities/total liabilities	257,345,686	63,874,481	169,149,665	1,872,771	492,242,603
Credit commitments	142,916,371	3,580,924	-	-	146,497,295

Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

38 SEGMENT REPORTING (CONTINUED)

(a) Business Segment (Continued)

	Six months ended 30 June 2019				
	Corporate banking	Retail banking	Treasury business	Others	Total
Operating income					
External net interest income	1,725,049	333,499	1,881,047	–	3,939,595
Internal net interest income/(expense)	441,398	457,614	(899,012)	–	–
Net interest income	2,166,447	791,113	982,035	–	3,939,595
Net fee and commission income	204,309	25,931	545,336	–	775,576
Net trading gains	38,099	–	288,071	–	326,170
Net gains arising from investments	–	–	1,176,162	–	1,176,162
Other operating income	–	–	–	14,082	14,082
Operating income	2,408,855	817,044	2,991,604	14,082	6,231,585
Operating expenses	(714,540)	(425,510)	(572,814)	(3,478)	(1,716,342)
Impairment losses on assets	(813,657)	(231,919)	(439,848)	–	(1,485,424)
Operating profit	880,658	159,615	1,978,942	10,604	3,029,819
Share of profits of associates	–	–	–	29,095	29,095
Profit before taxation	880,658	159,615	1,978,942	39,699	3,058,914
Other segment information					
– Depreciation and amortisation	101,570	91,876	43,704	–	237,150
– Capital expenditure	171,708	104,290	142,426	492	418,916
	31 December 2019				
	Corporate banking	Retail banking	Treasury business	Others	Total
Segment assets	181,624,941	73,209,830	241,489,123	1,319,243	497,643,137
Deferred tax assets					2,834,990
Total assets					500,478,127
Segment liabilities/total liabilities	194,899,035	98,403,392	165,592,284	1,691,794	460,586,505
Credit commitments	114,594,454	2,785,006	–	–	117,379,460

Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

38 SEGMENT REPORTING (CONTINUED)

(b) Geographical information

Geographically, the Group mainly conducts its business in Henan Province of the PRC and majority of its customers and assets are located in Henan Province of the PRC.

39 RISK MANAGEMENT

The Group is primarily exposed to credit, interest rate, currency and liquidity risks from its use of financial instruments in the normal course of the Group's operations. This note mainly presents information about the Group's exposure to each of the above risks and their sources, the Group's objectives, policies and processes for measuring and managing risks.

The Group aims to seek the appropriate balance between the risks and benefits from its use of financial instruments and minimise potential adverse effects.

The Board of Directors (the "Board") is the highest decision-making authority within the Group in terms of risk management and oversees the Group's risk management functions through the Risk Management Committee. The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

Senior management is the highest execution level in the risk management structure and reports directly to the Risk Management Committee of the Board. Based on the risk management strategies determined by the Board, senior management is responsible for formulating and implementing risk management policies and systems, as well as supervising, identifying and controlling the risks that various businesses are exposed to.

(a) Credit risk

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

Credit business

The Board is responsible for establishing the Group's risk management strategies and the overall risk tolerance level. The Board also monitors the Group's risk management process and regularly assesses the Group's risk position and risk management strategies, ensures that credit risk in various businesses are properly identified, assessed, calculated and monitored. The Credit Management Department is responsible for credit risk management. Departments such as the Credit Approval Department, the Corporate Business Department, the Retail Banking Department, the Financial Department of Small Business, Investment Bank Department, and the Financial Markets Department carry out credit businesses and investments portfolios business according to the Group's risk management policies and procedures. The Group adopts a loan risk classification approach to manage its loan portfolio risk.

Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

39 RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

Treasury Business

The Group's treasury business are exposed to the credit risk associated with the investment business and interbank business. The Group manages the credit risk exposures by setting up credit on its treasury business and interbank business. Credit risk exposure is closely monitored on a systematic, real-time basis. Credit risk limits are reviewed and updated regularly.

Measurement of ECL

Based on whether there is a significant increase in credit risk and whether the asset has incurred credit impairment, the Group measures provision for loss of different assets with 12-month ECL or lifetime ECL respectively.

The Group measures loss provision of the financial instruments that meet the following conditions according to the amount of expected credit losses within the next 12 months, and measures loss provision for other financial instruments in accordance with the amount of lifetime expected credit losses.

- The financial instruments that are determined to have low credit risk at the reporting date; or
- The financial instruments for which credit risk has not increased significantly since initial recognition.

(i) Significant increase in credit risk

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

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

- The credit spread increases significantly
- Significant changes with an adverse effect that have taken place in the borrower's business, financial and economic status
- Application of a grace period or debt-restructuring
- Significant changes with an adverse effect in the borrower's business conditions
- Less value of the collaterals (for the collateral loans and pledged loans only)
- Early indicators of problems of cash flow/liquidity, such as late payment of accounts payable/repayment of loans
- The borrower is more than 30 days past due.

Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

39 RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

Measurement of ECL (Continued)

(i) Significant increase in credit risk (Continued)

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

As at 30 June 2020, the Group has not considered that any of its financial instruments has lower credit risk and no longer compared the credit risk at the balance sheet date with that at the initial recognition to identify whether there was a significant increase in credit risk.

(ii) Definition of “default” and “credit-impaired assets”

When a financial instrument meets one or more of the following conditions, the Group considers the financial asset to be in default, and the criteria are consistent with the definition of credit-impaired assets.

(1) Quantitative criterion

The financial asset is more than 90 days past due.

(2) Qualitative criterion

The borrower meets the criterion of “having difficulty in repayment”, which indicates that the borrower has significant financial difficulty, including:

- the borrower has been in the grace period for a long time
- the death of the borrower
- the borrower enters bankruptcy
- the borrower breaches (one or more) terms of the contract that the debtor shall be subject to
- the disappearance of an active market for the related financial asset because of financial difficulties faced by the borrower
- the creditor make concessions due to the financial difficulties faced by the borrower

Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

39 RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

Measurement of ECL (Continued)

(ii) Definition of “default” and “credit-impaired assets” (Continued)

(2) Qualitative criterion (Continued)

- it becoming probable that the borrower will enter bankruptcy
- a higher discount was obtained during the acquisition of assets, and the assets has incurred credit loss when they are acquired

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

(iii) Notes to the parameters, assumptions and valuation techniques

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 Group should be reimbursed upon default of an obligor over the next 12 months or the remaining lifetime of the loan;
- LGD refers to the expected degree of loss arising from the exposure at default which is predicted by the Group. LGD varies according to different types of counterparties, methods and priority of recovering debts, and the availability of collaterals or other credit support.

The Group determines the expected credit losses by estimating the PD, LGD and EAD of individual exposure or asset portfolios in the future months. The Group 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). By adopting this approach, the Group can calculate the expected credit losses for the future months. The results of calculation for each month are then discounted to the balance sheet date 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.

Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

39 RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

Measurement of ECL (Continued)

(iii) Notes to the parameters, assumptions and valuation techniques (Continued)

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 loans with instalment repayments and bullet repayment, the Group determines 12-month or lifetime EAD according to the repayment schedule agreed in the contract, and makes adjustment based on prediction of over-limit repayment and prepayments/refinancing made by the borrower.
- In respect of the products of revolving credit agreement, the Group estimates the remaining withdrawal within the limits by using the balance of the loan after previous withdrawals and the “credit conversion factor”, so as to predict the exposure at default. Based on the Group’s analysis on recent default data, these assumptions vary based on differences in product type and utilization rate of the limits.
- The Group determines the 12-month LGD and lifetime LGD based on the factors that affects post-default recovery. LGD for different product types are different.
- As to loans classified as guarantees, the Group determines the 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 fiduciary loans, the Group usually determines LGD in the product level due to the limited differences in recoverable amounts from different borrowers. The LGD is affected by the recovery strategies, which include the transfer plan and pricing of loans.
- Forward-looking economic information should be considered when determining the 12-month and lifetime PD, EAD and LGD. Forward-looking information that need to be considered is different due to different product types.

Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

39 RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

Measurement of ECL (Continued)

(iii) Notes to the parameters, assumptions and valuation techniques (Continued)

The Group 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.

