

# CZBANK 浙商银行

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

A Share Stock Code : 601916

H Share Stock Code : 2016

Offshore Stock Code of Preference Shares : 4610

## 2020 Interim Report



A Platform-Based  
Service Bank

## **IMPORTANT NOTICE**

1. The Board of Directors, the Board of Supervisors, Directors, Supervisors and Senior Management of the Company warrant that the contents in this report are true, accurate and complete and have no false representations, misleading statements or material omissions, and they will take legal responsibilities for such contents on a joint and several basis.
2. This interim report was approved at the tenth meeting of the fifth session of the Board of the Company on August 28, 2020. The Company has 15 Directors, among which 14 Directors attended the meeting in person, and Ms. Lou Ting had authorized Ms. Gao Qinhong to attend the meeting on her behalf, which was in compliance with the requirements of the Company Law of the People's Republic of China and the Articles of Association of the Company. 9 Supervisors of the Company attended the meeting.
3. The Company neither declares interim dividend for 2020 nor makes any transfer from reserves to share capital.
4. Unless otherwise illustrated in this report, the currency for any amount herein is RMB. Certain amounts and percentage numbers in this report have been rounded. Any discrepancies in any table between totals and sums of the amounts listed are due to rounding.
5. The interim financial report for 2020 of the Company is unaudited.
6. Shen Renkang (Chairman of the Bank), Xu Renyan (President of the Bank), Liu Long (Principal in charge of Finance) and Jing Feng (Director of the Financial Department) warrant that the financial report in this report is true, accurate and complete.

## **SIGNIFICANT RISK WARNING**

Please refer to the section headed “Management Discussion and Analysis – Risk Management” of this report for information about major risks faced and measures to be taken by the Company.

The forward-looking statements about matters like future plans of the Company in this report do not constitute substantive commitments of the Company to the investors, and the investors and related persons shall maintain sufficient risk awareness in this regard, and shall understand the difference among plans, forecasts and commitments.



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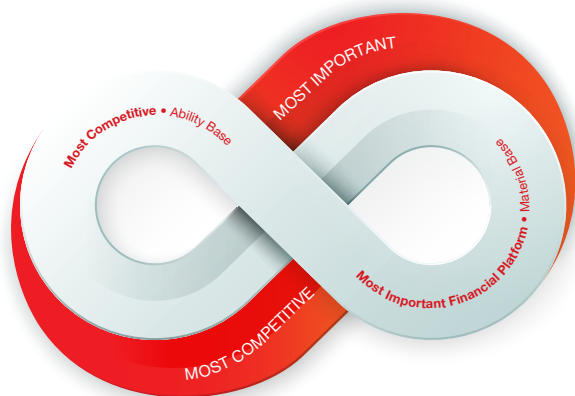
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## “TWO MOST” OVERALL GOAL:



**Most Competitive** Nationwide  
Joint-stock Commercial Bank

**Most Important Financial Platform**  
in Zhejiang Province

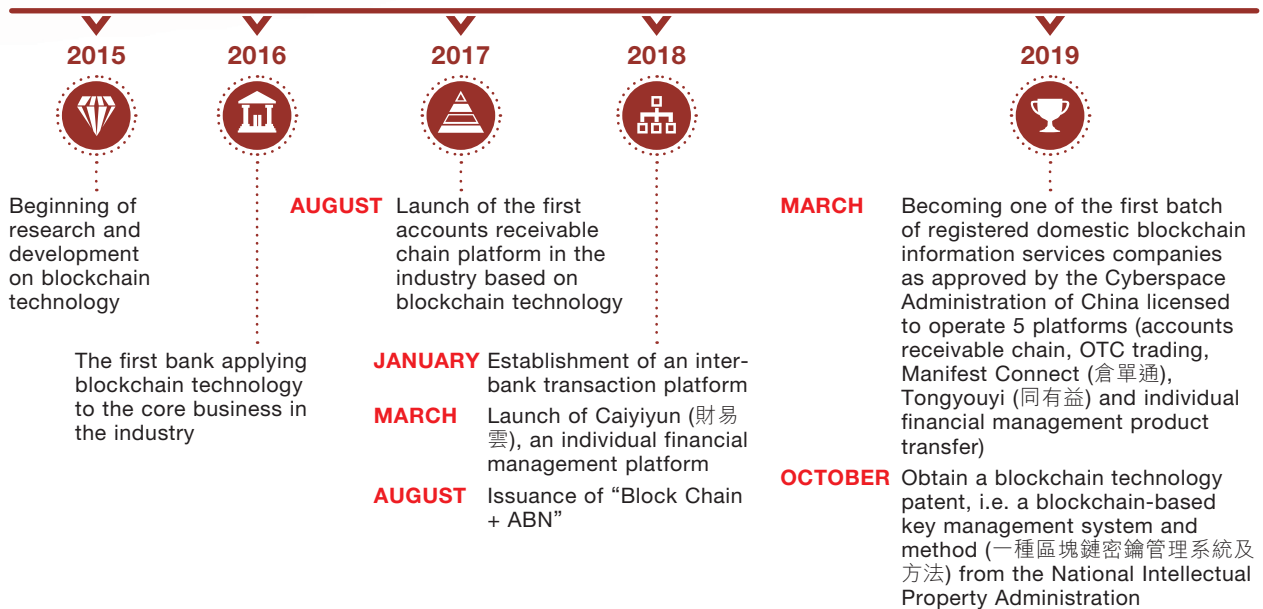
## PLATFORM-BASED SERVICE STRATEGY:

Guided by the “two most” overall goal, to incorporate platform-based elements, innovate the application of financial technology and build a strong platform-based service system; based on platform-based service, to drive innovation and development, expand customer base and business, optimize process and risk control, improve performance and management, enhance features and advantages, construct a platform-based service bank and continue to promote high-quality development.

### CONTENTS OF PLATFORM-BASED SERVICE STRATEGY

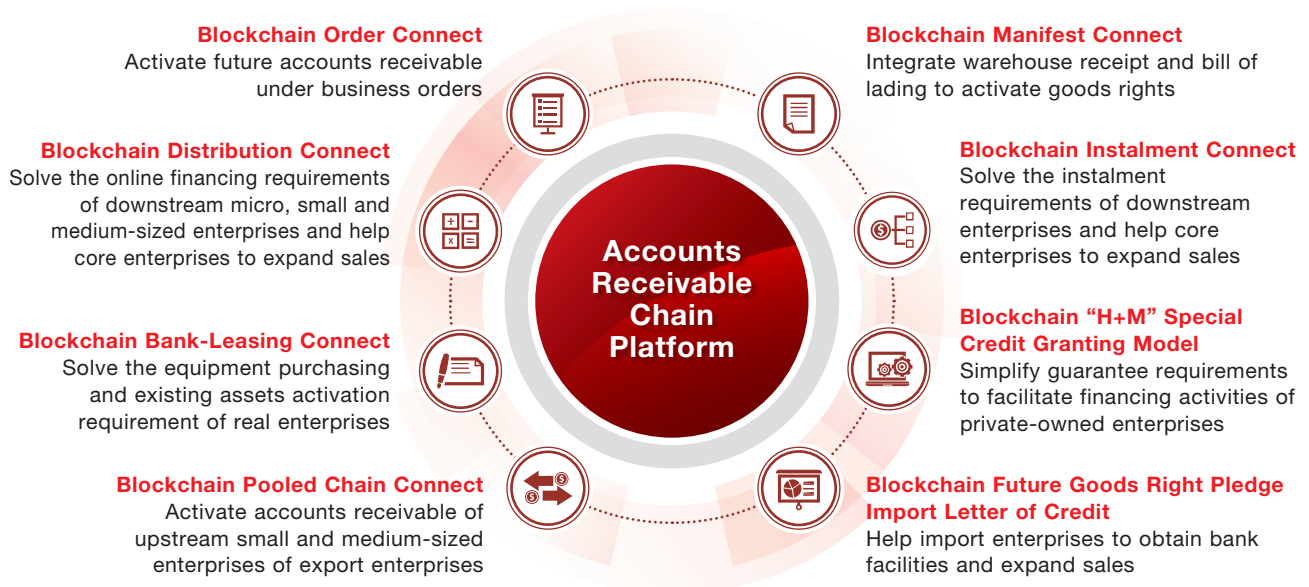
<b>ONE ELEMENT</b>
Incorporating “platform-based” elements
<b>TWO PILLARS</b>
Financial technology innovation and business model innovation
<b>THREE LATITUDES</b>
Platform-focused technology support, service model and customer cooperation
<b>FOUR LONGITUDES</b>
Scenario-based service and customer acquisition, big back-office support and collaboration, platform integration and sharing, big data risk control and intelligence
<b>FIVE CHARACTERISTICS</b>
Boundless sharing and extension, technology-driven innovation, collaborative comprehensive service, cross-industry resource integration and distinctive network effect

## MILESTONES OF “BLOCKCHAIN+” BUSINESS DEVELOPMENT



## SCENARIO-BASED SOLUTIONS

Based on the accounts receivable chain platform, the Group focuses on product innovation of specified production and operation scenarios. It has successively launched Blockchain Order Connect (訂單通), Manifest Connect (倉單通), Distribution Connect (分銷通), Instalment Connect (分期通), Bank-Leasing Connect (銀租通), Pooled Chain Connect (池鏈通), “H+M” Special Credit Granting Model (“H+M” 專項授信模式) and Future Goods Right Pledge Import Letter of Credit (未來貨權質押進口開證), etc. capable of providing distinctive and differentiated solutions to industries including pharmaceuticals, cereal, storage & logistics, automobile and leasing.



## DEFINITIONS

<b>“Company”, “Bank”, “our Bank”, “China Zheshang Bank” or “CZBank”:</b>	China Zheshang Bank Co., Ltd.
<b>“CBIRC”:</b>	China Banking and Insurance Regulatory Commission
<b>“CSRC”:</b>	China Securities Regulatory Commission
<b>“Hong Kong Stock Exchange”:</b>	The Stock Exchange of Hong Kong Limited
<b>“SFO”:</b>	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
<b>“Hong Kong Listing Rules”:</b>	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
<b>“Model Code”:</b>	The Model Code for Securities Transactions by Directors of Listed Issuers, as set out in Appendix 10 to Hong Kong Listing Rules
<b>“Zheyin Financial Leasing”:</b>	Zhejiang Zheyin Financial Leasing Co., Ltd., a holding subsidiary of the Company, in which the Company holds 51% of equity interest
<b>“Group”:</b>	the Company and its subsidiary

## COMPANY PROFILE

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<b>1. Company name in Chinese:</b>	浙商银行股份有限公司(Abbreviation in Chinese: 浙商银行)
<b>Company name in English:</b>	CHINA ZHESHANG BANK CO., LTD. (Abbreviation in English: CZBANK)
<b>2. Legal Representative:</b>	Shen Renkang
<b>3. Registered address:</b>	No. 1788, Hongning Road, Xiaoshan District, Hangzhou, Zhejiang Province, the PRC
<b>Postcode:</b>	311200
<b>Principal office address:</b>	No. 288, Qingchun Road, Xiacheng District, Hangzhou, Zhejiang Province, the PRC
<b>Postcode:</b>	310006
<b>E-mail:</b>	ir@czbank.com
<b>Website:</b>	www.czbank.com
<b>Customer service hotline:</b>	95527
<b>Tel for investor relations management:</b>	86-571-88268966
<b>Fax:</b>	86-571-87659826
<b>4. Principal place of business in Hong Kong:</b>	15/F, Three Exchange Square, No. 8 Connaught Place, Central, Hong Kong
<b>5. Authorized representatives:</b>	Xu Renyan, Liu Long
<b>6. Secretary to the Board and company secretary:</b>	Liu Long
<b>Representative of securities affairs:</b>	Chen Sheng
<b>7. A Shares</b>	
<b>Stock exchange where the securities are listed:</b>	Shanghai Stock Exchange
<b>Stock abbreviation:</b>	CZBANK
<b>Stock code:</b>	601916
<b>H Shares</b>	
<b>Stock exchange where the securities are listed:</b>	Hong Kong Stock Exchange
<b>Stock abbreviation:</b>	CZBANK
<b>Stock code:</b>	2016
<b>Offshore Preference Shares</b>	
<b>Stock exchange where the securities are listed:</b>	Hong Kong Stock Exchange
<b>Stock abbreviation:</b>	CZB 17USDPREF
<b>Stock code:</b>	4610

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## COMPANY PROFILE

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- 8. Share registrar:**
- A Shares:** China Securities Depository and Clearing Corporation Limited  
Shanghai Branch  
3/F, China Insurance Building, 166 East Lujiazui Road, Pudong New Area, Shanghai
- H Shares:** Computershare Hong Kong Investor Services Limited  
Shop 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong
- 
- 9. Legal advisers:**
- As to Mainland PRC Laws:** Zhejiang T&C Law Firm
- As to Hong Kong Laws:** Freshfields Bruckhaus Deringer
- 
- 10. Accounting firms engaged by the Company:**
- Domestic auditor:** KPMG Huazhen LLP  
Public Interest Entity Auditor recognised in accordance with the Financial Reporting Council Ordinance  
Office address: 8/F, Tower E2, Oriental Plaza, 1 East Chang'an Avenue, Dongcheng District, Beijing  
Signing certificated accountants: Chen Sijie, Shi Haiyun
- International auditor:** KPMG  
Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance  
Office address: 8/F, Prince's Building, 10 Chater Road, Central, Hong Kong
- 
- 11. Newspapers and websites designated for information disclosure:**
- Mainland China:** China Securities Journal, Shanghai Securities News, Securities Times and Securities Daily  
Website of the Shanghai Stock Exchange ([www.sse.com.cn](http://www.sse.com.cn))  
Website of the Company ([www.czbank.com](http://www.czbank.com))
- Hong Kong:** Website of the Hong Kong Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk))  
Website of the Company ([www.czbank.com](http://www.czbank.com))
- Place for inspection of the annual report:** Office of the Board of the Company  
(No. 288, Qingchun Road, Xiacheng District, Hangzhou, Zhejiang Province, the PRC)
- 
- 12. Sponsor institution for A Shares:**
- Name of the institution:** CITIC Securities Co., Ltd.
- Office address:** North Tower, Excellence Times Plaza II, No. 8 Zhong Xin San Road, Futian District, Shenzhen, Guangdong Province
- Name of the undersigned sponsor representatives:** Cheng Yue, Jiang Ying
- The period of continuous supervision and guidance:** November 26, 2019 to December 31, 2021
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- 13. Other information about the Company:**
- Uniform social credit code: 91330000761336668H  
Financial institution license serial number: B0010H133010001  
Registration date: July 26, 2004
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## CORPORATE OVERVIEW

As one of the twelve nationwide joint-stock commercial banks, China Zheshang Bank Co., Ltd. (“CZBank”) officially commenced business on August 18, 2004, with its head office in Hangzhou, Zhejiang Province. CZBank was listed on the Hong Kong Stock Exchange with the stock code of “2016.HK” on March 30, 2016 and listed on the Shanghai Stock Exchange with the stock code of “601916” on November 26, 2019, being the 13th “A+H” listed bank in China.

Since its opening, CZBank has always gained a toehold in Zhejiang and steadily developed its businesses nationwide, according to the requirements specified by General Secretary Xi Jinping when he served Zhejiang. It has developed into a high-quality commercial bank with a solid foundation, strong profitability, rapid growth and prudent risk control.

Facing on the new economic scene, and with new trend of Internet information technology development and new requirements for customer value creation, CZBank has set “two most” overall goal and the platform-based service strategy, and insisted on the five operation principles of “serving the real economy, innovative transformation, compliant operation, risk prevention and dissolution, quality and efficiency improvement”, so as to construct a platform-based service bank and provide customers with comprehensive financial services which are open, efficient, flexible, shared and extremely simple.

As at the end of June 2020, CZBank has established 260 branch outlets in 19 provinces and municipalities directly under the Central Government and the Hong Kong Special Administrative Region, effectively covering the Yangtze River Delta, the Bohai Rim, the Pearl River Delta and certain areas in the Midwestern China.

In the first half of 2020, CZBank’s operating income was RMB25.181 billion, representing an increase of 11.55% over the same period of last year; net profit attributable to shareholders of the Bank was RMB6.775 billion, representing a decrease of 10.00% over the same period of last year. As at the end of June 2020, the total assets were RMB1.99 trillion, representing an increase of 10.54% compared with that at the end of last year, and total loans and advances to customers were RMB1.13 trillion, representing an increase of 9.67%; the total liabilities were RMB1.86 trillion, representing an increase of 11.29% compared with that at the end of last year, and balance of customer deposits were RMB1.35 trillion, representing an increase of 18.41%; the non-performing loan ratio was 1.40% and allowance to non-performing loans was 208.76%, maintaining robust asset quality; the capital adequacy ratio was 13.43%, and the core tier-one capital adequacy ratio was 9.05%. In the “Top 1000 World Banks 2020” ranking by The Banker Magazine of the U.K., it was ranked 97th in terms of tier-one capital and total assets, respectively. China Chengxin International Credit Rating Co., Ltd. assigned to CZBank, an AAA corporate credit rating, the highest rating in financial institution rating.

# DEVELOPMENT STRATEGIES AND CORE COMPETITIVENESS

## I. VISION

To provide high-quality and efficient financial services to the society, and build CZBank into a first-class commercial bank.

## II. OVERALL GOAL

Overall Objective of “Two Most”: The most competitive nationwide joint-stock commercial bank and Zhejiang’s most important financial platform.

“The Most Competitive Nationwide Joint-stock Commercial Bank” means the objective to become a first-class joint-stock bank that can provide target customers with professional services, possess distinct competitive advantages in terms of innovation, risk control, service provision in the market and value creation, reach the scale matching the identity of a national joint-stock commercial bank, and provide support for sustainable development of professionalism.

“Zhejiang’s Most Important Financial Platform” means the objective to become a representative financial group in Zhejiang featured by comprehensive functions, distinctive services, solid performance and sound reputation, stand at the forefront of the industry in terms of technological application, model innovation and efficient services and become a strategic partner of governments at all levels, financial institutions, core enterprises and a large number of strategic partners in Zhejiang.

## III. STRATEGIC POSITIONING

Guided by Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, to enhance our digital, platform-based and professional capabilities, comprehensively implement the platform-based service strategy and focus on development of new growth momentum.

Platform-based service strategy: Guided by the “two most” overall goal, to incorporate platform-based elements, innovate the application of financial technology and build a strong platform-based service system; based on platform-based service, to drive innovation and development, expand customer base and business, optimize process and risk control, improve performance and management, enhance features and advantages, construct a platform-based service bank and continue to promote high-quality development.

## IV. GUIDING PRINCIPLE

To thoroughly implement the spirit of the 19th CPC National Congress, carry out new development concept, insist on the five operation principles of serving the real economy, innovative transformation, compliant operation, risk prevention and dissolution, quality and efficiency improvement; adopt the performance and risk control-oriented approach, abandon the obsession with scale, extensive operation and loose management, transform development mode, reduce consumption, increase revenue and save expenditure; establish platform-based thinking, redefine business model and operating management, incorporate differentiated management concept, improve lean management level; and strive to achieve high-quality, beneficial and sustainable development by balancing assets and capital, taking into account both quality and benefits as well as taking into consideration both cost and efficiency.

# DEVELOPMENT STRATEGIES AND CORE COMPETITIVENESS

## V. CORE COMPETITIVENESS

**Clear and specific strategic positioning.** Guided by the “two most” overall goal and with new trend of financial technology development and new requirements for customer value creation, the Company has thoroughly implemented the new development philosophy and fully implemented the platform-based service strategy for the construction of a comprehensive service platform of “Technology + Finance + Industry + Customer”, with an aim to better serve the real economy, foster new growth momentum and promote high-quality development.

**Sound Corporate Governance.** The Company strengthens the establishment of modern corporate systems under the leadership of the Party in all aspects and has improved the level of corporate governance continuously, with (1) a more diversified equity structure. Through listing in both mainland China and Hong Kong, the Company has established a stable, transparent, balanced and orderly mixed-ownership structure; (2) better governance systems. The Company has established the Board of Directors, the Board of Supervisors and General Meetings and has its senior management in place, each with clear-cut duties and responsibilities, thus forming a corporate governance structure appropriate for the Company; and (3) more standard information disclosure. The Company has improved the quality of information disclosure and made full use of the supervision role of the market in performing its responsibility.

**Rapid and sustainable growth capability.** Benefitting from its strategic national layout, efficient operation and management and the strong development base in Zhejiang province, the Company has developed itself into a fast-growing national joint-stock commercial bank with strong base, high profitability, high-speed growth and improved risk control system. Both the economic efficiency and scale of the Company grow in a rapid and sustainable manner with prominent new momentum and new advantages, indicating a broad prospect in the medium to long term.

**Financial technology with distinctive edges.** Sticking to the use of financial technology and implementing technology-driven transformation, the Company has taken the lead in exploring the deepened integration of the cutting-edge technologies, such as blockchain, artificial intelligence, biometric identification, NLSR, cloud computation and big data, with banking business, so as to build a strong technical support platform, realize the interconnection and collaboration between different systems, and export technology platforms and services. Gradually, it has established itself into a leading innovative brand in the financial technology industry.

**Distinctive corporate businesses.** With a focus on construction of a platform-based service bank, the Company has launched the pooled financing (池化融資) platform, Yiqiyin (易企銀) platform and accounts receivable chain (應收款鏈) platform to meet two core requirements of enterprises, namely “reducing financing costs and improving service efficiency”, and, on the basis of which, continued to innovate and launch a series of platform-based scenario application models and industry solutions. All the above constitutes a competitive edge of the Company in the market.

**Leading professional services for the small and micro enterprises.** As a pioneer in the small and micro enterprise business in the industry, the Company has formed various distinctive advantages in the aspect of mechanism, product, process, and risk control. The Company utilizes the internet technology and thinking actively to innovate the application of online procedures, thus to improve customer experience. The professional service ability of the Company has been highly recognized by the customers in the market.

## DEVELOPMENT STRATEGIES AND CORE COMPETITIVENESS

**Improving business system.** Focusing on the improvement of its differentiated competitiveness, the Company is engaged in investment banking, asset custodian, financial market, capital market, financial institutions and asset management business. The iterative innovation in financial products and patterns of service and the combined use of various financial instruments enable the Company to provide a comprehensive and sustainable one-stop solution to financial services and continuously improve its profitability and space in a diversified manner.

**Prudent and healthy risk management.** The Company maintains a prudent and healthy risk appetite. It intensifies vertical management, implements a distinctive risk controller dispatch system and keeps improving the risk management system, the unified credit management system and the credit risk limit framework system of the Company. The quality of the Company's assets is placed at a relatively higher level among all the national joint-stock commercial banks.

**Scientific and reasonable talent bank.** The Company strengthens the build-up of its cadre team. The management of the Company has extraordinary strategic vision and business management capability, as well as extensive experience in business operation, financial management, risk control and information technology. It continues to promote a differentiated talent development model. The employees of the Company are young, energetic, highly-educated with strong professional competence.

**Stable and diversified capital replenishment.** The Company completed its capital operating plan in three steps: private placement, IPO of H Shares and IPO of A Shares. The formation of the "A+H" capital replenishment dual channel as well as the improvement of a stable and dynamic market-oriented capital replenishment system sustainable in a long term drives the business development and strategy implementation of the Company in an effective manner.

**Pragmatic and innovative brand culture.** The Company has included modernistic cultural elements that can better match its development strategies in the cultural system. Adhering to its corporate culture of "Flexible Innovation, Pragmatic Cooperation, Customer Oriented and Humanity Care", the Company has established its brand value of "activating the vitality of financial ecosystem" and the "holistic, agile and vibrant" brand feature to create a lively brand image as a "post-2000s bank" and is committed to fulfilling its social responsibility and collaborating with customers to create values.



## FINANCIAL SUMMARY

(The financial data and indicators set forth in this report are prepared in accordance with IFRSs, are consolidated data of the Bank and its subsidiaries and presented in RMB, unless otherwise specified.)

### KEY FINANCIAL DATA AND INDICATORS

<b>Operating results (RMB million)</b>	<b>January to June 2020</b>	<b>January to June 2019</b>	<b>Increase (decrease) (%)</b>	<b>January to June 2018</b>
Operating income	25,181	22,573	11.55	18,596
Profit before income tax	7,905	8,744	(9.60)	7,946
Net profit attributable to shareholders of the Bank	6,775	7,528	(10.00)	6,486

<b>Scale indicators (RMB million)</b>	<b>June 30, 2020</b>	<b>December 31, 2019</b>	<b>Increase (decrease) (%)</b>	<b>December 31, 2018</b>
Total assets	1,990,606	1,800,786	10.54	1,646,695
Total loans and advances to customers	1,129,760	1,030,171	9.67	865,233
Total liabilities	1,861,685	1,672,759	11.29	1,544,246
Customer deposits	1,354,290	1,143,741	18.41	974,770
Equity attributable to shareholders of the Bank	127,003	126,246	0.60	100,886
Net assets per share at the end of the period (RMB) <sup>(1)</sup>	5.27	5.23	0.76	4.59

<b>Per share (RMB)</b>	<b>January to June 2020</b>	<b>January to June 2019</b>	<b>Increase (decrease) (%)</b>	<b>January to June 2018</b>
Basic earnings per share <sup>(2)</sup>	0.27	0.36	(25.00)	0.34
Diluted earnings per share	0.27	0.36	(25.00)	0.34

<b>Profitability indicators (%)</b>	<b>January to June 2020</b>	<b>January to June 2019</b>	<b>Increase (decrease)</b>	<b>January to June 2018</b>
Return on average total assets <sup>*(3)</sup>	0.73	0.91	Decrease by 0.18 percentage point	0.83
Return on average equity <sup>*(4)</sup>	11.37	16.03	Decrease by 4.66 percentage points	16.82
Net interest margin*	2.25	2.34	Decrease by 0.09 percentage point	1.80
Net interest spread*	1.99	2.01	Decrease by 0.02 percentage point	1.65
Net non-interest income to operating income	28.66	29.34	Decrease by 0.68 percentage point	37.44
Cost-to-income ratio <sup>(5)</sup>	23.58	25.80	Decrease by 2.22 percentage points	28.77

## FINANCIAL SUMMARY

	June 30, 2020	December 31, 2019	Increase (decrease)	December 31, 2018
<b>Asset quality indicators (%)</b>				
Non-performing loan ratio <sup>(6)</sup>	1.40	1.37	Increase by 0.03 percentage point	1.20
Allowance to non-performing loans <sup>(7)</sup>	208.76	220.80	Decrease by 12.04 percentage points	270.37
Allowance to total loans <sup>(8)</sup>	2.93	3.03	Decrease by 0.10 percentage point	3.25

	June 30, 2020	December 31, 2019	Increase (decrease)	December 31, 2018
<b>Capital adequacy indicators (%)</b>				
Core tier-one capital adequacy ratio	9.05	9.64	Decrease by 0.59 percentage point	8.38
Tier-one capital adequacy ratio	10.26	10.94	Decrease by 0.68 percentage point	9.83
Capital adequacy ratio	13.43	14.24	Decrease by 0.81 percentage point	13.38

Notes:

\* Annualised Ratio.