Both the assessment of the significant increase in credit risk and the measurement of expected credit losses involve forward-looking information. Based on the analysis on historical data, the Group identified critical economic indicators that affect the credit risk and expected credit losses of all asset portfolios, including GDP, industrial added value, CPI, etc.

There has been no significant changes in the valuation techniques and key assumptions during the reporting period.

(1) Maximum credit risk exposure

The maximum exposure to credit risk is represented by the carrying amount of each type of financial assets as at the end of each of the reporting period. The maximum exposure to credit risk in respect of those off-balance sheet items as at the end of each of the reporting period is disclosed in Note 41(a).

Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

39 RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

Measurement of ECL (Continued)

(iii) Notes to the parameters, assumptions and valuation techniques (Continued)

(2) Loans and advances to customers

(i) Loans and advances to customers were analysed as follows:

	30 June 2020	31 December 2019
Gross balance of loans and advances that are assessed for 12-month ECL		
– Overdue but not credit-impaired	415,774	561,687
– Neither overdue nor credit-impaired	207,236,691	184,704,745
Sub-total	207,652,465	185,266,432
Gross balance of loans and advances that are not credit-impaired and assessed for lifetime ECL		
– Overdue but not credit-impaired	828,823	1,814,480
– Neither overdue nor credit-impaired	384,420	3,198,353
Sub-total	1,213,243	5,012,833
Gross balance of credit-impaired loans and advances that are assessed for lifetime ECL		
– Overdue and credit-impaired	5,793,776	4,767,360
– Not overdue but credit-impaired	949,968	865,040
Sub-total	6,743,744	5,632,400
Interest accrued	842,996	682,722
Less: Provision for impairment losses on loans and advances to customers measured at amortised cost	(7,158,071)	(7,327,846)
Net loans and advances to customers	209,294,377	189,266,541

Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

39 RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

Measurement of ECL (Continued)

(iii) Notes to the parameters, assumptions and valuation techniques (Continued)

(2) Loans and advances to customers (Continued)

(ii) Neither overdue nor credit-impaired

Credit risk of loans and advances to customers neither overdue nor credit-impaired was analysed as follows:

	30 June 2020	31 December 2019
Corporate loans and advances	142,545,389	129,771,878
Personal loans and advances	65,075,722	58,131,220
Total gross balance	207,621,111	187,903,098

(iii) Overdue but not credit-impaired

The following tables present the overdue analysis of each type of loans and advances to customers of the Group which were overdue but not credit-impaired.

	30 June 2020		
	Less than 1 month (inclusive)	1 to 3 months (inclusive)	Total
Corporate loans and advances	370,444	349,956	720,400
Personal loans and advances	257,796	266,401	524,197
Total gross balance	628,240	616,357	1,244,597

Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

39 RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

Measurement of ECL (Continued)

(iii) Notes to the parameters, assumptions and valuation techniques (Continued)

(2) Loans and advances to customers (Continued)

(iii) Overdue but not credit-impaired (Continued)

	31 December 2019		Total
	Less than 1 month (inclusive)	1 to 3 months (inclusive)	
Corporate loans and advances	1,497,890	512,794	2,010,684
Personal loans and advances	242,301	123,182	365,483
Total gross balance	1,740,191	635,976	2,376,167

Fair value of collateral held against loans and advances overdue but not credit-impaired was analysed as follows:

	30 June 2020	31 December 2019
Fair value of collateral held against loans and advances overdue but not credit-impaired	1,062,383	1,073,325

The above collaterals mainly include land, buildings, machinery and equipment, etc. The fair value of collaterals were estimated by the Group based on the latest external valuations available, adjusted in light of disposal experience and current market conditions.

Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

39 RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

Measurement of ECL (Continued)

(iii) Notes to the parameters, assumptions and valuation techniques (Continued)

(2) Loans and advances to customers (Continued)

(iv) Credit-impaired loans

Credit-impaired loans were analysed as follows:

	30 June 2020	31 December 2019
Gross balance		
Corporate loans and advances	5,341,379	4,535,280
Personal loans and advances	1,402,365	1,097,120
Sub-total	6,743,744	5,632,400
Interest accrued		
Corporate loans and advances	20,528	43,519
Personal loans and advances	133	414
Sub-total	20,661	43,933
Provision for impairment losses		
Corporate loans and advances	(2,529,325)	(2,846,615)
Personal loans and advances	(767,879)	(620,462)
Sub-total	(3,297,204)	(3,467,077)
Net balance		
Corporate loans and advances	2,832,582	1,732,184
Personal loans and advances	634,619	477,072
Total	3,467,201	2,209,256
Fair value of collateral held against credit-impaired loans and advances	3,734,570	3,809,261

Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

39 RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

Measurement of ECL (Continued)

(iii) Notes to the parameters, assumptions and valuation techniques (Continued)

(2) Loans and advances to customers (Continued)

(iv) Credit-impaired loans (Continued)

The above collateral mainly included land, buildings, machinery and equipment, etc. The fair value of collateral was estimated by the Group based on the latest external valuations available, adjusted in light of disposal experience and current market conditions.

(3) Amounts due from banks and other financial institutions

The Group adopts an internal credit rating approach in managing the credit risk of amounts due from banks and other financial institutions. The distribution according to the credit rating of amounts due from banks and non-bank financial institutions (including deposits with banks and other financial institutions, placements with banks and other financial institutions, and financial assets held under resale agreements for which counterparties are banks and non-bank financial institutions) is as follows:

	30 June 2020	31 December 2019
Carrying amount		
– grade A to AAA	10,884,912	5,837,647
– unrated	1,572,480	1,876,172
Total	12,457,392	7,713,819

As at 30 June 2020 and 31 December 2019, amounts due from banks and other financial institutions of the Group were neither overdue nor credit-impaired.

Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

39 RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

Measurement of ECL (Continued)

(iii) Notes to the parameters, assumptions and valuation techniques (Continued)

(4) Debt securities investments

The credit risk of debt securities investments mainly arises from the risk that the issuer might default on a payment or go into liquidation. Debt securities investments by different types of issuers are generally subject to different degrees of credit risk.

The following tables present an analysis of the Group's total credit risk exposures of debt securities investments by types of issuers as at 30 June 2020 and 31 December 2019:

	30 June 2020	31 December 2019
Carrying amount		
<i>Neither overdue nor credit-impaired</i>		
– Government	41,550,414	31,951,650
– Policy banks	41,361,420	34,788,348
– Banks and other financial institutions	1,262,336	3,003,307
– Corporate	8,255,605	8,646,124
Sub-total	92,429,775	78,389,429
Less: Provision for impairment losses	(6,831)	(4,781)
Total	92,422,944	78,384,648

Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

39 RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

Measurement of ECL (Continued)

(iii) Notes to the parameters, assumptions and valuation techniques (Continued)

(5) Financial investments measured at amortised cost

The Group

	30 June 2020	31 December 2019
Balance of financial investments measured at amortised cost that are assessed for 12-months ECL		
– Overdue but not credit-impaired	–	1,120,000
– Neither overdue nor credit-impaired	156,003,759	161,699,780
Less: Provision for impairment losses	(939,565)	(970,460)
Sub-total	155,064,194	161,849,320
Balance of not credit-impaired financial investments measured at amortised cost that are assessed for lifetime ECL		
– Overdue but not credit-impaired	957,000	1,518,009
– Neither overdue nor credit-impaired	2,890,000	2,619,174
Less: Provision for impairment losses	(795,756)	(754,280)
Sub-total	3,051,244	3,382,903
Balance of credit-impaired financial investments measured at amortised cost that are assessed for lifetime ECL		
– Overdue and credit-impaired	9,037,095	7,343,541
Less: Provision for impairment losses	(1,615,343)	(839,202)
Sub-total	7,421,752	6,504,339
Interest accrued	1,496,908	1,431,860
Total	167,034,098	173,168,422
Fair value of collaterals held against credit-impaired financial investments that are measured at amortised cost	12,140,514	9,356,790

Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

39 RISK MANAGEMENT (CONTINUED)

(b) Market risk

Market risk is the risk of loss, in respect of the Group's activities, arising from adverse movements in market rates including interest rates, exchange rates, commodity prices, stock prices and other prices. The market risk management aims to manage and monitor market risk, control the potential losses associated with market risk within the acceptable limit and maximise the risk-adjusted income.