- (1) Net assets per share at the end of the period = (equity attributable to shareholders of the Bank minus other equity instruments) divided by the total number of ordinary shares at the end of the period.
- (2) Basic earnings per share = Net profit attributable to shareholders of ordinary shares of the Bank (excluding net profit attributable to shareholders of preference shares of the Bank for the year) divided by weighted average number of ordinary shares outstanding.
- (3) Return on average total assets = Net profit divided by the average balance of total assets at the beginning and at the end of the period.
- (4) Return on average equity = Net profit attributable to shareholders of ordinary shares of the Bank (excluding net profit attributable to shareholders of preference shares the Bank for the year) divided by average balance of equity attributable to shareholders of ordinary shares of the Bank at the beginning and at the end of the period (excluding other equity instruments).
- (5) Cost-to-income ratio = Operating expenses (excluding taxes and surcharges) divided by operating income.
- (6) Non-performing loan ratio = Balance of non-performing loans divided by total loans and advances to customers.
- (7) Allowance to non-performing loans = Balance of expected credit loss allowance for loans divided by balance of non-performing loans. There is no difference between the indicator for the Group and the Bank, while the regulatory requirements specify that a legal person's allowance to non-performing loans shall not be less than 140%.
- (8) Allowance to total loans = Balance of expected credit loss allowance for loans divided by total loans and advances to customers. There is no difference between the indicator for the Group and the Bank, while the regulatory requirements specify that a legal person's allowance to total loans shall not be less than 2.1%.

## EXPLANATION OF DIFFERENCES BETWEEN FINANCIAL STATEMENTS PREPARED UNDER DOMESTIC AND INTERNATIONAL ACCOUNTING POLICIES

The net profit attributable to shareholders of the Bank for the reporting period ended June 30, 2020 and the equity attributable to shareholders of the Bank as at the end of the reporting period presented in the financial statements prepared by the Group under the China Accounting Standards are the same with that presented in the financial statements prepared by the Group under the International Financial Reporting Standards.

# MANAGEMENT DISCUSSION AND ANALYSIS

## (I) ANALYSIS OF OVERALL OPERATION PERFORMANCE

### **Stable increase of business scale**

As at the end of the reporting period, total assets of the Group amounted to RMB1,990.606 billion, representing an increase of RMB189.820 billion or 10.54% as compared to that at the end of last year, of which total loans and advances to customers amounted to RMB1,129.760 billion, representing an increase of RMB99.589 billion or 9.67% as compared to that at the end of last year. Total liabilities amounted to RMB1,861.685 billion, representing an increase of RMB188.926 billion or 11.29% as compared to that at the end of last year, of which customer deposits amounted to RMB1,354.290 billion, representing an increase of RMB210.549 billion or 18.41% as compared to that at the end of last year.

### **Stable and excellent operating efficiencies**

During the reporting period, operating income of the Group amounted to RMB25.181 billion, representing a period-on-period increase of RMB2.608 billion or 11.55%, of which net interest income amounted to RMB17.963 billion, representing a period-on-period increase of RMB2.012 billion or 12.61%, and net non-interest income amounted to RMB7.218 billion, representing a period-on-period increase of RMB596 million or 9.00%. Net profit attributable to shareholders of the Bank amounted to RMB6.775 billion, representing a period-on-period decrease of RMB753 million or 10.00%.

### **Maintaining sound asset quality**

As at the end of the reporting period, the non-performing loan ratio was 1.40%, representing an increase of 0.03 percentage point as compared to that at the end of last year; allowance to non-performing loan was 208.76%, representing a decrease of 12.04 percentage points as compared to that at the end of last year; the allowance to total loans was 2.93%, representing a decrease of 0.10 percentage point as compared to that at the end of last year.

### **Capital adequacy ratio remained at a reasonable level**

As at the end of the reporting period, the capital adequacy ratio, tier-one capital adequacy ratio and core tier-one capital adequacy ratio were 13.43%, 10.26% and 9.05%, respectively, far higher than the regulatory requirements.

# MANAGEMENT DISCUSSION AND ANALYSIS

## (II) ANALYSIS OF FINANCIAL STATEMENTS

### 1. Analysis of Consolidated Statement of Comprehensive Income

In the first half of 2020, facing the impact of the COVID-19 Epidemic on the economic and financial environment, adhering to the overall objective of “two most” as its guidance, the Group fully implemented the platform-based service strategy, insisted on serving the real economy to develop distinctive competitive advantages, and maintained good overall operating conditions. In the first half of 2020, the Group achieved a net profit attributable to shareholders of the Bank of RMB6.775 billion, representing a decrease of 10.00% on a period-on-period basis; the return on average total assets was 0.73% and the return on average equity was 11.37%. Operating income was RMB25.181 billion, representing an increase of 11.55% on a period-on-period basis, including, among others, net interest income of RMB17.963 billion, representing an increase of 12.61% on a period-on-period basis; net non-interest income of RMB7.218 billion, representing an increase of 9.00% on a period-on-period basis. Operating expenses were RMB6.243 billion, representing an increase of 2.95% on a period-on-period basis; cost-to-income ratio was 23.58%, representing a decrease of 2.22 percentage points on a period-on-period basis. Provision for expected credit losses was RMB11.033 billion, representing an increase of 42.09% on a period-on-period basis. The income tax expense was RMB993 million, representing a decrease of 11.34% on a period-on-period basis.

#### Changes of the main items in the consolidated statement of comprehensive income

*In RMB million, except percentages*

Item	January to June 2020	January to June 2019	Amount of increase or decrease	Increase (decrease) (%)
Net interest income	17,963	15,951	2,012	12.61
Net non-interest income	7,218	6,622	596	9.00
Operating income	25,181	22,573	2,608	11.55
Less: operating expenses	6,243	6,064	179	2.95
Less: expected credit losses	11,033	7,765	3,268	42.09
Profit before income tax	7,905	8,744	(839)	(9.60)
Less: income tax expense	993	1,120	(127)	(11.34)
Net profit	6,912	7,624	(712)	(9.34)
Attributable to: Shareholders of the Bank	6,775	7,528	(753)	(10.00)
Non-controlling interests	137	96	41	42.71

#### (1) Net interest income

In the first half of 2020, net interest income was RMB17.963 billion, representing an increase of RMB2.012 billion or 12.61% on a period-on-period basis, accounting for 71.34% of operating income; interest income was RMB41.418 billion, representing an increase of RMB2.668 billion or 6.89% on a period-on-period basis; interest expense was RMB23.455 billion, representing an increase of RMB656 million or 2.88% on a period-on-period basis. Net interest spread and net interest margin were 1.99% and 2.25%, respectively, representing a decrease of 0.02 percentage point and 0.09 percentage point on a period-on-period basis, respectively.



## MANAGEMENT DISCUSSION AND ANALYSIS

### Average yields on interest-earning assets and average costs of interest-bearing liabilities

*In RMB million, except percentages*

Item	January to June 2020			January to June 2019		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
<b>Interest-earning assets</b>						
Loans and advances to customers	1,103,954	31,009	5.65	928,408	26,251	5.70
Investments <sup>(1)</sup>	413,677	8,563	4.16	456,545	10,516	4.64
Due from banks and other financial institutions <sup>(2)</sup>	116,463	902	1.56	109,782	1,141	2.10
Balances with central bank <sup>(3)</sup>	128,257	944	1.48	113,297	842	1.50
<b>Total interest-earning assets</b>	<b>1,762,351</b>	<b>41,418</b>	<b>4.73</b>	<b>1,608,032</b>	<b>38,750</b>	<b>4.86</b>
<b>Interest-bearing liabilities</b>						
Customer deposits	1,261,870	16,369	2.61	999,114	12,373	2.50
Due to banks and other financial institutions <sup>(4)</sup>	178,842	2,361	2.65	288,646	4,484	3.13
Due to central bank	94,864	1,482	3.14	83,842	1,370	3.29
Debt securities issued <sup>(5)</sup>	184,297	3,173	3.46	237,834	4,497	3.81
Lease liabilities	2,919	70	4.82	3,156	75	4.80
<b>Total interest-bearing liabilities</b>	<b>1,722,792</b>	<b>23,455</b>	<b>2.74</b>	<b>1,612,592</b>	<b>22,799</b>	<b>2.85</b>
Net interest income		17,963			15,951	
Net interest spread			1.99			2.01
Net interest margin <sup>(6)</sup>			2.25			2.34

#### Notes:

- (1) Including financial investments measured at amortized cost, financial investments measured at fair value through other comprehensive income and finance lease receivables.
- (2) Including deposits with banks and other financial institutions, placements with banks and other financial institutions, and financial assets purchased under resale agreements.
- (3) Including mandatory reserve of deposits, surplus reserve of deposits and foreign exchange reserve of deposits.
- (4) Including deposits from banks and other financial institutions, placements from banks and other financial institutions, and financial assets sold under purchase agreements.
- (5) Including issued inter-bank certificates of deposits, financial bond, etc.
- (6) Net interest margin: the income generated from the business of financial investments measured at fair value through profit or loss was not classified as interest income categorised by accounting item, and its corresponding interest-bearing liabilities and interest expense were adjusted accordingly.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Analysis of changes in interest income and interest expense

*In RMB million*

Item	Comparison between January to June 2020 and January to June 2019		
	Factors for increase (decrease)		Net amount of increase (decrease) <sup>(3)</sup>
	Volume <sup>(1)</sup>	Interest rate <sup>(2)</sup>	
<b>Interest-earning assets</b>			
Loans and advances to customers	5,050	(292)	4,758
Investments	(961)	(992)	(1,953)
Due from banks and other financial institutions	73	(312)	(239)
Balances with central bank	114	(12)	102
<b>Changes in interest income</b>	<b>4,276</b>	<b>(1,608)</b>	<b>2,668</b>
<b>Interest-bearing liabilities</b>			
Customer deposits	3,297	699	3,996
Due to banks and other financial institutions	(1,698)	(425)	(2,123)
Due to central bank	184	(72)	112
Debt securities issued	(1,002)	(322)	(1,324)
Lease liabilities	(5)	–	(5)
Changes in interest expense	776	(120)	656
<b>Changes in net interest income</b>	<b>3,500</b>	<b>(1,488)</b>	<b>2,012</b>

Note:

- (1) Change in volume represents the average balance for the year minus the average balance of last year, multiplied by the average yield or average cost of last year.
- (2) Change in interest rate represents the average yield or average cost for the year minus the average yield or average cost of last year, multiplied by the average balance for the year.
- (3) Net increase or decrease represents interest income (expense) for the year minus interest income (expense) of last year.

## MANAGEMENT DISCUSSION AND ANALYSIS

### (2) Interest income

#### *Interest income from loans and advances to customers*

Interest income from loans and advances to customers was RMB31.009 billion, representing an increase of RMB4.758 billion or 18.13% on a period-on-period basis, mainly due to the increase in loans and advances to customers.

#### **Interest income from loans and advances to customers**

*In RMB million, except percentages*

	January to June 2020			January to June 2019		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Corporate loans and advances <sup>(1)</sup>	828,203	21,848	5.30	712,778	19,399	5.49
Personal loans and advances	275,751	9,161	6.68	215,630	6,852	6.41
<b>Total loans and advances to customers</b>	<b>1,103,954</b>	<b>31,009</b>	<b>5.65</b>	<b>928,408</b>	<b>26,251</b>	<b>5.70</b>

Note:

(1) including discounted bills.

#### *Interest income from investments*

Interest income from investments was RMB8.563 billion, representing a decrease of RMB1.953 billion or 18.57% on a period-on-period basis, mainly due to the optimization in asset structure, the decrease in daily average investment and decline in interest rates as a result of the market condition.

## MANAGEMENT DISCUSSION AND ANALYSIS

### (3) Interest expense

#### *Interest expense on customer deposits*

Interest expense on customer deposits amounted to RMB16.369 billion, representing an increase of RMB3.996 billion or 32.30% on a period-on-period basis, primarily due to the increase in deposits.

#### **Interest expense on customer deposits**

*In RMB million, except percentages*

	January to June 2020			January to June 2019		
	Average balance	Interest expense	Average cost (%)	Average balance	Interest expense	Average cost (%)
<b>Corporate deposits and other deposits<sup>(1)</sup></b>						
Time	701,537	10,630	3.05	590,688	9,021	3.08
Demand	343,344	2,102	1.23	291,175	1,574	1.09
Sub-total	1,044,881	12,732	2.45	881,863	10,595	2.42
<b>Personal deposits</b>						
Time	171,863	3,353	3.92	77,092	1,466	3.84
Demand	45,126	284	1.26	40,159	312	1.57
Sub-total	216,989	3,637	3.37	117,251	1,778	3.06
<b>Total</b>	<b>1,261,870</b>	<b>16,369</b>	<b>2.61</b>	<b>999,114</b>	<b>12,373</b>	<b>2.50</b>

Note:

(1) Other deposits include remittance payables, temporary deposits and outward remittance, etc.

#### *Interest expense on due to banks and other financial institutions*

Interest expense on due to banks and other financial institutions amounted to RMB2.361 billion, representing a decrease of RMB2.123 billion or 47.35% on a period-on-period basis, primarily because of the decrease in due to banks and other financial institutions and the decline of average cost.

#### *Debt securities issued*

Interest expense on debt securities issued amounted to RMB3.173 billion, representing a decrease of RMB1.324 billion or 29.44% on a period-on-period basis, primarily due to the maturity of part of bonds, the decrease in debt securities issued and decline in the average cost.



## MANAGEMENT DISCUSSION AND ANALYSIS

### (4) Net non-interest income

Net non-interest income in the first half of 2020 amounted to RMB7.218 billion, representing an increase of RMB596 million or 9.00% on a period-on-period basis. among which, the net fee and commission income was RMB2.963 billion, representing an increase of RMB396 million on a period-on-period basis, while other net non-interest income was RMB4.255 billion, representing an increase of RMB200 million on a period-on-period basis.

#### Net fee and commission income

*In RMB million, except percentages*

Item	January to June 2020	January to June 2019	Amount of increase or decrease	Increase (decrease) (%)
Underwriting service	1,411	618	793	128.32
Fees from bank cards	575	573	2	0.35
Credit commitment service	401	314	87	27.71
Custodian and other fiduciary service	279	280	(1)	(0.36)
Settlement business	213	183	30	16.39
Agency service	119	130	(11)	(8.46)
Asset management service	90	490	(400)	(81.63)
Others	126	263	(137)	(52.09)
<b>Total fee and commission income</b>	<b>3,214</b>	<b>2,851</b>	<b>363</b>	<b>12.73</b>
Less: Fee and commission expense	251	284	(33)	(11.62)
<b>Net fee and commission income</b>	<b>2,963</b>	<b>2,567</b>	<b>396</b>	<b>15.43</b>

Fee income from underwriting service was RMB1.411 billion, representing an increase of RMB793 million on a period-on-period basis, primarily due to strong demand for bond issuance and increase in bond underwriting.