The Board is responsible for approving the market risk management strategies and policies, determining the acceptable level of market risk and authorising the Risk Management Committee to supervise the market risk management conducted by the senior management. The Risk Management Department, the Financial Markets Department and the Asset and Liability Management Department are responsible for identifying, measuring, monitoring and reporting the market risk.

The Group employed sensitivity analysis, interest repricing gap analysis, foreign currency gap analysis, stress testing and effective duration analysis to measure and monitor the market risk.

Sensitivity analysis is a technique which assesses the sensitivity of the Group's overall risk profile and its risk profile with reference to the interest rate risks for different maturities.

Interest repricing gap analysis is a technique which estimates the impact of interest rate movements on the Group's current profit or loss. It is used to work out the gap between future cash inflows and outflows by categorising each of the Group's interest-bearing assets and interest-taking liabilities into different periods based on repricing dates.

Foreign currency gap analysis is a technique which estimates the impact of foreign exchange rate movements on the Group's current profit or loss. The foreign currency gap mainly arises from the currency mismatch in the Group's on/off-balance sheet items.

The results of stress testing are assessed against a set of forward-looking scenarios using stress moves in market variables. The results are used to estimate the impact on profit or loss.

Effective duration analysis is a technique which estimates the impact of interest rate movements by giving a weight to each period's exposure according to its sensitivity, calculating the weighted exposure, and summarising all periods' weighted exposures to estimate the non-linear impact of a change in interest rates on the Group's economic value.

Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

39 RISK MANAGEMENT (CONTINUED)

(b) Market risk (Continued)

(1) *Interest rate risk*

The Group is primarily exposed to interest rate risk arising from repricing risk in its commercial banking business and the risk of treasury position.

(i) *Repricing risk*

Repricing risk, which is also known as “maturity mismatch risk”, is the most common form of interest rate risk. It is caused by the differences in timing between the maturities (related to fixed interest instruments) or repricing (related to floating interest instruments) of assets, liabilities and off-balance sheet items. The mismatch of repricing causes the Group’s income or its inherent economic value to vary with the movement in interest rates.

The Asset and Liability Management Department is responsible for identifying, measuring, monitoring and managing interest rate risk. The Group regularly performs assessment on the interest rate repricing gap between the assets and liabilities that are sensitive to changes in interest rates and sensitivity analysis on the net interest income as a result of changes in interest rates. The primary objective of interest rate risk management is to minimise potential adverse effects on its net interest income or its inherent economic value caused by interest rate volatility.

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(Expressed in thousands of Renminbi, unless otherwise stated)

39 RISK MANAGEMENT (CONTINUED)

(b) Market risk (Continued)

(1) Interest rate risk (Continued)

(i) Repricing risk (Continued)

The following tables indicate the assets and liabilities analysis as at the end of the reporting period by the expected next repricing dates or by maturity dates, depending on which is earlier:

	30 June 2020					
	Total	Non-interest bearing	Within three months (inclusive)	Between three months and one year (inclusive)	Between one year and five years (inclusive)	More than five years
Assets						
Cash and deposits with central bank	31,833,892	1,670,038	30,163,854	-	-	-
Deposits/placements with banks and other financial institutions	4,787,707	943,261	3,844,446	-	-	-
Financial assets held under resale agreements	7,669,685	741	7,668,944	-	-	-
Loans and advances to customers (1)	209,294,377	842,996	132,188,594	40,487,505	34,619,465	1,155,817
Investments (2)	253,909,708	2,158,527	49,363,061	47,466,088	110,383,153	44,538,879
Finance lease receivables (1)	17,568,635	177,449	14,027,785	3,363,401	-	-
Others	8,808,929	8,808,929	-	-	-	-
Total assets	533,872,933	14,601,941	237,256,684	91,316,994	145,002,618	45,694,696
Liabilities						
Due to central bank	16,408,987	208,377	4,110,000	12,090,610	-	-
Deposits/placements from banks and other financial institutions	37,621,945	285,033	18,706,542	18,630,370	-	-
Financial assets sold under repurchase agreements	19,624,666	4,606	19,620,060	-	-	-
Deposits from customers	319,548,187	1,322,291	139,060,988	53,294,164	125,870,729	15
Debt securities issued	94,582,627	215,229	11,061,697	76,309,529	6,996,172	-
Others	4,456,191	4,099,910	356,281	-	-	-
Total liabilities	492,242,603	6,135,446	192,915,568	160,324,673	132,866,901	15
Asset-liability gap	41,630,330	8,466,495	44,341,116	(69,007,679)	12,135,717	45,694,681

Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

39 RISK MANAGEMENT (CONTINUED)

(b) Market risk (Continued)

(1) Interest rate risk (Continued)

(i) Repricing risk (Continued)

	31 December 2019					
	Total	Non-interest bearing	Within three months (inclusive)	Between three months and one year (inclusive)	Between one year and five years (inclusive)	More than five years
Assets						
Cash and deposits with central bank	38,465,676	1,127,954	37,337,722	-	-	-
Deposits/placements with banks and other financial institutions	4,715,075	353,589	3,858,094	427,494	75,898	-
Financial assets held under resale agreements	2,998,744	494	2,998,250	-	-	-
Loans and advances to customers (1)	189,266,541	682,722	108,592,398	64,078,713	13,977,993	1,934,715
Investments (2)	244,359,200	2,321,277	41,190,824	47,331,255	118,997,784	34,518,060
Finance lease receivables (1)	12,501,697	96,350	10,535,968	1,722,312	147,067	-
Others	8,171,194	8,076,592	87,775	6,827	-	-
Total assets	500,478,127	12,658,978	204,601,031	113,566,601	133,198,742	36,452,775
Liabilities						
Due to central bank	9,954,864	102,364	-	9,852,500	-	-
Deposits/placements from banks and other financial institutions	33,019,136	270,076	11,049,644	21,699,416	-	-
Financial assets sold under repurchase agreements	16,385,737	5,314	16,353,958	26,465	-	-
Deposits from customers	292,125,786	3,706,560	142,364,966	46,724,099	99,327,567	2,594
Debt securities issued	105,245,667	167,735	4,253,044	93,829,860	6,995,028	-
Others	3,855,315	3,850,371	3,004	1,940	-	-
Total liabilities	460,586,505	8,102,420	174,024,616	172,134,280	106,322,595	2,594
Asset-liability gap	39,891,622	4,556,558	30,576,415	(58,567,679)	26,876,147	36,450,181

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(Expressed in thousands of Renminbi, unless otherwise stated)

39 RISK MANAGEMENT (CONTINUED)

(b) Market risk (Continued)

(1) Interest rate risk (Continued)

(i) Repricing risk (Continued)

- (1) For the Group's loans and advances to customers, the category "Within three months (inclusive)" as at 30 June 2020 includes overdue amounts (net of allowance for impairment losses) of RMB4,001 million (31 December 2019: RMB3,842 million). For the Group's finance lease receivables, the category "Within three months (inclusive)" as at 30 June 2020 includes overdue amounts (net of allowance for impairment losses) of RMB505 million (31 December 2019: RMB248 million).
- (2) As at 30 June 2020, investments include financial investments at fair value through profit or loss, financial investments at fair value through other comprehensive income, financial investments measured at amortised cost and interest in associates, the category "Within three months (inclusive)" as at 30 June 2020 includes overdue amounts (net of allowance for impairment losses) of RMB7,783 million (31 December 2019: RMB9,124 million).

(ii) Interest rate sensitivity analysis

	30 June 2020 (Decrease)/ increase	31 December 2019 (Decrease)/ increase
Changes in net interest income		
Up 100 bps parallel shift in yield curves	(55,610)	(100,120)
Down 100 bps parallel shift in yield curves	55,610	100,120
Changes in equity		
Up 100 bps parallel shift in yield curves	(159,146)	(550,107)
Down 100 bps parallel shift in yield curves	161,344	588,503

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(Expressed in thousands of Renminbi, unless otherwise stated)

39 RISK MANAGEMENT (CONTINUED)

(b) Market risk (Continued)

(1) Interest rate risk (Continued)

(ii) Interest rate sensitivity analysis (Continued)

The sensitivity analysis above is based on a static interest risk exposure profile of assets and liabilities. This analysis measures only the impact of changes in interest rates within one year, showing how annualised net interest income and equity would have been affected by repricing of the Group's assets and liabilities within the one-year period. The effect of equity is the effect of the assumed changes in interest rates on the Group's net interest income and other comprehensive income, calculated by revaluing financial investments at fair value through other comprehensive income and loans and advances to customers measured at fair value through other comprehensive income held at year end. The sensitivity analysis is based on the following assumptions:

- All assets and liabilities that reprice or mature within three months and after three months but within one year reprice or mature in the beginning of the respective periods;
- 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, all the position will be held and keep unchanged after matured; and
- The analysis does not take into account the effect of risk management measures taken by the management.