Fee income from credit commitment service was RMB401 million, representing an increase of RMB87 million on a period-on-period basis, primarily due to the increases in receivables of blockchain confirmation business and letters of guarantee business.

Fee income from settlement business was RMB213 million, representing an increase of RMB30 million on a period-on-period basis, primarily due to the growth of international settlement and clearing business.

Fee income from asset management service was RMB90 million, representing a decrease of RMB400 million on a period-on-period basis, primarily due to structure adjustment of the asset management business.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Other net non-interest income

*In RMB million, except percentages*

Item	January to June 2020	January to June 2019	Amount of increase or decrease	Increase (decrease) (%)
Net trading gains and losses	2,355	3,080	(725)	(23.54)
Net gains on financial investments	1,665	767	898	117.08
Other operating income	235	208	27	12.98
<b>Total</b>	<b>4,255</b>	<b>4,055</b>	<b>200</b>	<b>4.93</b>

Other net non-interest income amounted to RMB4.255 billion, representing an increase of RMB200 million or 4.93% on a period-on-period basis.

### (5) Operating expenses

*In RMB million, except percentages*

Item	January to June 2020	January to June 2019	Amount of increase or decrease	Increase (decrease) (%)
Staff costs	4,139	4,177	(38)	(0.91)
General and administrative expenses	920	876	44	5.02
Tax and surcharges	306	241	65	26.97
Rental expenses	32	61	(29)	(47.54)
Depreciation and amortization expenses	778	654	124	18.96
Others	68	55	13	23.64
<b>Total operating expenses</b>	<b>6,243</b>	<b>6,064</b>	<b>179</b>	<b>2.95</b>

Operating expenses amounted to RMB6.243 billion, representing an increase of 2.95% on a period-on-period basis, primarily due to our business expansion, the increased taxes, depreciation and amortization as well as general and administrative expenses due to increase in our outlets.

### (6) Expected credit losses

*In RMB million, except percentages*

Item	January to June 2020	January to June 2019	Amount of increase or decrease	Increase (decrease) (%)
Deposits with banks and other financial institutions	59	273	(214)	(78.39)
Placements with banks and other financial institutions	(29)	104	(133)	(127.88)
Loans and advances to customers	5,701	3,861	1,840	47.66
Financial investments	4,840	3,137	1,703	54.29
Finance lease receivables	221	211	10	4.74
Off-balance sheet items	145	180	(35)	(19.44)
Others	96	(1)	97	–
<b>Total</b>	<b>11,033</b>	<b>7,765</b>	<b>3,268</b>	<b>42.09</b>

## MANAGEMENT DISCUSSION AND ANALYSIS

### (7) Income tax expenses

The income tax expenses were RMB993 million, representing a period-on-period decrease of RMB127 million or 11.34%, and the effective tax rate was 12.56%. For the reconciliation statement of the income tax expenses calculated at statutory tax rate and the actual income tax expenses, please see “Note III to Financial Report – 8 Income Tax Expense”.

### (8) Segment information

#### Segment operating results by business line

*In RMB million*

Item	January to June 2020		January to June 2019	
	Operating income	Profit before income tax	Operating income	Profit before income tax
Corporate banking business	14,084	6,150	13,301	6,586
Retail banking business	5,039	2,038	3,806	1,699
Treasury business	5,406	(580)	4,857	263
Other businesses	652	297	609	196
<b>Total</b>	<b>25,181</b>	<b>7,905</b>	<b>22,573</b>	<b>8,744</b>

#### Segment operating results by geographic region

*In RMB million*

Item	January to June 2020		January to June 2019	
	Operating income	Profit before income tax	Operating income	Profit before income tax
Yangtze River Delta Region	14,266	2,904	12,835	5,815
Bohai Rim Region	4,218	2,270	3,888	1,101
Pearl River Delta Region	1,875	399	1,799	130
Midwestern China Region	4,822	2,332	4,051	1,698
<b>Total</b>	<b>25,181</b>	<b>7,905</b>	<b>22,573</b>	<b>8,744</b>

## MANAGEMENT DISCUSSION AND ANALYSIS

### 2. Analysis on Consolidated Statement of Financial Position

In the first half of 2020, the Group focused on epidemic prevention and control, and continued to increase financial support to the real economy; on the other hand, it focused on platform-based business innovation and promotion, and accelerated innovation and transformation and development. In the first half of 2020, the scale of various businesses grew steadily, the business structure was continuously optimized, and the level of liquidity and market risk management continued to improve.

#### (1) Assets

As at the end of the reporting period, total assets of the Group amounted to RMB1,990.606 billion, representing an increase of RMB189.820 billion or 10.54% as compared to that at the end of last year, of which net loans and advances to customers amounted to RMB1,097.41 billion, representing an increase of RMB98.477 billion or 9.86% as compared to that at the end of last year. Financial investments amounted to RMB601.770 billion, representing an increase of RMB83.732 billion or 16.16% as compared to that at the end of last year. In terms of the structure, net loans and advances to customers accounted for 55.13% of total assets, decreased by 0.34 percentage point as compared to that at the end of last year, and the financial investments accounted for 30.23% of total assets, increased by 1.46 percentage points as compared to that at the end of last year.

#### Assets utilization

*In RMB million, except percentages*

Item	June 30, 2020		December 31, 2019	
	Amount	Proportion (%)	Amount	Proportion (%)
Total loans and advances to customers	1,129,760		1,030,171	
Less: the expected credit loss allowance for loans	32,350		31,238	
Net loans and advances to customers	1,097,410	55.13	998,933	55.47
Financial investments <sup>(1)</sup>	601,770	30.23	518,038	28.77
Cash and balances with central bank	154,124	7.74	131,029	7.28
Precious metal	7,866	0.40	21,251	1.18
Due from banks and other financial institutions	49,110	2.47	55,859	3.10
Others	80,326	4.03	75,676	4.20
<b>Total assets</b>	<b>1,990,606</b>	<b>100.00</b>	<b>1,800,786</b>	<b>100.00</b>

Note:

- (1) The financial investments at the end of the period include financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and financial assets measured at amortized cost.



## MANAGEMENT DISCUSSION AND ANALYSIS

### Loans

According to changes in the macroeconomic environment and financial supervision requirements, and centered on serving the real economy and the supply-side structural reform, the Group continuously optimized credit structure, deepened financial services to small and micro enterprises and private enterprises as well as green financial services, and actively developed inclusive finance. As at the end of the reporting period, total loans and advances to customers of the Group amounted to RMB1,129.760 billion, representing an increase of RMB99.589 billion or 9.67% as compared to that at the end of last year.

#### Loan structure by business type

*In RMB million, except percentages*

Item	June 30, 2020		December 31, 2019	
	Amount	Proportion (%)	Amount	Proportion (%)
Corporate loans	743,160	65.78	679,610	65.97
Discounted bills	95,362	8.44	71,632	6.95
Personal loans	287,846	25.48	275,677	26.76
Changes in fair value through other comprehensive income	(197)	(0.02)	212	0.02
Accrued interest	3,589	0.32	3,040	0.30
<b>Total</b>	<b>1,129,760</b>	<b>100.00</b>	<b>1,030,171</b>	<b>100.00</b>

#### Corporate loans

Taking full advantage of its liquidity services, the Group enhanced platform-based customer acquisition capabilities, met customers' financing needs via diversified products, and promoted the optimization of corporate loan structure while taking into account the adjustment in total amount and structure of its loans. As at the end of the reporting period, total corporate loans amounted to RMB743.160 billion, representing an increase of 9.35% as compared to that at the end of last year.

#### Discounted bills

Through optimization of structure and acceleration of turnover, the Group improved the comprehensive returns on bill assets. As at the end of the reporting period, total discounted bills amounted to RMB95.362 billion, representing an increase of 33.13% as compared to that at the end of last year.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Personal loans

The Group accelerated platform-based transformation of the retail business, continued to enrich its application scenarios and expanded the scope of customer and business linkages to continuously promote the growth of personal loans. As at the end of the reporting period, total personal loans amounted to RMB287.846 billion, representing an increase of 4.41% as compared to that at the end of last year.

### Financial investments

The Group strongly supported the development of real economy, and optimized investment portfolio and structure on the basis of ensuring liquidity and risk control. As at the end of the reporting period, balance of financial investments amounted to RMB601.770 billion, representing an increase of 16.16% as compared to that at the end of last year. Among which, balance of bond investments amounted to RMB356.375 billion, representing an increase of 27.90% as compared to that at the end of last year.

### Financial investment composition

*In RMB million, except percentages*

Item	June 30, 2020		December 31, 2019	
	Amount	Proportion (%)	Amount	Proportion (%)
Fund investments	85,704	14.24	86,143	16.63
Bond investments	356,375	59.22	278,642	53.79
Trust schemes and asset management plans	141,620	23.53	129,502	25.00
Other financial investments	24,585	4.09	31,468	6.07
Accrued interest	6,422	1.07	5,449	1.05
Impairment provision	(12,936)	(2.15)	(13,166)	(2.54)
<b>Total</b>	<b>601,770</b>	<b>100.00</b>	<b>518,038</b>	<b>100.00</b>

Note: Other financial investments include equity investments and other debt instruments.

## MANAGEMENT DISCUSSION AND ANALYSIS

### (2) Liabilities

As at the end of the reporting period, total liabilities of the Group amounted to RMB1,861.685 billion, representing an increase of RMB188.926 billion or 11.29% as compared to that at the end of last year.

#### Liabilities composition

*In RMB million, except percentages*

Item	June 30, 2020		December 31, 2019	
	Amount	Proportion (%)	Amount	Proportion (%)
Due to central bank	76,568	4.11	94,065	5.62
Customer deposits	1,354,290	72.75	1,143,741	68.37
Due to banks and other financial institutions	162,082	8.71	172,805	10.33
Financial liabilities at fair value through profit or loss	21,851	1.17	15,143	0.91
Debt securities issued	198,502	10.66	206,241	12.33
Others	48,392	2.60	40,764	2.44
<b>Total liabilities</b>	<b>1,861,685</b>	<b>100.00</b>	<b>1,672,759</b>	<b>100.00</b>

#### *Customer deposits*

The Group actively responded to the changes in market demand, fully utilized the comprehensive advantages of financial services, enhanced platform-based customer acquisition capabilities, vigorously organized the absorption of deposits, enriched the types of deposit products and continued to optimize the deposit structure. As at the end of the reporting period, balance of customer deposits of the Group amounted to RMB1,354.290 billion, representing an increase of RMB210.549 billion or 18.41% as compared to that at the end of last year. With respect to customer structure, corporate deposits increased by RMB149.063 billion or 15.37%; and personal deposits increased by RMB56.293 billion or 35.26%. With respect to term structures, time deposits increased by RMB147.537 billion or 19.61%; and demand deposits increased by RMB57.819 billion or 15.35%.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Structure of our customer deposits by business type

*In RMB million, except percentages*

Item	June 30, 2020		December 31, 2019	
	Amount	Proportion (%)	Amount	Proportion (%)
Corporate deposits				
Demand	390,930	28.86	332,440	29.07
Time	727,751	53.74	637,178	55.71
Sub-total	1,118,681	82.60	969,618	84.78
Personal deposits				
Demand	43,660	3.23	44,331	3.88
Time	172,296	12.72	115,332	10.08
Sub-total	215,956	15.95	159,663	13.96
Other deposits	5,457	0.40	2,596	0.22
Accrued interest	14,196	1.05	11,864	1.04
<b>Total</b>	<b>1,354,290</b>	<b>100.00</b>	<b>1,143,741</b>	<b>100.00</b>

### (3) Shareholder's equity

As at the end of the reporting period, equity attributable to shareholders of the Bank amounted to RMB127.003 billion in total, representing an increase of RMB757 million or 0.60% as compared to that at the end of last year. Please see "Financial Statements – Condensed Consolidated Statement of Changes in Shareholders' Equity".

## MANAGEMENT DISCUSSION AND ANALYSIS

### (III) ANALYSIS OF THE ASSET QUALITY

#### 1. Loan distribution by the five-category classification

*In RMB million, except percentages*

Item	June 30, 2020		December 31, 2019	
	Amount of loans	Percentage (%)	Amount of loans	Percentage (%)
Pass	1,086,175	96.15	988,779	95.98
Special mention	24,331	2.15	23,993	2.33
Non-performing	15,862	1.40	14,147	1.37
Substandard	6,454	0.57	6,854	0.67
Doubtful	7,940	0.70	5,056	0.49
Loss	1,468	0.13	2,237	0.22
Changes in fair value through other comprehensive income	(197)	(0.02)	212	0.02
Accrued interest	3,589	0.32	3,040	0.30
<b>Total loans and advances to customers</b>	<b>1,129,760</b>	<b>100.00</b>	<b>1,030,171</b>	<b>100.00</b>

The loan quality of our Group was kept at a relatively good level. As at the end of the reporting period, according to the five-category classification of the supervision system, the pass loans amounted to RMB1,086.175 billion, representing an increase of RMB97.396 billion as compared with that at the end of last year, accounting for 96.15% of total loans and advances to customers. Loans classified as special mention were RMB24.331 billion, representing an increase of RMB338 million as compared with that at the end of last year, accounting for 2.15% of total loans and advances to customers. The non-performing loans were RMB15.862 billion, representing an increase of RMB1.715 billion as compared with that at the end of last year, with a non-performing loan ratio of 1.40%, representing an increase of 0.03 percentage point as compared with that at the end of last year.



## MANAGEMENT DISCUSSION AND ANALYSIS

### 2. Distribution of loans and non-performing loans by business type

*In RMB million, except percentages*

Item	June 30, 2020				December 31, 2019			
	Amount of loans	Percentage (%)	Amount of non-performing loans	Non-performing loan ratio (%)	Amount of loans	Percentage (%)	Amount of non-performing loans	Non-performing loan ratio (%)
Corporate loans	743,160	65.78	12,764	1.72	679,610	65.97	11,607	1.71
Personal loans	287,846	25.48	3,079	1.07	275,677	26.76	2,485	0.90
Discounted bills	95,362	8.44	19	0.02	71,632	6.95	55	0.08
Changes in fair value through other comprehensive income	(197)	(0.02)	N/A	N/A	212	0.02	N/A	N/A
Accrued interest	3,589	0.32	N/A	N/A	3,040	0.30	N/A	N/A
<b>Total loans and advances to customers</b>	<b>1,129,760</b>	<b>100.00</b>	<b>15,862</b>	<b>1.40</b>	<b>1,030,171</b>	<b>100.00</b>	<b>14,147</b>	<b>1.37</b>

As at the end of the reporting period, our non-performing corporate loans amounted to RMB12.764 billion, representing an increase of RMB1.157 billion as compared with that at the end of last year, with a non-performing loan ratio of 1.72%, representing an increase of 0.01 percentage point as compared with that at the end of last year. The personal non-performing loans were RMB3.079 billion, representing an increase of RMB594 million as compared with that at the end of last year, with a non-performing loan ratio of 1.07%, representing an increase of 0.17 percentage point as compared with that at the end of last year.

## MANAGEMENT DISCUSSION AND ANALYSIS

### 3. Distribution of loans and non-performing loans by industry

*In RMB million, except percentages*

Item	June 30, 2020				December 31, 2019			
	Amount of loans	Percentage (%)	Amount of non-performing loans	Non-performing loan ratio (%)	Amount of loans	Percentage (%)	Amount of non-performing loans	Non-performing loan ratio (%)
<b>Corporate loans</b>	743,160	65.78	12,764	1.72	679,610	65.97	11,607	1.71
Leasing and commercial services	164,301	14.54	1,340	0.82	150,011	14.56	639	0.43
Real estate	161,165	14.27	363	0.23	148,341	14.40	428	0.29
Manufacturing	120,608	10.68	5,231	4.34	114,722	11.14	6,203	5.41
Wholesale and retail trade	104,197	9.22	2,241	2.15	82,824	8.04	2,295	2.77
Administration of water conservancy, environment and public facilities	56,300	4.98	-	-	53,253	5.17	50	0.09
Construction	49,153	4.35	716	1.46	45,432	4.41	830	1.83
Financing	17,960	1.59	-	-	19,785	1.92	-	-
Accommodation and Catering	11,087	0.98	107	0.97	8,857	0.86	83	0.94
Electricity, heat, gas and water production and supply	9,550	0.85	340	3.56	9,562	0.93	375	3.92
Transportation, storage and postal service	9,039	0.80	106	1.17	10,580	1.03	303	2.86
Mining	8,555	0.76	-	-	6,722	0.65	-	-
Others <sup>(1)</sup>	31,245	2.77	2,320	7.43	29,521	2.86	401	1.36
<b>Personal loans</b>	287,846	25.48	3,079	1.07	275,677	26.76	2,485	0.90
<b>Discounted bills</b>	95,362	8.44	19	0.02	71,632	6.95	55	0.08
<b>Changes in fair value through other comprehensive income</b>	(197)	(0.02)	N/A	N/A	212	0.02	N/A	N/A
<b>Accrued interest</b>	3,589	0.32	N/A	N/A	3,040	0.30	N/A	N/A
<b>Total loans and advances to customers</b>	<b>1,129,760</b>	<b>100.00</b>	<b>15,862</b>	<b>1.40</b>	<b>1,030,171</b>	<b>100.00</b>	<b>14,147</b>	<b>1.37</b>

Note:

- (1) Others include various industries such as public administration and social organization; culture, sports and entertainment; information transmission, computer service and software; agriculture, forestry, animal husbandry and fishery; household services and other services; scientific research, technology services and geological exploration; education; health, social security and social welfare.

In the first half of 2020, our Group actively supported the development of the real economy and followed the national economic restructuring, with a priority focus on national economy basic industries and national strategic emerging industries. Differential risk prevention and control strategies were formulated for areas such as industries with excess production capacity, real estate, etc., with a view to optimizing the allocation of credit resources continually.

## MANAGEMENT DISCUSSION AND ANALYSIS

### 4. Distribution of loans and non-performing loans by geographic region

*In RMB million, except percentages*

Item	June 30, 2020				December 31, 2019			
	Amount of loans	Percentage (%)	Amount of non-performing loans	Non-performing loan ratio (%)	Amount of loans	Percentage (%)	Amount of non-performing loans	Non-performing loan ratio (%)
Yangtze River Delta Region	646,867	57.25	9,608	1.49	571,942	55.52	9,138	1.60
Midwestern China Region	216,439	19.16	3,046	1.41	198,548	19.27	2,627	1.32
Bohai Rim Region	155,192	13.74	2,209	1.42	165,623	16.08	1,337	0.81
Pearl River Delta Region	107,870	9.55	999	0.93	90,806	8.81	1,045	1.15
Changes in fair value through other comprehensive income	(197)	(0.02)	N/A	N/A	212	0.02	N/A	N/A
Accrued interest	3,589	0.32	N/A	N/A	3,040	0.30	N/A	N/A
<b>Total loans and advances to customers</b>	<b>1,129,760</b>	<b>100.00</b>	<b>15,862</b>	<b>1.40</b>	<b>1,030,171</b>	<b>100.00</b>	<b>14,147</b>	<b>1.37</b>

As at the end of the reporting period, the region where the Group incurred a relatively large volume of non-performing loans was the Yangtze River Delta Region. Taking into account economic characters of various regions, the Group continued to optimize the regional credit allocation to actively prevent regional risks and support regional development.

### 5. Distribution of loans and non-performing loans by security type

*In RMB million, except percentages*

Item	June 30, 2020				December 31, 2019			
	Amount of loans	Percentage (%)	Amount of non-performing loans	Non-performing loan ratio (%)	Amount of loans	Percentage (%)	Amount of non-performing loans	Non-performing loan ratio (%)
Mortgage loans	512,471	45.37	5,357	1.05	461,556	44.81	4,634	1.00
Pledged loans	131,532	11.64	2,377	1.81	117,832	11.44	3,385	2.87
Guaranteed loans	181,914	16.10	6,324	3.48	193,199	18.75	4,615	2.39
Unsecured loans	205,089	18.15	1,785	0.87	182,700	17.73	1,458	0.80
Discounted bills	95,362	8.44	19	0.02	71,632	6.95	55	0.08
Changes in fair value through other comprehensive income	(197)	(0.02)	N/A	N/A	212	0.02	N/A	N/A
Accrued interest	3,589	0.32	N/A	N/A	3,040	0.30	N/A	N/A
<b>Total loans and advances to customers</b>	<b>1,129,760</b>	<b>100.00</b>	<b>15,862</b>	<b>1.40</b>	<b>1,030,171</b>	<b>100.00</b>	<b>14,147</b>	<b>1.37</b>

The secured loan structure of the Group basically remained stable. As at the end of the reporting period, the mortgage loans accounted for 45.37% of the total loans and advances to customers, which was a relatively high percentage; the mortgage loans balance was RMB512.471 billion, representing an increase of RMB50.915 billion compared with that at the end of last year; the balance of non-performing loans among mortgage loans was RMB5.357 billion, with the non-performing loan ratio of 1.05%, representing an increase of 0.05 percentage point compared with that at the end of last year.

## MANAGEMENT DISCUSSION AND ANALYSIS

### 6. Top ten borrowers

*In RMB million, except percentages*

Top ten borrowers	Industry	Amount	Percentages of total loans and advances to customers (%)
A	Manufacturing	3,560	0.32
B	Leasing and commercial services	3,551	0.31
C	Real estate	3,364	0.30
D	Leasing and commercial services	3,103	0.27
E	Leasing and commercial services	3,100	0.27
F	Real estate	3,050	0.27
G	Leasing and commercial services	2,830	0.25
H	Manufacturing	2,830	0.25
I	Wholesale and retail trade	2,800	0.25
J	Administration of water conservancy, environment and public facilities	2,796	0.25
<b>Total</b>		<b>30,983</b>	<b>2.74</b>

As at the end of the reporting period, the balance of loans to the single largest borrower of the Group was RMB3.560 billion, representing 2.13% of the Group's net capital. The total loans to our top ten single borrowers amounted to RMB30.983 billion, representing 18.52% of the net capital and 2.74% of the total loans and advances to customers of the Group.

### 7. Overdue loans

*In RMB million, except percentages*

Overdue period	June 30, 2020		December 31, 2019	
	Amount	Percentages of total loans and advances to customers (%)	Amount	Percentages of total loans and advances to customers (%)
Overdue by 1 day to 90 days	5,771	0.51	9,387	0.91
Overdue by 90 days to one year	8,416	0.74	7,910	0.77
Overdue by one year to three years	4,109	0.36	3,645	0.35
Overdue by more than three years	131	0.01	126	0.01
<b>Total</b>	<b>18,427</b>	<b>1.63</b>	<b>21,068</b>	<b>2.05</b>

As at the end of the reporting period, the balance of overdue loans amounted to RMB18.427 billion, representing a decrease of RMB2.641 billion as compared with that at the end of last year. Specifically, loans overdue by more than 90 days amounted to RMB12.656 billion, representing an increase of RMB0.975 billion as compared with that at the end of last year.

## MANAGEMENT DISCUSSION AND ANALYSIS

### 8. Renegotiated loans

The Group exercised strict and prudent control over loan renegotiation. As at the end of the reporting period, total renegotiated loans and advances amounted to RMB544 million, representing an increase of RMB77 million as compared with that at the end of last year. Among them, total renegotiated loans and advances that were overdue by more than 3 months amounted to RMB14 million, representing a decrease of RMB12 million as compared with that at the end of last year.

### 9. Foreclosed assets and provision for impairment

As of the end of the reporting period, the balance of foreclosed assets (non-financial instruments) of the Group was RMB659 million, and the net book value was RMB653 million after deducting the provision for impairment of RMB6 million.

### 10. Movements in the expected credit loss (“ECL”) allowance on loans

	<i>In RMB million</i>
	<b>Amount</b>
Balance at the beginning of the period	31,238
Provision for the period	5,701
Unwinding of discount on ECL allowance	(79)
Write-offs	(3,539)
Transfer out	(448)
Recovered loans and advances previously written off	232
Impact of exchange rate fluctuations	9
<b>Balance at the end of the period</b>	<b>33,114</b>

## (IV) CAPITAL MANAGEMENT

In accordance with the Administrative Measures for the Capital of Commercial Banks (Trial) (《商業銀行資本管理辦法(試行)》), the measurement range of the Group’s capital adequacy ratio covers credit risk, market risk and operational risk. Among them, credit risk-weighted assets were measured by using weight method, market risk-weighted assets were measured by using standardized approach, and operational risk-weighted assets were measured by using the basic indicator approach.



## MANAGEMENT DISCUSSION AND ANALYSIS

As of June 30, 2020, capital adequacy ratio of the Group was 13.43%, tier-one capital adequacy ratio was 10.26%, core tier-one capital adequacy ratio was 9.05%, and leverage ratio was 5.36%, all of which met regulatory requirements.

### Capital adequacy ratio (the Group)

*In RMB million, except percentages*

Item	June 30, 2020	December 31, 2019
Net core tier-one capital	112,775	112,239
Net tier-one capital	127,877	127,337
Net capital base	167,321	165,753
Risk-weighted assets	1,246,329	1,164,197
Core tier-one capital adequacy ratio (%)	9.05	9.64
Tier-one capital adequacy ratio (%)	10.26	10.94
Capital adequacy ratio (%)	13.43	14.24

### Leverage ratio (the Group)

*In RMB million, except percentages*

Item	June 30, 2020	December 31, 2019
Net tier-one capital	127,877	127,337
Adjusted asset balance inside and outside the balance sheet	2,387,144	2,139,653
Leverage ratio (%)	5.36	5.95

As of June 30, 2020, capital adequacy ratio of the Company was 13.43%, tier-one capital adequacy ratio was 10.25%, core tier-one capital adequacy ratio was 9.02%, and leverage ratio was 5.28%, all of which met regulatory requirements.

### Capital adequacy ratio (the Company)

*In RMB million, except percentages*

Item	June 30, 2020	December 31, 2019
Net core tier-one capital	109,702	109,342
Net tier-one capital	124,660	124,299
Net capital base	163,466	162,098
Risk-weighted assets	1,216,782	1,135,591
Core tier-one capital adequacy ratio (%)	9.02	9.63
Tier-one capital adequacy ratio (%)	10.25	10.95
Capital adequacy ratio (%)	13.43	14.27

### Leverage ratio (the Company)

*In RMB million, except percentages*

Item	June 30, 2020	December 31, 2019
Net tier-one capital	124,660	124,299
Adjusted asset balance inside and outside the balance sheet	2,359,130	2,111,369
Leverage ratio (%)	5.28	5.89

# MANAGEMENT DISCUSSION AND ANALYSIS

## (V) RISK MANAGEMENT

### 1. Comprehensive risk management system

Guided by the platform-based service strategy, the Company adopts a “prudent and solid” risk appetite by persistently serving the real economy and strengthening innovation driving force. The Company facilitates the admission management to strengthen its customer base and optimize its business structure; strengthens the whole-process management to continuously promote the construction of big data risk control platform; accelerates the collection and resolution work to maintain the stability of asset quality; and gradually improves the comprehensive risk management system by creating a second development curve to ensure the Company’s development with high quality and facilitate the achievement of the “two most” overall objective in a stable manner.

The Board of Directors takes the ultimate responsibility for comprehensive risk management; the Board of supervisors is responsible for supervision of comprehensive risk management; and the senior management is responsible for implementing comprehensive risk management. The Company establishes the position of chief risk officer. The senior management has established special committees including the risk management and internal control committee, asset and liability management committee, credit, investment and transaction review committee, asset risk classification review committee and business continuity management committee.