Due to the adoption of the aforementioned assumptions, the actual changes in the Group's net interest income 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 Report

(Expressed in thousands of Renminbi, unless otherwise stated)

39 RISK MANAGEMENT (CONTINUED)

(b) Market risk (Continued)

(2) Currency risk

The Group's currency risk mainly arises from foreign currency Investments and deposits from customers. The Group manages currency risk by matching its foreign currency denominated assets with corresponding liabilities in the same currencies.

The Group's currency exposures as at the end of the reporting period are as follows:

	30 June 2020			
	RMB	USD (RMB Equivalent)	Others (RMB Equivalent)	Total (RMB Equivalent)
Assets				
Cash and deposits with central bank	31,702,729	127,313	3,850	31,833,892
Deposits/placements with banks and other financial institutions	3,123,774	1,278,937	384,996	4,787,707
Financial assets held under resale agreements	7,669,685	-	-	7,669,685
Loans and advances to customers	208,228,800	1,065,577	-	209,294,377
Investments (i)	242,949,836	10,959,872	-	253,909,708
Finance lease receivables	17,568,635	-	-	17,568,635
Others	8,692,784	116,145	-	8,808,929
Total assets	519,936,243	13,547,844	388,846	533,872,933
Liabilities				
Due to central bank	16,408,987	-	-	16,408,987
Deposits/placements from banks and other financial institutions	37,129,079	389,373	103,493	37,621,945
Financial assets sold under repurchase agreements	19,624,666	-	-	19,624,666
Deposits from customers	317,063,332	2,484,730	125	319,548,187
Debt securities issued	94,582,627	-	-	94,582,627
Others	4,260,313	195,112	766	4,456,191
Total liabilities	489,069,004	3,069,215	104,384	492,242,603
Net position	30,867,239	10,478,629	284,462	41,630,330
Off-balance sheet credit commitments	143,507,006	2,930,744	59,545	146,497,295

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(Expressed in thousands of Renminbi, unless otherwise stated)

39 RISK MANAGEMENT (CONTINUED)

(b) Market risk (Continued)

(2) Currency risk (Continued)

	31 December 2019			
	RMB	USD (RMB Equivalent)	Others (RMB Equivalent)	Total (RMB Equivalent)
Assets				
Cash and deposits with central bank	38,349,178	112,485	4,013	38,465,676
Deposits/placements with banks and other financial institutions	3,374,752	1,326,483	13,840	4,715,075
Financial assets held under resale agreements	2,998,744	–	–	2,998,744
Loans and advances to customers	187,960,887	1,305,654	–	189,266,541
Investments (i)	234,006,115	10,353,085	–	244,359,200
Finance lease receivables	12,501,697	–	–	12,501,697
Others	7,983,379	187,815	–	8,171,194
Total assets	487,174,752	13,285,522	17,853	500,478,127
Liabilities				
Due to central bank	9,954,864	–	–	9,954,864
Deposits/placements from banks and other financial institutions	32,850,447	168,689	–	33,019,136
Financial assets sold under repurchase agreements	16,385,737	–	–	16,385,737
Deposits from customers	289,958,660	2,167,002	124	292,125,786
Debt securities issued	105,245,667	–	–	105,245,667
Others	3,645,165	209,446	704	3,855,315
Total liabilities	458,040,540	2,545,137	828	460,586,505
Net position	29,134,212	10,740,385	17,025	39,891,622
Off-balance sheet credit commitments	113,976,135	3,323,311	80,014	117,379,460

(i) Investments include financial investments at fair value through profit or loss, financial investments at fair value through other comprehensive income, financial investments measured at amortised cost and interest in associates.

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(Expressed in thousands of Renminbi, unless otherwise stated)

39 RISK MANAGEMENT (CONTINUED)

(b) Market risk (Continued)

(2) Currency risk (Continued)

	30 June 2020	31 December 2019
	Increase/ (decrease)	Increase/ (decrease)
Change in profit after taxation and equity		
Up 100 bps change of foreign exchange rate	11,402	11,565
Down 100 bps change of foreign exchange rate	(11,402)	(11,565)

The sensitivity analysis mentioned above is based on a static foreign exchange exposure profile of assets and liabilities and certain simplified assumptions as set out below:

- The foreign exchange sensitivity is the gain and loss recognised as a result of one hundred basis points fluctuation in the foreign currency exchange rates against RMB based on the closing rate of reporting date;
- The exchange rates against RMB for the US dollars and other foreign currencies change in the same direction simultaneously;
- The foreign currency exposures calculated includes spot and forward foreign exchange exposures and swaps, and all the position will be held and keep unchanged after mature; and
- The analysis does not take into account the effect of risk management measures taken by the Group.

Due to the assumptions adopted, actual changes in the Group's net profit and equity resulting from the increase or decrease in foreign exchange rates may vary from the estimated results of this sensitivity analysis.

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(Expressed in thousands of Renminbi, unless otherwise stated)

39 RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk

Liquidity risk is the risk that a commercial bank is unable to obtain funds on a timely basis or obtain funds at a reasonable cost to meet repayment obligations or sustain its asset business. This risk exists even if a bank's solvency remains strong.

The Group has implemented the centralised management of the Group-wide liquidity risk and established a liquidity risk management structure which mainly comprises decision-making organization, execution organization and supervision organization. The responsibilities of them are as follows:

- The Board and its Risk Management Committee are the decision-making bodies for liquidity risk management that assume the ultimate responsibility for liquidity risk management and are responsible for formulating the guidelines and policies for liquidity risk management;
- Senior management and its Asset and Liability Management Committee, Asset and Liability Management Department and other relevant business departments are the executive bodies for liquidity risk management. Senior management is responsible for organization and implementation of liquidity risk management; the Asset and Liability Management Department is responsible for implementing relevant liquidity risk management policies, monitoring various liquidity risk indicators, formulating, implementing and evaluating relevant systems, setting the Group-wide risk warning limits, guiding various business departments to manage liquidity risk on a daily basis, regularly carrying out risk analysis and reporting to the Asset and Liability Management Committee;
- The Board of Supervisors, the Internal Audit Office under the Board and the Legal Affairs and Compliance Department are the supervisory bodies for liquidity risk management and are responsible for supervising and evaluating the fulfilment of duties of the Board and senior management in liquidity risk management.

The Group manages liquidity risk by monitoring the maturities of the assets and liabilities, while actively monitoring multiple liquidity indicators, including liquidity ratio, reserve ratio, liquidity coverage ratio, net stable funding ratio and liquidity matching ratio, etc.

The Group also formulates liquidity risk emergency plan to ensure sufficient liquidity under various market conditions.

A substantial portion of the Group's assets are funded by deposits from customers. These deposits from customers, which have been growing in recent years, are widely diversified in terms of type and duration and represent a major source of funds.