The risk management department at our head office is the coordination department for comprehensive risk management and the leading executive department for management of the credit risk, market risk (excluding interest rate risk of banking book), country risk and information technology risk. The planning and finance department (the asset and liability management department) at our head office is the leading executive department for management of the interest rate risk of banking book and liquidity risk. The internal control, compliance and legal department at our head office is the leading executive department for operational risk and compliance risk management. The general office at our head office is the leading executive department for reputational risk management. The development and planning department at our head office is the leading executive department for strategic risk management.

The Company assigns risk monitoring officers to departments subject to higher business complexity and relatively concentrative risks at our head office. Risk monitoring officers are responsible for helping leading officers of accrediting departments organize risk management. They are independent of such departments and directly report to the president of our head office. They make business judgment and report on risk issues independently. The Company assigns to its branches risk monitoring officers, who help presidents of such branches organize comprehensive risk management with a focus on credit business related risk management, focus on the management and control over risks of large financing customers as well as complicated and difficult businesses and are independent of such branches and directly report to the president of our head office. They make business judgment and report on risk issues independently.

# MANAGEMENT DISCUSSION AND ANALYSIS

## 2. Credit risk management

Credit risk refers to the risk of the Company suffering from losses due to defaults of debtors or counterparties or a decline in their credit. The Company's credit risk primarily lies in on- and off-balance sheet business, including loans, inter-bank lending, bond investments, bill acceptances, letters of credit, letters of guarantee, bond holdings and special purpose vehicle investments.

The objectives of our credit risk management are to control our credit risk within a reasonable range acceptable to us and maximize comprehensive benefits across the Bank denominated in local currency and adjusted with respect to risks.

The Company's credit risk management system consists of the Board of Directors, the Board of Supervisors, the Senior Management, the risk management and internal control committee, the credit, investment and transaction review committee of the head office, the credit, investment and transaction review committee of the branches, the credit review teams of sub-branches, the risk management department of the head office and other credit risk control departments, business operation and management departments, financial technology department, audit department, branches, sub-branches and subsidiaries. The Senior Management is responsible for implementing and organizing the credit risk management as well as the formulation and implementation of systems and policies relating to credit risk management.

The Company formulates fundamental credit policies based on changes in external operating environment and internal operating and risk conditions. Such policies expressly set out guidances on certain aspects of our credit business, such as customer structure, industry structure, regional structure and key business areas. In addition, the Company regularly adjusts its credit policies based on a continuous tracking of the development trends in the macro economy and the industry.

The Company classifies its credit assets by reference to the standards set forth in the Guidelines on Risk-Based Classification of Loans 《貸款風險分類指引》 of the CBIRC, comprehensively taking into account such factors as a borrower's ability to repay the loan, repayment record, willingness to repay the loans, profitability of a credit project and status of a guarantee. The Company's credit asset risks are initially classified by client managers, then reviewed by the head of the marketing department and examined by risk management personnel and finally determined by authorized people.

## MANAGEMENT DISCUSSION AND ANALYSIS

### *(1) Credit risk management for corporate customers*

The Company conducts a unified credit management of corporate customers, and determines maximum comprehensive credit lines and business credit lines for customers based on comprehensive evaluation of customers and according to certain standards and procedures.

The Company strictly complies with relevant regulatory requirements of the CBIRC and puts loans (including trade financing), bill acceptances and discounting, overdrafts, bond investments, special purpose vehicle investments, opening letters of credit, factorings, guarantees, loan commitments and other businesses where credit risks are essentially borne by the Company under our unified credit extension management. In the full coverage of various types of credit businesses, the Company determines comprehensive credit limits of single corporate customers, group customers and industries.

The Company continuously enhances the construction of our credit system, formulates a unified credit quota management system for our corporate customers, intensifies our comprehensive management and unified control of the total credit quota amount of our corporate customers, improves standardized and normalized credit approval procedures, authorization system and position risk accountability mechanism, adjusts our credit policies in time and takes effective measures to prevent credit risks.

The Company further improves the concentration risk management, formulates the concentration risk management related systems, clarifies the responsibilities allocation and main methods of concentration risk management, and continues to promote the construction of concentration risk management.

The Company continuously enhances the management of loan risks related to financing platforms of local governments, strictly complies with various loan policies and regulatory requirements of the CBIRC on financing platforms of local governments, makes dynamic adjustments to targets of credit granting, and further optimizes the loan structure of financing platforms to prevent credit risks that may arise from local governments' financing platforms; sets credit limits for loans to local governments' financing platforms and enhances our monitoring and management on the risks.

The Company continuously enhances the management of real estate loan risks. The Company engages in real estate related credit business prudently, and adjusts our credit extension orientation for the real estate industry in a duly manner according to national policy and industrial operation situation. The Company sets dynamic credit limits for loans we grant to the customers in the real estate industry and adopts the name list system management, and continuously adjusts and optimizes the asset structure, as well as strengthens the monitoring and management of risks relating to existing loans.

The Company continuously enhances the management of loan risks for industries with excessive production capacity, and strictly controls loans that we grant to entities in industries with excessive production capacity.

## MANAGEMENT DISCUSSION AND ANALYSIS

### **(2) Credit risk management for small and micro enterprises**

The Company conducts unified credit extension management for small and micro enterprise customers, and integrates all types of credit business of small and micro enterprise customers into our unified credit extension management. The Company actively explores a professionalized operating model, continuously improves our management system and further combs out and standardizes the procedures and requirements for credit extension to gradually cultivate a featured and standard credit extension model of the Company.

The Company continuously strengthens the management of credit risks of small and micro enterprise business and intensifies measures for risk mitigation. The Company strictly controls overdue loans and non-performing loans by tracking overdue loans and on-site and off-site monitoring.

### **(3) Credit risk management for retail customers**

The Company actively builds its credit evaluation system for personal loans, develops and designs personal loan products with complete functions and strong risk resistance capability. The Company formulates the entry barriers for different groups of customers, adopts controls over overall limits of personal loans, restrains risks associated with loans with multiple borrowers as well as improves and optimizes the management mechanism of credit risks associated with personal loans. The Company continuously enhances selection and management of guarantees and improves its ability to mitigate credit risks. The Company continues to strengthen subsequent management of personal loans such as postloan monitoring, collection of overdue loans and disposal of non-performing loans.

The Company has established a credit card risk management system featuring prebusiness risk prevention, on-going risk monitoring during the process and postbusiness risk management. The Company has formulated a complete set of rules and regulations to standardize various credit card business procedures, such as marketing and promotion procedures of credit cards and credit extension approval procedures. The Company continues to improve the design and operation of procedures for card issuance business, the determination and control of overall business risk tolerance, as well as the identifying, measuring, monitoring, assessment, control, mitigation and disposal of risks during and after the grant of a loan.

### **(4) Credit risk management for financial institution customers**

The Company includes financial institution customers in unified credit management. The Company has formulated unified management measures and relevant operating procedures for the unified line of credit of financial institution customers, improved a series of systems and procedures for the investigation, examination and approval of unified credit extension to financial institution customers.

The Company's business with financial institution customers involving customer credit risk is covered in our unified credit extension management. When conducting business, the Company will draw up the customers' credit lines in accordance with relevant policies for the management of the concentration of customer risks.



## MANAGEMENT DISCUSSION AND ANALYSIS

### 3. Market risk management

Market risk refers to the risk of losses of on- and off-balance sheet business arising from unfavorable changes in market prices including interest rates, exchange rates, stock prices and commodity prices. Market risk can be divided into interest rate risk, exchange rate risk, stock risk and commodity risk. The term “market risk” in this section refers specifically to market risk other than interest rate risk of banking book (for the interest rate risk of banking book, please refer to the relevant content of “7. Interest rate risk management of banking book” below).

The objectives of our market risk management are to control our market risks within a reasonable range acceptable to us and maximize comprehensive benefits across the Bank denominated in local currency and adjusted with respect to risks.

The Company’s market risk management system consists of the Board of Directors, the Board of Supervisors, Senior Management, risk management and internal control committee, risk management department, financial market department, financial technology department, audit department, other departments, as well as branches, sub-branches and subsidiaries. The Senior Management is responsible for implementing and organizing the market risk management, overseeing the implementation of market risk appetite as well as formulating and carrying out relevant systems and policies for market risk management and establishing market risk management information system, so as to ensure the Company can effectively identify, measure, monitor and control a series of market risks borne by various businesses.

The market risk measurement methods adopted by the Company include duration analysis, foreign exchange exposure analysis, scenario analysis, sensitivity analysis, Value at Risk (VaR) measurement etc., and the measures taken by the Company to control market risks include, among others, limit management, hedging, reducing risk exposures etc. The Company has established a market risk management system pursuant to the relevant measures and guidelines of CBIRC. The Company has formulated market risk management policies and procedures applicable to the nature, scale, complexity and risk features of its business and aligned such policies and procedures with its overall business development strategy, management capabilities, capital strength and overall risk level that can be borne by the Company.

The Company regularly updates and improves its market risk appetite and limit management system, continues to improve the market risk management systems and market risk measurement systems. The Company conducts market risk measurement, monitoring and routine management by using the independent market risk management platform. The Company values positions of our trading book on a daily basis, continuously monitors trading limits, stop-loss limits and risk limits, and regularly evaluates market risks through stress testing and other methods.

## MANAGEMENT DISCUSSION AND ANALYSIS

### 4. Liquidity risk management

Liquidity risk refers to the risk of failure to obtain adequate funds in time at reasonable costs to repay debts when they are due, perform other payment obligations and meet other capital needs in the ordinary course of business. Factors affecting liquidity risks are divided into external factors and internal factors. The external factors include domestic and foreign financial conditions, macroeconomic regulation policies, depth and width of developments of financial markets and the competition status of the banking industry. The internal factors include maturities of assets and liabilities, business structures, stability of deposits, and ability to obtain financing in the market and various unexpected events, etc.

The objectives of our liquidity risk management are to ensure our liquidity needs can be satisfied in time at reasonable costs and to control our liquidity risks within a reasonable range acceptable to us.

The Company's liquidity risk management system consists of the Board of Directors, the Board of Supervisors, Senior Management, risk management and internal control committee, asset and liability management committee, risk management department, planning and finance department (the asset and liability management department), financial market department, financial technology department, audit department, other operation and management departments of the head office, as well as branches, sub-branches and subsidiaries. The Senior Management is responsible for implementing and organizing the liquidity risk management as well as the formulation and implementation of relevant systems and policies for liquidity risk management.

The Company managed the liquidity risk in a centralized manner. By establishing a scientific and complete liquidity risk management system, the Company can effectively identify, measure, monitor, control and report its liquidity risk. Specific measures for liquidity risk management include: continuously improving systems related to liquidity risk management, paying close attention to both domestic and foreign macroeconomic situations and market liquidity changes, as well as adjusting our asset and liability management strategy in a timely manner; strengthening debt management, making flexible use of active debt instruments, broadening long-term sources of fund, and continuously increasing the proportion of stable liabilities; promoting the diversification of financing channels construction and actively expanding financing channels while maintaining good relations with major financing counterparts; strengthening the early-warning monitoring and management of liquidity, optimizing our emergency response program for liquidity risk and conducting emergency drills on a regular basis; conducting stress tests for liquidity risk on a regular basis, identifying weak links in the Company's liquidity risk management based on results of such tests, adjusting liquidity risk management strategies and size and structure of high quality liquid assets if necessary, and modifying our liquidity risk management measures in a timely manner to improve our liquidity risk management mechanism.

As of the end of the reporting period, the Company's liquidity coverage ratio was 126.89%, our qualified liquid assets amounted to RMB169.498 billion, and the net cash outflows over the next 30 days was RMB133.577 billion, the total liquidity ratio of the local currencies and foreign currencies was 54.44%. The Company's net stable fund ratio was 119.13%, stable fund available was RMB1,186.727 billion and stable fund required was RMB996.169 billion.

## MANAGEMENT DISCUSSION AND ANALYSIS

As of the end of the reporting period, the Group's liquidity coverage ratio was 125.75%, our qualified liquid assets amounted to RMB169.498 billion, and the net cash outflows over the next 30 days was RMB134.795 billion, the total liquidity ratio of the local currencies and foreign currencies was 54.48%. The relevant information on the net stable fund ratio of the Group in the last two quarters was set out below:

Date	Net stable fund ratio (%)	Stable fund available (in 100 million of RMB)	Stable fund required (in 100 million of RMB)
As at June 30, 2020	117.73	11,955.29	10,155.23
As at March 31, 2020	118.22	11,326.17	9,580.63

### 5. Operational risk management

Operational risk refers to the risk of losses that may be incurred due to imperfect or problematic internal procedures, personnel and information technology systems, as well as external events. Types of incidents of losses due to operational risks that the Company may expose to mainly include seven categories, i.e. internal fraud, external fraud, employment systems and safety incidents at working places, incidents related to clients, product and business activity, damage to real property, incidents related to information technology system and incidents related to execution, closing and procedure management.

The Company's operational risk management system consists of the Board of Directors, the Board of Supervisors, Senior Management, risk management and internal control committee, risk management department, internal control and compliance and legal department, financial technology department, audit department, other departments of the head office, as well as branches, sub-branches and subsidiaries. The Senior Management is responsible for implementing and organizing its operational risk management as well as formulation and implementation of relevant systems and policies of the Bank for operational risk management.

The objectives of our operational risk management are to "control our operational risks within a reasonable range acceptable to us and maximize comprehensive benefits after risk adjustment". The Company has established an operational risk management system which was matched with our business nature, scale and complexity. The Company exercises a whole-process management of operational risks, and effectively identifies, evaluates, monitors, controls and mitigates the operation risks by enhancing our internal control as an effective means to operational risk management.

## MANAGEMENT DISCUSSION AND ANALYSIS

During the reporting period, the Company followed the management principles of “full coverage, clearly defined duties, honest reporting and quick response”. The Company clarified its work priorities and development direction, enhanced the system, promoted system construction, strengthened staff management, strengthened security measures, and implemented epidemic management and control requirements so as to enhance the quality and efficiency of operational risk management. The Company clarified its annual work objectives, prompted important business risk management and control measures and requirements; improved system construction and self-discipline mechanism for management and control, strengthened process construction and risk prevention and control approaches; optimized functions of business systems to improve the rigid control ability and service capabilities of these systems; thoroughly implemented management requirements, actively carried out various inspections to standardize business operations; strengthened legal risk prevention and control, timely revised contracts and interpreted and analyzed hotspots in accordance with new regulations; carried out inspection to detect any irregular conduct of employees, standardized the responsibilities and business authorities of important positions; strengthened the management of safety and security, clarified work responsibilities and effectively implemented epidemic management and control requirements.

### 6. Country risk management

Country risk refers to the risk incurred due to any economic, political or social change and incident in a country or region which results in the borrowers or debtors in such country or region being unable or refusing to repay their debts or results in any losses to the business presence of the Company in such country or region or any other losses to the Company.

The objectives of our country risk management are to control our country risk within a reasonable range acceptable to us and maximize comprehensive benefits across the Bank denominated in local currency and adjusted with respect to risks.

The Company's country risk management system consists of the Board of Directors, the Board of Supervisors, Senior Management, risk management and internal control committee, risk management department, planning and finance department (asset and liability management department), international business department, financial market department, retail banking department and other business operation and management departments of the head office, financial technology department and audit department, as well as branches, sub-branches and subsidiaries. The Senior Management is responsible for implementing and organizing the country risk management as well as the formulation and implementation of relevant systems and policies for country risk management.

## MANAGEMENT DISCUSSION AND ANALYSIS

The Company continuously advances the country risk management work pursuant to the relevant measures and guidelines of the CBIRC. The Company has formulated basic country risk management systems, limit management measures and schemes, clarified the organizational structure and division of responsibilities, limit framework, management mechanism, etc. with respect to country risk limit management, and set the index and threshold of country risk limits. Based on its own actual situation, the Company regularly determines the rating of the country risks of countries or regions where it has conducted and plans to conduct business, recognizes the assessment results of country risks of related assets, and accrues a provision for country risks. The Company continues to monitor the global epidemic situation, and further strengthens the risk management of overseas customers in severely affected countries or regions in addition to strict implementation of limit management.

### 7. Interest rate risk management of banking book

Interest rate risk in the banking book refers to the risk of losses in the economic value and overall gain of the banking book arising from adverse changes in interest rate levels and term structure etc., mainly including gap risk, benchmark risk and option risk.

The objectives of our interest rate risk management of banking book are to control our interest rate risk of banking book within a reasonable range acceptable to us and maximize the comprehensive benefits denominated in local currency and adjusted with respect to risks.

The Company's interest rate risk management system of banking book consists of the Board of Directors, the Board of Supervisors, Senior Management, risk management and internal control committee, asset and liability management committee, risk management department, planning and finance department (the asset and liability management department), financial market department, financial technology department, audit department and other operation and management departments of the head office, as well as branches, sub-branches and subsidiaries. The Senior Management is responsible for implementing the interest rate risk management of banking book, establishing the framework for interest rate risk management and the system for measurement of interest rate risk of banking book, and promoting the effective implementation of relevant systems and policies for interest rate risk management of banking book.

The Company measures and evaluates our interest rate risk of banking book mainly through price-resetting gap analysis, sensitivity analysis, scenario simulation analysis, stress test etc. During the reporting period, the Company continued to improve the management structure and system for interest rate risk of banking book and continuously raised the interest rate risk management level of banking book in accordance with the requirements in the Guidelines for the Management of Interest Rate Risk in the Banking Book of Commercial Banks (Revision) (Yin Bao Jian Fa [2018] No. 25) (《商業銀行銀行賬簿利率風險管理指引(修訂)》(銀保監發[2018]25號)) issued by the CBIRC.



# MANAGEMENT DISCUSSION AND ANALYSIS

## 8. Reputational risk management

Reputational risk refers to the risk that any interested party will have a negative view of the Company as a result of our operation, management and other activities or external events.

Reputational risk management means the dynamic process of reputational risk identification, measurement or assessment, monitoring, control and reporting by the Company through formulation and implementation of a series of systems, measures and procedures, for achieving operational targets and building a good social image.

The objectives of our reputational risk management are to correctly handle news and public opinions on us, public relations and our relationships with customers, actively and effectively prevent reputational risks and respond to reputational events, so as to minimize the losses and negative impacts caused by such events on the Company, interested parties and the public. The Company has included reputational risk management in its corporate governance and comprehensive risk management system.

The Company's reputational risk management system consists of the Board of Directors, the Board of Supervisors, Senior Management, risk management and internal control committee, executive office, risk management department, financial technology department, other relevant departments of the head office, as well as branches, sub-branches and subsidiaries. The Senior Management is responsible for implementing and organizing the reputational risk management across the Bank as well as the formulation and implementation of relevant systems and policies for reputational risk management of the Company.

During the reporting period, the Company further improved the reputational risk management system, refined reputational risk management measures, continuously enhanced the management of the sources of reputational risks, actively identified potential risks, improved emergency plans, standardized reputational risk reporting and treatment processes, established and improved coordination and linkage mechanism for reputational risk management, continuously optimized the toolbox for handling negative public opinion and enhanced the level and effectiveness of reputational risk prevention and control. Meanwhile, the Company further strengthened positive publicity, innovated communication methods, enhanced public opinion guidance and improved the brand reputation of the Company.

## MANAGEMENT DISCUSSION AND ANALYSIS

### 9. Strategic risk management

Strategic risk refers to the risk arising from any improper operational strategy or change in the external business environments, including improper strategic design, inappropriate strategic implementation and inapplicable stated strategy as a result of changes in the internal and external environments.

The objective of our strategic risk management is to control our strategic risk within a reasonable range acceptable to us by continuously improving the strategic risk management system.

The Company's strategic risk management system consists of the Board of Directors, the Board of Supervisors, Senior Management, risk management and internal control committee, risk management department, development and planning department, audit department, financial technology department, other relevant departments of the head office, as well as domestic and foreign branches, sub-branches and subsidiaries.

Adhering to the principle of “clear responsibilities, proactive prevention, overall evaluation and timely adjustment”, the Company constantly improves and refines the strategic risk management system suitable for the scale and features of its business, and has realized effective management of strategic risks. Main management measures include: continuing to fully implement the platform-based service strategy and commencing preparation of the “Fourth Five-Year Plan”; enhancing strategic research and situation analysis to effectively minimize the impact of the epidemic; keeping a close eye on our peers to continuously optimize and improve the benchmarking management system; keeping up with policies and direction of the market, making great efforts to reduce consumption, increase revenue and cut expenditures, steadily promoting the improvement of quality and efficiency of “U Program (U計劃)” branches, accelerating the transformation and development across the Bank; strengthening innovative implementation and active management, and reinforcing the resilience of strategic risk management.

## MANAGEMENT DISCUSSION AND ANALYSIS

### 10. Compliance risk management

Compliance risk refers to the risk of legal sanctions, regulatory penalties, significant financial losses and reputational losses that may result from the failure to comply with laws, rules and standards.

The objectives of our compliance risk management are to establish a sound compliance risk management framework and promote the development of a comprehensive risk management system which enables us to operate in a lawful and compliant manner.

The Company's compliance risk management system consists of the Board of Directors, the Board of Supervisors, Senior Management, the risk management and internal control committee, responsible person for compliance, the risk management department, internal control, compliance and legal affair department, the audit department, other relevant departments of the head office as well as branches, sub-branches and subsidiaries. The Senior Management is responsible for implementing and organizing the compliance risk management as well as the formulation and implementation of relevant systems and policies for compliance risk management.

During the reporting period, the Company implemented the decision-making deployment and regulatory requirements of the CPC Central Committee and the State Council, insisted on operating in compliance with laws and regulations, and continuously improved compliance risk management capabilities and levels; continued to improve the system of rules and regulations, strengthened the overall management and post-evaluation of the system, and effectively improved the quality and efficiency of system management; enhanced risk screening procedures in key areas and key processes such as stakeholder business and customer sensitive information, and continued to carry out special crackdown against crime syndicates; implemented regulatory requirements and improved self-inspection and self-correction capabilities; strengthened its interpretation and analysis of policies, enhanced the risk warning as well as proactively identified, assessed, mitigated and dissolved the compliance risks associated with new products, new businesses and major projects; carried out the "Consumer Protection System Construction Year (消保制度建設年)" activity, strengthened customer marketing and publicity management, and effectively protected the rights and interests of consumers; actively promoted the compliance culture philosophy, created a compliance culture information exchange environment, continued to implement the commitments for internal control compliance and incident prevention as well as examination system of internal control compliance at all levels, deployed to prevent employees from financial violations and crimes, and enhanced awareness of compliance and incident prevention of employees.

# MANAGEMENT DISCUSSION AND ANALYSIS

## 11. Information technology risk management

Information technology risk refers to any operational, legal and reputational risk arising from natural factors, human factors, technical bugs and management defects in connection with the application of information technologies by the Company.

The objectives of our information technology risk management are to control our information technology risk within a reasonable range acceptable to us, promote business innovation, enhance application level of information technology, and intensify core competence and sustainable development capability.

The Company's information technology risk management system consists of the Board of Directors, the Board of Supervisors, Senior Management, chief information officer, risk management and internal control committee, information technology management committee, business continuity management committee, the risk management department, the financial technology department, audit department, other relevant departments of the head office as well as branches, sub-branches and subsidiaries. The Senior Management is responsible for implementing and organizing the information technology risk management as well as formulating and implementing relevant systems and policies for information technology risk management.

The Company has established a relatively well-organized information technology risk management mechanism and process system, and comprehensively formulated relevant system processes and implementation rules in accordance with the ISO20000, ISO22301 and ISO27001 management system and regulatory requirements; established relatively well-organized systems for business continuity management, information technology outsourcing risk management, information security management, information technology services management etc. and a relatively well-standardized information technology risk monitoring and assessment mechanism.

During the reporting period, the Company implemented the Information Technology Development Plan of China Zheshang Bank (《浙商銀行信息科技發展規劃》) and Information Technology Development Plan of China Zheshang Bank (Enhancement Plan 2018-2020) (《浙商銀行信息科技發展規劃(2018-2020提升規劃)》) in an orderly manner so as to comprehensively promote the platform service strategy and expedite its fintech innovation; continually implemented network security management and the production and operational management of "safety+"; continually carried out monitoring, assessment and security detection of important information systems operation; continually improved the disaster preparedness system of "three centres in two cities (兩地三中心)", and enhanced the business continuity guarantee capacity; continually promoted the emergency management and made arrangements for the annual emergency drill plan and improved emergency plans and held emergency drills. During the reporting period, the systems operated stably without occurring any substantial information technology risk event.

## MANAGEMENT DISCUSSION AND ANALYSIS

### 12. Anti-money laundering management

The Company has established and optimized the anti-money laundering operation mechanism under the comprehensive risk management framework in accordance with the anti-money laundering laws and regulations, including the Anti-money Laundering Law of the People's Republic of China (《中華人民共和國反洗錢法》), the Administrative Measures for Anti-money Laundering and Counter-terrorist Financing of Financial Institutions in the Banking Sector (《銀行業金融機構反洗錢和反恐怖融資管理辦法》) and the Guidelines for the Management of Money Laundering and Terrorist Financing Risks for Corporate Financial Institutions (for Trial Implementation) (《法人金融機構洗錢和恐怖融資風險管理指引(試行)》), so as to further solidify the foundation of anti-money laundering works and continuously improve the compliance and effectiveness of anti-money laundering management.

During the reporting period, the Company faithfully fulfilled its anti-money laundering obligations and adopted a number of measures to improve the quality and efficiency of the Company's anti-money laundering work: revised the anti-money laundering work system, improved the anti-money laundering internal control system; enhanced the customer identification, strengthened system control for customer information collection and promoted the transformation of the identification process of beneficial owner; continued to promote the intelligent construction of the anti-money laundering system, optimized the anti-money laundering monitoring model and improved the level of anti-money laundering monitoring and analysis; organized the implementation of account cleaning and account verification work to standardize the account management across the Bank; carried out anti-money laundering information and data governance in an orderly manner to improve the quality of anti-money laundering data; strengthened risk prevention and control, released anti-money laundering risk warning in a timely manner based on work needs, organized and carried out special investigations on telecommunication and internet fraud and cross-border gambling, and took risk control measures for abnormal accounts; strengthened anti-money laundering business guidance and training, performed internal business supervision and inspection in a pragmatic manner, and practically complied with all regulatory requirements of anti-money laundering.