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(Expressed in thousands of Renminbi, unless otherwise stated)

39 RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (Continued)

(1) Maturity analysis

The following tables provide an analysis of assets and liabilities of the Group into relevant maturity groupings based on the remaining periods to repayment at the end of the reporting period:

	30 June 2020						Total
	Indefinite	Repayable on demand	Within three months (inclusive)	Between three months and one year (inclusive)	Between one year and five years (inclusive)	More than five years	
Assets							
Cash and deposits with central bank	22,316,243	9,507,474	10,175	-	-	-	31,833,892
Deposits/placements with banks and other financial institutions	-	2,513,445	2,173,290	100,972	-	-	4,787,707
Financial assets held under resale agreements	-	-	7,669,685	-	-	-	7,669,685
Loans and advances to customers	3,478,597	4,197,937	18,072,795	61,926,213	69,544,509	52,074,326	209,294,377
Investments (i)	6,902,229	1,199,393	25,773,175	62,074,835	113,421,197	44,538,879	253,909,708
Finance lease receivables	248,149	24,670	2,260,627	4,745,571	9,906,669	382,949	17,568,635
Others	7,335,363	85,560	544,097	427,623	155,557	260,729	8,808,929
Total assets	40,280,581	17,528,479	56,503,844	129,275,214	193,027,932	97,256,883	533,872,933
Liabilities							
Due to central bank	-	-	4,204,570	12,204,417	-	-	16,408,987
Deposits/placements from banks and other financial institutions	-	4,632,476	14,271,763	18,717,706	-	-	37,621,945
Financial assets sold under repurchase agreements	-	-	19,624,666	-	-	-	19,624,666
Deposits from customers	-	103,110,960	37,272,319	53,294,164	125,870,729	15	319,548,187
Debt securities issued	-	-	11,061,697	76,524,758	6,996,172	-	94,582,627
Others	-	2,223,490	496,650	470,207	1,112,863	152,981	4,456,191
Total liabilities	-	109,966,926	86,931,665	161,211,252	133,979,764	152,996	492,242,603
Long/(short) position	40,280,581	(92,438,447)	(30,427,821)	(31,936,038)	59,048,168	97,103,887	41,630,330

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(Expressed in thousands of Renminbi, unless otherwise stated)

39 RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (Continued)

(1) Maturity analysis (Continued)

	31 December 2019						
	Indefinite	Repayable on demand	Within three months (inclusive)	Between three months and one year (inclusive)	Between one year and five years (inclusive)	More than five years	Total
Assets							
Cash and deposits with central bank	24,893,970	13,558,432	13,274	-	-	-	38,465,676
Deposits/placements with banks and other financial institutions	-	1,429,949	2,781,540	427,511	76,075	-	4,715,075
Financial assets held under resale agreements	-	-	2,998,744	-	-	-	2,998,744
Loans and advances to customers	2,305,222	4,284,258	23,207,561	58,752,108	57,277,463	43,439,929	189,266,541
Investments (i)	6,901,805	2,420,221	20,356,352	57,886,052	122,276,710	34,518,060	244,359,200
Finance lease receivables	248,205	-	2,067,803	3,813,474	6,098,528	273,687	12,501,697
Others	6,508,027	62,476	565,047	954,336	79,391	1,917	8,171,194
Total assets	40,857,229	21,755,336	51,990,321	121,833,481	185,808,167	78,233,593	500,478,127
Liabilities							
Due to central bank	-	-	842	9,954,022	-	-	9,954,864
Deposits/placements from banks and other financial institutions	-	2,186,743	9,046,003	21,786,390	-	-	33,019,136
Financial assets sold under repurchase agreements	-	-	16,359,157	26,580	-	-	16,385,737
Deposits from customers	-	109,850,500	36,221,025	46,724,100	99,327,567	2,594	292,125,786
Debt securities issued	-	-	4,253,044	93,997,595	6,995,028	-	105,245,667
Others	-	1,549,946	641,932	552,753	997,908	112,776	3,855,315
Total liabilities	-	113,587,189	66,522,003	173,041,440	107,320,503	115,370	460,586,505
Long/(short) position	40,857,229	(91,831,853)	(14,531,682)	(51,207,959)	78,487,664	78,118,223	39,891,622

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(Expressed in thousands of Renminbi, unless otherwise stated)

39 RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (Continued)

(1) Maturity analysis (Continued)

- (i) Investments include financial investments at fair value through profit or loss, financial investments at fair value through other comprehensive income, financial investments measured at amortised cost and interest in associates. The “indefinite” period amount represents the balance being credit-impaired or overdue for more than one month, and the balance overdue within one month (inclusive) but not credit-impaired is included in “repayable on demand”.
- (ii) For cash and deposits with central bank, the indefinite period amount represents statutory deposit reserves and fiscal deposits maintained with the PBOC. Equity investments are reported under indefinite period.
- (iii) For loans and advances to customers, the “indefinite” period amount represents the balance being impaired or overdue for more than one month, and the balance overdue within one month (inclusive) but not impaired is included in “repayable on demand”.
- (iv) For finance lease receivables, the “indefinite” period amount represents the balance being impaired or overdue for more than one month, and the balance overdue within one month (inclusive) but not impaired is included in “repayable on demand”.

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(Expressed in thousands of Renminbi, unless otherwise stated)

39 RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (Continued)

(2) Analysis on contractual counted cash flows of financial liabilities

- (i) The following tables provide an analysis of the contractual undiscounted cash flow of the non-derivative financial liabilities at the end of the reporting period:

	30 June 2020						
	Carrying amount at 30 June	Total	Repayable on demand	Within three months (inclusive)	Between three months and one year (inclusive)	Between one year and five years (inclusive)	More than five years
Non-derivative cash flows:							
Due to central bank	16,408,987	16,815,337	-	4,260,682	12,554,655	-	-
Deposits/placements from banks and other financial institutions	37,621,945	38,279,094	4,632,476	14,347,098	19,299,520	-	-
Financial assets sold under repurchase agreements	19,624,666	19,625,687	-	19,625,687	-	-	-
Deposits from customers	319,548,187	342,331,525	103,110,960	37,716,949	55,407,198	146,096,403	15
Debt securities issued	94,582,627	95,893,171	-	11,202,697	77,401,303	7,289,171	-
Total	487,786,412	512,944,814	107,743,436	87,153,113	164,662,676	153,385,574	15

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(Expressed in thousands of Renminbi, unless otherwise stated)

39 RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (Continued)

(2) Analysis on contractual counted cash flows of financial liabilities (Continued)

(i) (Continued)

	31 December 2019						
	Carrying amount at 31 December	Total	Repayable on demand	Within three months (inclusive)	Between three months and one year (inclusive)	Between one year and five years (inclusive)	More than five years
Non-derivative cash flows:							
Due to central bank	9,954,864	10,265,894	-	7,832	10,258,062	-	-
Deposits/placements from banks and other financial institutions	33,019,136	33,611,901	2,187,917	12,158,646	19,265,338	-	-
Financial assets sold under repurchase agreements	16,385,737	16,395,265	-	16,368,231	27,034	-	-
Deposits from customers	292,125,786	309,912,350	109,983,197	34,686,235	49,245,692	115,994,149	3,077
Debt securities issued	105,245,667	107,342,029	-	4,349,044	95,534,957	7,458,028	-
Total	456,731,190	477,527,439	112,171,114	67,569,988	174,331,083	123,452,177	3,077

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(Expressed in thousands of Renminbi, unless otherwise stated)

39 RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (Continued)

(2) Analysis on contractual counted cash flows of financial liabilities (Continued)

- (ii) The following tables provide an analysis of the contractual undiscounted cash flow of the derivative financial instruments at the end of the reporting period:

	30 June 2020						
	Carrying amount at 30 June	Total	Repayable on demand	Within three months (inclusive)	Between three months and one year (inclusive)	Between one year and five years (inclusive)	More than five years
Derivative cash flows: Derivative financial instruments settled on net basis	(35,967)	(39,256)	-	27,766	(67,022)	-	-

	31 December 2019						
	Carrying amount at 31 December	Total	Repayable on demand	Within three months (inclusive)	Between three months and one year (inclusive)	Between one year and five years (inclusive)	More than five years
Derivative cash flows: Derivative financial instruments settled on net basis	89,658	90,809	-	85,794	5,015	-	-

This analysis of financial liabilities by contractual undiscounted cash flow might vary from actual results.

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(Expressed in thousands of Renminbi, unless otherwise stated)

39 RISK MANAGEMENT (CONTINUED)

(d) Operational risk

Operational risk refers to the risk of losses associated with internal process deficiencies, personnel mistakes and information system failures, or impact from other external events.

The Group has formulated operational risk management policies and procedures, aiming to identify, assess, monitor, control and mitigate the operational risk, and reduce losses associated with the operational risk.

The Group's measures to manage the operational risk mainly include:

- making use of risk alert system and paying attention to risk product and early risk alert on each aspect of business; making business risk assessment in time; carrying out centralised risk management on major business controlling unit so as to reduce business operational risk;
- establishing a supervision system combining “on-site and off-site”, “regular and special”, “self and external” examinations, identifying, monitoring, collecting risk factors and risk signals in the course of business operations, using centralized operational risk management tools, supervising, analysing and reporting the sufficiency and effectiveness of operational risk management;
- the Compliance Department, the Risk Management Department and the Internal Audit Office constitute “three lines of defense” for operational risk management base on the separating responsibilities of the front, middle and the back offices. The Business and functional departments act as the first line of defense, the Compliance Department and the Risk Management Department act as the second line of defense and the Internal Audit Office acts as the third line of defense;
- establishing a compulsory leave and rotation policies to staff in key position or important process;
- establishing an expertise grade appraisal system for all employees, and selecting qualified employees through strict qualification examination and professional evaluation in accordance with the expertise and skills required by the various positions; and
- establishing a mechanism for emergency management and business continuity.

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(Expressed in thousands of Renminbi, unless otherwise stated)

39 RISK MANAGEMENT (CONTINUED)

(e) Capital management

The Group manages capital mainly through capital adequacy ratio and return on equity ratio. Capital adequacy ratio is at the core of the Group's capital management, reflecting capacity of the Group for prudent operation and risk prevention. The return on equity ratio reflects the profitability of equity. The main objective of capital management is to maintain a balanced reasonable capital amount and structure in line with the business development and expected return on equity.

The Group follows the principles below with regard to capital management:

- monitor levels of asset quality based on the Group's business strategy and maintain adequate capital to support the implementation of the Group's strategic development plan and meet the regulatory requirements; and
- effectively identify, quantify, monitor, mitigate and control the major risks to which the Group is exposed, and maintain the appropriate level of capital after considering the Group's risk exposure and risk management needs.

The Group monitors the capital adequacy ratio periodically and adjusts the capital management plan when necessary to ensure the capital adequacy ratio meets both the regulatory requirements and business development needs.

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39 RISK MANAGEMENT (CONTINUED)

(e) Capital management (Continued)

The Group calculates the capital adequacy ratios as at 30 June 2020 and 31 December 2019 in accordance with the Regulation Governing Capital of Commercial Banks (Provisional) (商業銀行資本管理辦法) issued by the former CBRC in 2012 and relevant requirements promulgated by the CBIRC. The calculations based on statutory financial statements of the Group prepared under Accounting Standards for Business Enterprises are as follows:

	30 June 2020	31 December 2019
Total core tier-one capital		
– Share capital	6,514,125	5,921,932
– Valid portion of capital reserve	4,571,462	5,163,655
– Fair value reserve	(42,066)	97,063
– Remeasurement of net defined benefit liability	(47,315)	(46,424)
– Surplus reserve	2,675,548	2,675,548
– General reserve	6,619,553	6,619,553
– Retained earnings	12,159,147	10,333,487
– Valid portion of minority interests	742,419	601,657
Core tier-one capital	33,192,873	31,366,471
Core tier-one capital deductions	(900,187)	(918,036)
Net core tier-one capital	32,292,686	30,448,435
Additional tier-one capital		
– Additional tier-one capital instruments and related premium	7,825,508	7,825,508
– Valid portion of minority interests	97,906	79,185
Net tier-one capital	40,216,100	38,353,128
Tier two capital		
– Qualifying portions of tier-two capital instruments issued	5,000,000	5,000,000
– Surplus provision for loan impairment	2,561,644	2,701,779
– Valid portion of minority interests	197,378	160,589
Net tier-two capital	7,759,022	7,862,368
Net capital base	47,975,122	46,215,496
Total risk weighted assets	(1) 405,385,645	381,759,225
Core tier-one capital adequacy ratio	7.97%	7.98%
Tier-one capital adequacy ratio	9.92%	10.05%
Capital adequacy ratio	11.83%	12.11%

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(Expressed in thousands of Renminbi, unless otherwise stated)

39 RISK MANAGEMENT (CONTINUED)

(e) Capital management (Continued)

- (1) Both the on-balance and off-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 as well as any eligible collateral or guarantees.
- (2) Pursuant to the Regulation Governing Capital of Commercial Banks (Provisional) 《商業銀行資本管理辦法(試行)》, the CBIRC requires that the capital adequacy ratio, tier-one capital adequacy ratio and core tier-one capital adequacy ratio for commercial banks shall not fall below 10.5%, 8.5% and 7.5% at 30 June 2020 and 31 December 2019.

40 FAIR VALUE

(a) Methods and assumptions for measurement of fair value

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date;
- Level 2: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available; and
- Level 3: Fair value measured using significant unobservable inputs

The Group has established policies and internal controls with respect to the measurement of fair values, specify the framework of fair value measurement of financial instruments, fair value measurement methodologies and procedures.

The Group adopts the following methods and assumptions when evaluating fair values:

(1) Debt securities investments

Fair values of debt securities investments are determined with reference to the available market values. If quoted market prices are not available, then fair values are estimated on the basis of pricing models or discounted cash flows.

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40 FAIR VALUE (CONTINUED)

(a) Methods and assumptions for measurement of fair value (Continued)

(2) 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 each of the reporting period.

(3) 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 each of the reporting period, or the present value of estimated future cash flows. The fair values of other non-derivative financial liabilities are valued at the present value of estimated future cash flows. The discount rates are based on the market interest rates at the end of each of the reporting period.

(b) Financial instruments recorded at fair value

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

	30 June 2020			
	Level 1	Level 2	Level 3	Total
Assets measured at fair value on a recurring basis				
Financial investments at fair value through profit or loss				
– Debt securities	8,276,798	10,362,137	–	18,638,935
– Investment funds	–	7,476,365	–	7,476,365
– Other financial investments at fair value through profit or loss	–	–	34,906,048	34,906,048
Financial investments at fair value through other comprehensive income (excluding accrued interest)				
– Debt instruments	17,246,735	7,912,164	–	25,158,899
– Equity investments	–	–	8,400	8,400
Loans and advances to customers measured at fair value through other comprehensive income				
– Corporate loans and advances	–	–	14,013,865	14,013,865
Derivative financial assets	–	30,000	–	30,000
Total	25,523,533	25,780,666	48,928,313	100,232,512
Liabilities measured at fair value on a recurring basis				
Derivative financial liabilities	–	(65,967)	–	(65,967)
Total	–	(65,967)	–	(65,967)

Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

40 FAIR VALUE (CONTINUED)

(b) Financial instruments recorded at fair value (Continued)

	31 December 2019			
	Level 1	Level 2	Level 3	Total
Assets measured at fair value on a recurring basis				
Financial investments at fair value through profit or loss				
– Debt securities	8,276,336	4,078,569	–	12,354,905
– Investment funds	–	6,242,542	–	6,242,542
– Other financial investments at fair value through profit or loss	–	–	36,464,847	36,464,847
Financial investments at fair value through other comprehensive income (excluding accrued interest)				
– Debt instruments	7,504,187	7,911,926	–	15,416,113
– Equity investments	–	–	8,400	8,400
Loans and advances to customers measured at fair value through other comprehensive income				
– Corporate loans and advances	–	–	14,820,967	14,820,967
Derivative financial assets	–	94,602	–	94,602
Total	15,780,523	18,327,639	51,294,214	85,402,376
Liabilities measured at fair value on a recurring basis				
Derivative financial liabilities	–	(4,944)	–	(4,944)
Total	–	(4,944)	–	(4,944)

During the period, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2019: Nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

40 FAIR VALUE (CONTINUED)

(c) Movement in level 3 financial instruments measured at fair value

The following table shows a reconciliation of the opening and closing balance of level 3 financial assets and liabilities which are recorded at fair value and the movement during the period/year:

	1 January 2020	Total effects of profit and loss during the period	Total effects of other comprehensive income during the period	Acquisition	Sales/ settlement	Transferred from Level 2 to Level 3	30 June 2020	Profit attributable to the change in unrealised losses relating to assets held at the end of the period
Financial assets:								
Financial investments at fair value through profit or loss								
- Other financial investments at fair value through profit or loss	36,464,847	432,275	-	9,080,720	(11,071,794)	-	34,906,048	(184,135)
Financial investments at fair value through other comprehensive income								
- Equity investments	8,400	-	-	-	-	-	8,400	-
Loans and advances to customers measured at fair value through other comprehensive income	14,820,967	65,905	(13,053)	3,354,331	(4,214,285)	-	14,013,865	-
Total	51,294,214	498,180	(13,053)	12,435,051	(15,286,079)	-	48,928,313	(184,135)

Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

40 FAIR VALUE (CONTINUED)

(c) Movement in level 3 financial instruments measured at fair value (Continued)

	1 January 2019	Total effects of profit and loss during the year	Total effects of other comprehensive income during the year	Acquisition	Sales/ settlement	Transferred from Level 2 to Level 3	31 December 2019	Profit attributable to the change in unrealised gains relating to assets held at the end of the year
Financial assets:								
Financial investments at fair value through profit or loss								
- Other financial investments at fair value through profit or loss	35,844,826	2,000,660	-	21,596,442	(22,977,081)	-	36,464,847	806,913
Financial investments at fair value through other comprehensive income								
- Equity investments	8,400	-	-	-	-	-	8,400	-
Loans and advances to customers measured at fair value through other comprehensive income	12,396,145	84,367	(69,387)	14,235,467	(11,825,625)	-	14,820,967	-
Total	48,249,371	2,085,027	(69,387)	35,831,909	(34,802,706)	-	51,294,214	806,913

During the reporting period, the effects of changes in significant unobservable assumptions to reasonably possible alternative assumptions were immaterial.

During the reporting period, total gains recorded in profit or loss is recognised in the line item "net gains arising from investments" on the face of the consolidated statement of profit or loss and other comprehensive income.

Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

40 FAIR VALUE (CONTINUED)

(d) Fair value of financial assets and liabilities not carried at fair value

	30 June 2020				
	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets					
Financial investments measured at amortised cost					
– Debt securities	48,329,981	48,932,784	20,104,560	28,828,224	–
Total	48,329,981	48,932,784	20,104,560	28,828,224	–
Financial liabilities					
Debt securities issued					
– Financial bonds	5,121,620	5,185,183	–	5,185,183	–
– Tier-two capital bonds	5,089,781	5,173,633	–	5,173,633	–
– Interbank deposits	84,371,226	84,428,308	–	84,428,308	–
Total	94,582,627	94,787,124	–	94,787,124	–
	31 December 2019				
	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets					
Financial investments measured at amortised cost					
– Debt securities	50,286,533	50,526,990	20,655,017	29,871,973	–
Total	50,286,533	50,526,990	20,655,017	29,871,973	–
Financial liabilities					
Debt securities issued					
– Financial bonds	5,086,557	5,132,011	–	5,132,011	–
– Tier-two capital bonds	5,076,207	5,092,029	–	5,092,029	–
– Interbank deposits	95,082,903	95,153,623	–	95,153,623	–
Total	105,245,667	105,377,663	–	105,377,663	–

Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

40 FAIR VALUE (CONTINUED)

(d) Fair value of financial assets and liabilities not carried at fair value (Continued)

Subject to the existence of an active market, such as an authorised securities exchange, the market value is the best reflection of the fair value of financial instruments. As there is no available market value for certain of the financial assets and liabilities held and issued by the Group, the discounted cash flow method or other valuation methods are adopted to determine the fair values of these assets and liabilities.

The fair values of debt securities in financial investments measured at amortised cost and debt securities issued are determined with reference to the available market values. If quoted market prices are not available, then fair values are estimated on the basis of pricing models or discounted cash flows.

Financial investments measured at amortized cost with the exception of debt securities are stated at amortised cost using the effective interest method. The fair value of financial investments measured at amortized cost are estimated based on future cash flows expected to be received which is discounted at current market rates. Majority of financial investments measured at amortized cost are repriced at least annually to the market rate. Accordingly, their carrying values approximate their fair values.

The above-mentioned assumptions and methods provide a consistent basis for the calculation of the fair values of the Group's assets and liabilities. However, other institutions may use different assumptions and methods. Therefore, the fair values disclosed by different financial institutions may not be entirely comparable.

Those financial instruments for which their carrying amounts are the reasonable approximations of their fair values because, for example, they are short-term in nature or repriced at current market rates frequently, are as follows:

Assets	Liabilities
Cash and deposits with central bank	Due to central bank
Deposits with banks and other financial institutions	Deposits from banks and other financial institutions
Placements with banks and other financial institutions	Placements from banks and other financial institutions
Financial assets held under resale agreements	Financial assets sold under repurchase agreements
Loans and advances to customers (measured at amortized cost)	Deposits from customers
Finance lease receivables	Other financial assets
Other financial liabilities	

Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

41 COMMITMENTS AND CONTINGENT LIABILITIES

(a) Credit commitments

The Group's credit commitments take the form of bank acceptances, unused credit card limits, letters of credit and letters of guarantees.

Acceptances comprise of undertakings by the Group to pay bills of exchange drawn on customers. The Group expects most acceptances to be settled simultaneously with the reimbursement from its customers. The contractual amounts of unused credit card commitments represent the amounts should the contracts be fully drawn upon. The Group provides financial guarantees and letters of credit to guarantee the performance of customers to third parties.

	30 June 2020	31 December 2019
Bank acceptances	131,597,471	103,738,951
Letters of credit	9,085,262	8,162,623
Guarantees	2,233,638	2,692,880
Unused credit card commitments	3,580,924	2,785,006
Total	146,497,295	117,379,460

The Group may be exposed to credit risk in all the above credit businesses. 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.

(b) Credit risk-weighted amount

	30 June 2020	31 December 2019
Credit risk-weighted amount of contingent liabilities and commitments	19,156,098	15,365,937

The credit risk weighted amount represents the amount calculated with reference to the guidelines issued by the CBIRC. The risk weights are determined in accordance with the credit status of the counterparties, the maturity profile and other factors. The risk weights range from 0% to 150% for credit commitments.

Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

41 COMMITMENTS AND CONTINGENT LIABILITIES (CONTINUED)

(c) Capital commitments

As at 30 June 2020 and 31 December 2019, the authorised capital commitments of the Group are as follows:

	30 June 2020	31 December 2019
Contracted but not paid for	167,579	140,385
Approved but not contracted for	53,508	50,380
Total	221,087	190,765

(d) Outstanding litigations and disputes

As at 30 June 2020, there are no outstanding legal proceedings that have a significant impact on the financial statements against the Group (31 December 2019: Nil).

(e) Pledged assets

	30 June 2020	31 December 2019
Debt securities	19,884,483	16,582,386
Total	19,884,483	16,582,386

Some of the Group's assets are pledged as collateral under repurchase agreements.

Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

42 INVOLVEMENT WITH UNCONSOLIDATED STRUCTURED ENTITIES

(a) Structured entities sponsored by third party institutions in which the Group holds an interest

The Group holds an interest in some structured entities sponsored by third party institutions through investments in the notes issued by these structured entities. Such structured entities include investment management products under trust scheme, investment management products managed by securities companies and wealth management products issued by financial institutions. The Group does not consolidate these structured entities. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors and financed through the issue of notes to investors.

The following tables set out an analysis of the carrying amounts of interests held by the Group in the structured entities sponsored by third party institutions, as well as an analysis of the line items in the consolidated statement of financial position in which relevant assets are recognised:

	30 June 2020	
	Carrying amount	Maximum exposure
Financial investments		
– Financial investments at fair value through profit or loss	35,500,846	35,500,846
– Financial investments measured at amortised cost	102,309,530	102,309,530
Interest receivables	601,443	601,443
Total	138,411,819	138,411,819

	31 December 2019	
	Carrying amount	Maximum exposure
Financial investments		
– Financial investments at fair value through profit or loss	35,923,797	35,923,797
– Financial investments measured at amortised cost	102,610,427	102,610,427
Interest receivables	415,147	415,147
Total	138,949,371	138,949,371

The maximum exposures to loss in the above investment management products and wealth management products are the carrying amount of the assets held by the Group and the related interest receivable at the end of each of the reporting period.

Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

42 INVOLVEMENT WITH UNCONSOLIDATED STRUCTURED ENTITIES

(a) Structured entities sponsored by third party institutions in which the Group holds an interest (Continued)

The interest income, changes in fair value and investment gains arising from the above unconsolidated structured entities for the period ended 30 June 2020 amounted to RMB3,673 million (the six months ended 30 June 2019: RMB4,232 million).

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

The types of structured entities sponsored by the Group include non-principal-guaranteed wealth management products. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors. These structured entities are financed through the issue of notes to investors. Interest held by the Group includes fees charged by providing management services.

As at 30 June 2020, the amount of assets held by the unconsolidated non-principal-guaranteed wealth management products which are sponsored by the Group is RMB45,897 million (31 December 2019: RMB42,397 million).

During the period ended 30 June 2020, the amount of fee and commission income received from the non-principal-guaranteed wealth management products sponsored and issued by the Group and matured within the corresponding period is RMB47 million (the six months ended 30 June 2019: RMB46 million).

During the period ended 30 June 2020, the aggregated amount of the non-principal-guaranteed wealth management products sponsored and issued by the Group and matured within the corresponding period is RMB10,138 million (the six months ended 30 June 2019: RMB23,359 million).

43 FIDUCIARY ACTIVITIES

The Group commonly acts as a trustee, or in other fiduciary capacities, that result in its holding or managing assets on behalf of individuals, trusts and other institutions. These assets and any gains or losses arising thereon are not included in these financial statements as they are not the Group's assets.

As at 30 June 2020, the entrusted loans balance of the Group is RMB5,905 million (31 December 2019: RMB5,576 million).

Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

44 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	30 June 2020	31 December 2019
Assets		
Cash and deposits with central bank	31,577,627	38,091,386
Deposits with banks and other financial institutions	2,551,488	1,260,948
Placements with banks and other financial institutions	1,167,996	1,081,384
Derivative financial assets	30,000	94,602
Financial assets held under resale agreements	7,669,685	2,998,744
Loans and advances to customers	207,708,641	187,849,684
Financial investments:		
– Financial investments at fair value through profit or loss	60,831,348	54,752,294
– Financial investments at fair value through other comprehensive income	25,479,545	15,524,689
– Financial investments measured at amortized cost	167,034,098	173,168,422
Interest in associates and subsidiaries	1,549,870	1,552,027
Property and equipment	2,479,392	2,345,006
Deferred tax assets	3,210,739	2,732,547
Other assets	2,726,272	2,761,585
Total assets	514,016,701	484,213,318
Liabilities		
Due to the central bank	16,277,750	9,802,364
Deposits from banks and other financial institutions	21,362,848	21,198,350
Placements from banks and other financial institutions	1,558,165	552,370
Derivative financial liabilities	65,967	4,944
Financial assets sold under repurchase agreements	19,624,666	16,385,737
Deposits from customers	317,031,482	289,702,203
Tax payable	956,353	682,274
Debt securities issued	94,582,627	105,245,667
Other liabilities	2,516,730	2,227,527
Total liabilities	473,976,588	445,801,436

Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

44 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION (CONTINUED)

	30 June 2020	31 December 2019
Equity		
Share capital	6,514,125	5,921,932
Other financial instruments		
Include: preference shares	7,825,508	7,825,508
Capital reserve	4,571,520	5,163,713
Surplus reserve	2,675,548	2,675,548
General reserve	6,513,200	6,513,200
Fair value reserve	(42,066)	97,076
Remeasurement of net defined benefit liability	(47,315)	(46,424)
Retained earnings	12,029,593	10,261,329
Total equity	40,040,113	38,411,882
Total liabilities and equity	514,016,701	484,213,318

Approved and authorised for issue by the board of directors on 28 August 2020.

Wang Tianyu
Chairman of the Board of Directors
Executive Director

Shen Xueqing
President
Executive Director

Fu Chungqiao
Chief accountant

Gao Chenxin
General Manager of the Planning and
Finance Department

(Company chop)

Notes to the Unaudited Interim Financial Report

(Expressed in thousands of Renminbi, unless otherwise stated)

45 SUBSEQUENT EVENTS

Non-public issuance of A shares

On 3 July 2020, The Issuance Examination Committee of China Securities Regulatory Commission reviewed the application of the Bank for non-public issuance of A shares. According to the results, the Bank's application for non-public issuance of A shares was approved.

46 IMPACTS OF COVID-19 PANDEMIC

The COVID-19 pandemic since early 2020 has brought about additional uncertainties in the Group's operating environment and has impacted the Group's operations and financial position.

The Group has been closely monitoring the impact of the developments on the Group's business and has put in place contingency measures. These contingency measures include: assessing the quality of loans and receivables and liaising with high-risk borrowers; negotiating with borrowers on loans payment schedule, etc. The Group will keep the contingency measures under review as the situation evolves.

Unaudited Supplementary Financial Information

(Expressed in thousands of Renminbi, unless otherwise stated)

The information set out below does not form part of the consolidated financial report, and is included herein for information purpose only.

1 LIQUIDITY COVERAGE RATIOS AND LEVERAGE RATIO

	30 June 2020	Average for the period ended 30 June 2020
Liquidity coverage ratio (RMB and foreign currency)	186.24%	210.58%
	31 December 2019	Average for the year ended 31 December 2019
Liquidity coverage ratio (RMB and foreign currency)	229.46%	185.02%

Pursuant to the Administrative Measures for Liquidity Risk Management of Commercial Banks (Provisional), the liquidity coverage ratio of commercial banks shall reach 100% by the end of 2018. During the transitional period, such ratio shall reach 70%, 80% and 90% by the end of 2015, 2016 and 2017, respectively.

	30 June 2020	31 December 2019
Leverage ratio	5.86%	6.14%

Pursuant to the Leverage Ratio Management of Commercial Banks issued by the former CBRC and was effective since 1 April 2015, a minimum leverage ratio 4% is required.

The above liquidity coverage ratio and leverage ratio are calculated in accordance with the formula promulgated by the CBIRC and based on the financial information prepared in accordance with PRC GAAP.

Unaudited Supplementary Financial Information

(Expressed in thousands of Renminbi, unless otherwise stated)

2 CURRENCY CONCENTRATIONS

	30 June 2020			
	US Dollars (RMB equivalent)	HK Dollars (RMB equivalent)	Others (RMB equivalent)	Total (RMB equivalent)
Spot assets	13,547,844	5,657	383,189	13,936,690
Spot liabilities	(3,069,215)	(776)	(103,608)	(3,173,599)
Net position	10,478,629	4,881	279,581	10,763,091

	31 December 2019			
	US Dollars (RMB equivalent)	HK Dollars (RMB equivalent)	Others (RMB equivalent)	Total (RMB equivalent)
Spot assets	13,285,522	6,388	11,465	13,303,375
Spot liabilities	(2,545,137)	(760)	(68)	(2,545,965)
Net position	10,740,385	5,628	11,397	10,757,410

The Group has no structural position at the reporting periods.

3 INTERNATIONAL CLAIMS

The Group 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, amounts due from banks and other financial institutions and debt 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.

Unaudited Supplementary Financial Information

(Expressed in thousands of Renminbi, unless otherwise stated)

3 INTERNATIONAL CLAIMS (CONTINUED)

	30 June 2020			
	Banks and other financial institutions	Public sector entities	Others	Total
Asia Pacific excluding mainland China	6,131,538	–	7,628,823	13,760,361
North and South America	98,859	–	–	98,859
Europe	26,581	–	–	26,581
Total	6,256,978	–	7,628,823	13,885,801

	31 December 2019			
	Banks and other financial institutions	Public sector entities	Others	Total
Asia Pacific excluding mainland China	4,564,475	–	1,886,099	6,450,574

4 GROSS AMOUNT OF OVERDUE LOANS AND ADVANCES

	30 June 2020	31 December 2019
Gross loans and advances which have been overdue with respect to either principal or interest for year of		
– between 3 and 6 months (inclusive)	862,083	799,150
– between 6 months and 1 year (inclusive)	2,219,157	1,100,635
– over 1 year	2,581,725	2,218,518
Total	5,662,965	4,118,303
As a percentage of total gross loans and advances		
– between 3 and 6 months (inclusive)	0.40%	0.41%
– between 6 months and 1 year (inclusive)	1.03%	0.56%
– over 1 year	1.20%	1.13%
Total	2.63%	2.10%