## (VI) BUSINESS SUMMARY

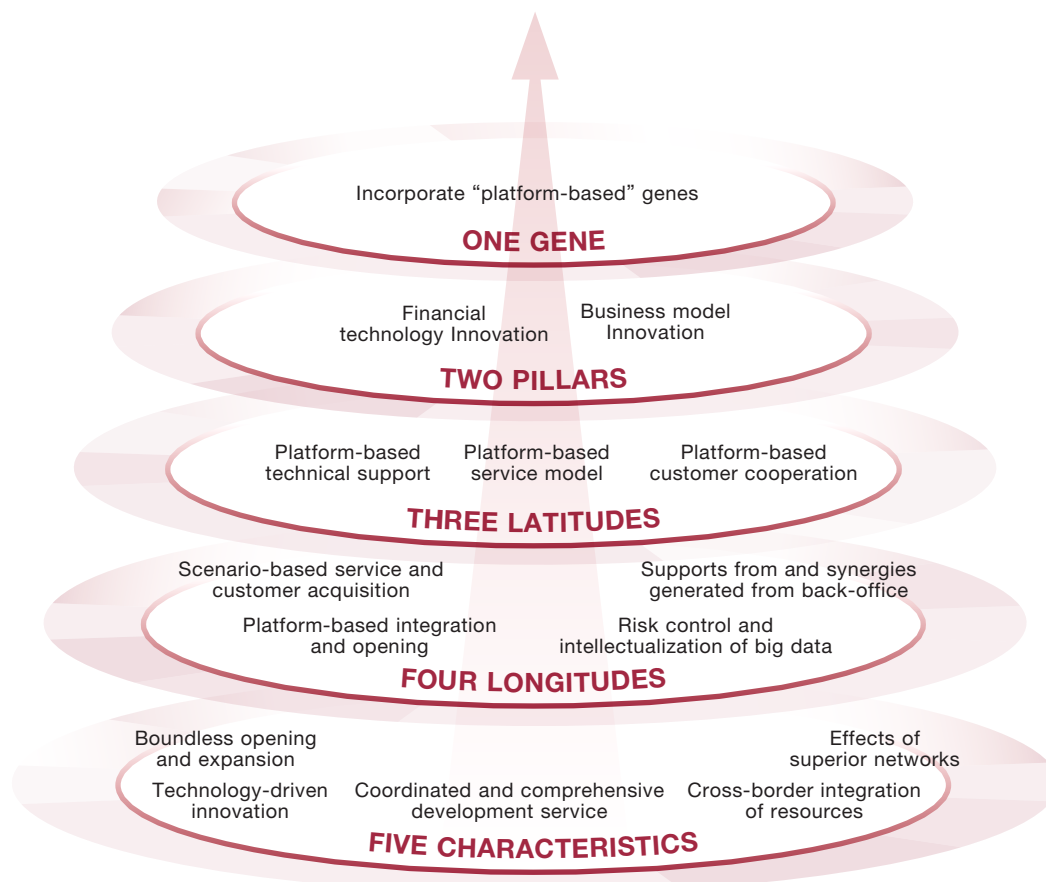
Oriented towards serving the real economy as well as focusing on balance sheet of enterprises and two major core requirements of enterprises, namely "reducing financing costs and improving service efficiency", our Bank has, since 2014, been continuously innovating the platform-based service model as well as helping the enterprises to activate assets and resources of their own and from the supply chain, to reduce external financing and to reduce leverage and costs and increase efficiency. Thereby, our Bank has explored and worked out a differentiated and featured platform-based systematic financial solution serving the real enterprises, which has made significant achievement and is widely recognized by the customers and in the society.

Based on the abovementioned successful practices, CZBank identifies the platform-based service strategy as a new development strategy of our Bank, aiming to create a comprehensive service platform of "Technology + Finance + Industry + Customer" by innovating a new bank-enterprise cooperation model, integrating banking business and service into corporate production, operation and fund management activities as well as helping the enterprises to activate assets and resources of their own and from the supply chain, to regulate internal supply and demand and to construct a good supply chain ecosystem.



## MANAGEMENT DISCUSSION AND ANALYSIS

Connotation of the platform-based service strategy: Guided by the “two most” overall goal (i.e. the most competitive nationwide joint-stock commercial bank and Zhejiang’s most important financial platform), to incorporate platform-based genes, innovate the application of financial technology and build a strong platform-based service system; based on platform-based service, to drive innovation and development, expand customer base and business, optimize process and risk control, improve performance and management, enhance features and advantages, construct a platform-based service bank and continue to promote high-quality development. Specifically, the strategy can be summarized as “One Gene, Two Pillars, Three Latitudes, Four Longitudes and Five Characteristics”.



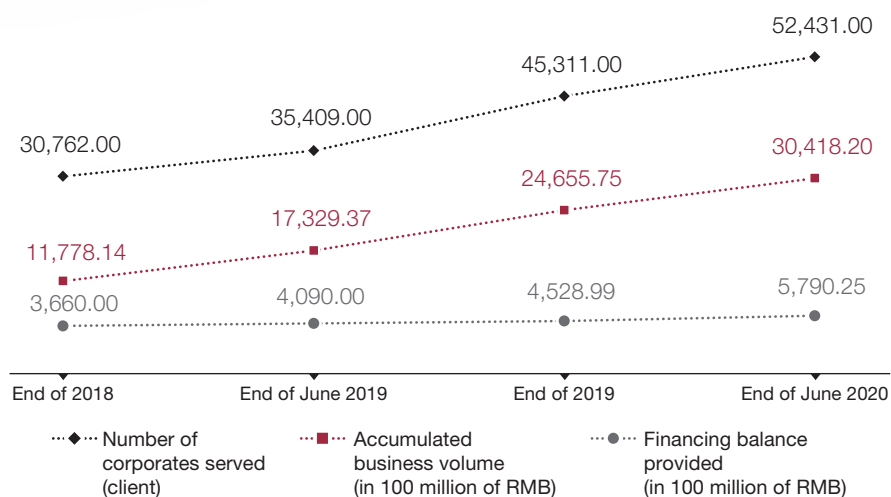
### CONNOTATION OF THE PLATFORM-BASED SERVICE STRATEGY

# MANAGEMENT DISCUSSION AND ANALYSIS

## 1. Corporate banking business and segment

### (1) Corporate business

By the end of June 2020, the platform-based model has served more than 52,400 customers, with a financing balance of RMB579 billion.



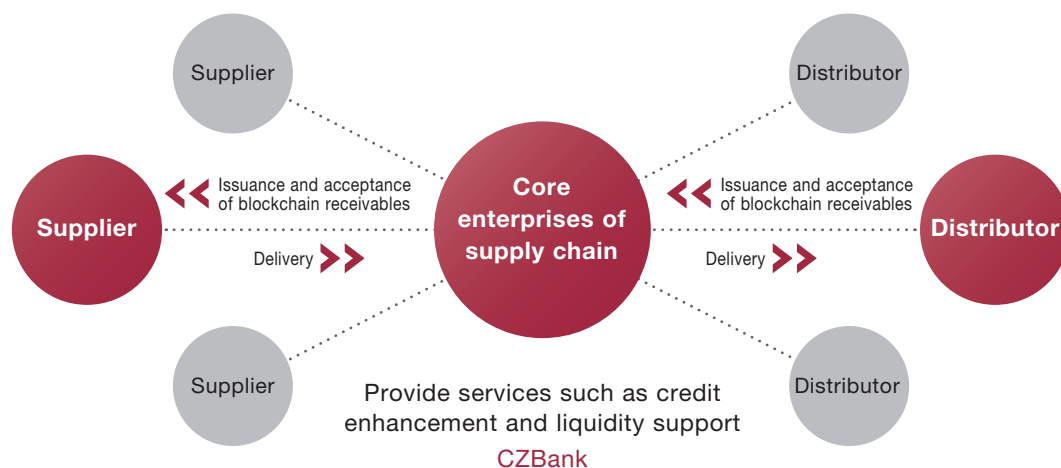
## MANAGEMENT DISCUSSION AND ANALYSIS

### ■ Basic innovation of platform-based service

- ◆ **Pooled financing platform:** The pooled financing models of “Yongjin” (湧金) series including Bill Pool (票據池), Export Pool (出口池) and Asset Pool (資產池) are collectively referred to as the pooled financing platform. The pooled financing platform integrates asset and liability business, product and service with operation and management, through which our Bank provides corporate customers with comprehensive services for various financial assets, including pooling services, custody services, settlement services, value-added services and pledged financing services, enabling the corporate customers to pool assets at any time and handle financing business online whenever necessary. By the end of June 2020, 26,707 customers had enjoyed such services with a financing balance of RMB404.528 billion being provided, representing an increase of 21% as compared with that at the beginning of the year.
- ◆ **Yiqiyin platform:** Yiqiyin (易企銀) platform is an innovative and comprehensive financial service platform through which the Company innovates the philosophy of “Internet + Real-Economy Enterprise + Financial Service”, integrates professional technologies such as settlement, credit and financing, and innovates the model of cooperation with enterprise group, core supply chain enterprises and internet transaction platform, so as to provide cost-reducing, efficiency-increasing, safe and efficient services for its group members, upstream and downstream enterprises and member units. By the end of June 2020, 3,078 customers had enjoyed such services with a financing balance of RMB29.855 billion being provided, representing an increase of 26% as compared with that at the beginning of the year.

## MANAGEMENT DISCUSSION AND ANALYSIS

- ◆ **Accounts receivable chain platform:** The accounts receivable chain platform is an enterprise-bank business cooperation platform innovated and developed by utilizing cutting-edge financial technologies such as blockchain, through which our Bank provides the corporate customers with various services such as the issuance, acceptance, confirmation, repayment, transfer, pledge and honoring of blockchain receivables, so as to help the corporate to reduce liabilities and costs and increase efficiency. By the end of June 2020, 22,646 customers had enjoyed such services with a financing balance of RMB144.643 billion being provided, representing an increase of 51% as compared with that at the beginning of the year.



### ■ Platform-based service: innovation in scenario application of the “Connect” (通) series

Since 2017, our Bank has strengthened the innovating application of financial technology such as blockchain with focus on the service demands of supply chain and industrial chain. Our Bank has successively innovated creative modes of scenario application including Order Connect (訂單通), Manifest Connect (倉單通), Bank-leasing Connect (銀租通), Distribution Connect (分銷通), Instalment Connect (分期通) and a series of creative credit modes to offer enterprises customized financial service. In particular, against the background of fighting COVID-19 epidemic, it effectively advanced the resumption of work, production and sales by enterprises and supported the efforts to ensure “six-stability (ensuring stability in employment, financial operations, foreign trade, foreign investment, domestic investment and expectations)” and “six-security (ensuring security in employment, basic living needs, operations of market entities, food and energy security, stable industrial and supply chains and normal functioning of primary-level governments)”. By the end of June 2020, 853 projects related to innovation in scenario application had been launched with a business balance of more than RMB36.0 billion recorded.

## MANAGEMENT DISCUSSION AND ANALYSIS

**Order Connect:** The core enterprises work with CZBank to provide the downstream distributors with ordering finance service. The downstream distributors only need to contribute a certain percentage of security deposits to issue order-based blockchain receivables for payment to the core enterprises through the Order Connect platform, which enables them to obtain title of goods in the future and subsequently take delivery of goods by payment in instalments that relieve the pressure of one-off payment. The blockchain receivables, upon receipt by the core enterprises, may be utilized to activate the future accounts receivable in advance through external payments or financial realisations, and to increase the sale scale. In the whole process, CZBank provides services such as fund supervision, notice of payment and taking delivery of goods, financing. By satisfying demands from the core enterprises and the downstream distributors in the process of placing purchase order, stabilizing supply chain relationship and reducing overall supply chain cost, the Order Connect is able to assist the core enterprises to establish a stable sales system and customer base.

**Manifest Connect:** The core enterprises (storing enterprises) work with CZBank to provide the storing parties and distributors the service of pledging of title of goods and financing service. The storing parties issue blockchain warehouse receipt based on receiving goods, and may conduct transactions such as circulation and transfer or pledge financing through the Manifest Connect platform, and may also take delivery of the stored goods from the storing enterprises. In case of sales to the downstream customers, the downstream customers may automatically finance through the platform by contributing a certain percentage of security deposits, so as to purchase the title of goods of the warehouse receipt. In the whole process, our Bank provides services such as fund supervision, warehouse receipt pledge, notice of payment and taking delivery of goods, financing. Integrating warehouse receipt with bill of lading, the blockchain warehouse receipt has enabled the storing parties to activate the title of goods and solve the problems of difficult and expensive financing, makes efficient and safe services including pledge financing, transactions and circulation services available to non-perishable bulk commodity and seasonal commodity and is able to assist the core enterprises to establish a stable sales system and customer base. Therefore, it is highly valuable to supply chain finance of bulk commodity.

**Bank-leasing Connect:** CZBank cooperates with its subsidiary Zhejiang Zheyin Financial Leasing Co., Ltd. to provide comprehensive financial services for enterprises to sell equipment and activate existing assets. Downstream customers of core equipment manufacturers may obtain direct equipment leasing services through Zhejiang Zheyin Financial Leasing Co., Ltd., and pay rental by blockchain receivables issued through our Bank's accounts receivable chain platform to solve such problems as large investment at one time and high costs. Meanwhile, customers may also obtain equipment leaseback services from Zhejiang Zheyin Financial Leasing Co., Ltd., and pay rental by blockchain receivables issued through our Bank's accounts receivable chain platform to effectively activate existing equipment and reduce financing costs.



## MANAGEMENT DISCUSSION AND ANALYSIS

**Distribution Connect:** With small and high-frequency settlement characteristics of core enterprises with downstream small and medium enterprises in specific industries, CZBank determines special credit lines for downstream small and medium enterprises based on their past transaction records, and provides corresponding financing for the purchase of goods by downstream small and medium enterprises within the special credit lines, which solves the procurement financing problem of downstream small and medium enterprises and helps core enterprises expand sales. After receiving the payment, the core enterprises apply it as a deposit to issue blockchain Distribution Connect receivables and make payments when purchasing from upstream enterprises. Our Bank provides a package of comprehensive online supply chain financial services during the process, such as financing, settlement and capital management.

**Instalment Connect:** Core enterprises cooperate with CZBank to meet the instalment procurement requirements of downstream enterprises or end consumers. Downstream enterprises or end consumers may issue Instalment Connect receivables to core enterprises according to actual needs, and pay in instalments to ease the pressure of one-time payment. Core enterprises may recognize sales collection in advance after receiving Instalment Connect receivables to expand sales.

## MANAGEMENT DISCUSSION AND ANALYSIS

### *(2) International business*

The Company actively implemented “six-stability” and “six-security” and “supporting the real economy” policies, strengthened the innovative application of platform-based operation philosophy in foreign trade, and promoted such platform-based service models as Yongjin Export Pool (湧金出口池), Export Pooled Chain Connect (出口池鏈通), Import Pooled Financing Connect (進口池融通), Integrated Foreign Trade Platform Service (外綜平台服務) as well as such big data credit models as Export Exchange Collection Loan (出口收匯貸), Export Financing Easy Loan (出口融易貸) and Export Tax Rebate Loan (出口退稅貸), so as to help stabilize foreign trade and supply chain, and increase financial support for the real economy. During the reporting period, balance sheet and off-balance sheet international trade financing amount of the Company was US\$8.826 billion, of which US\$1.975 billion was made through the platform-based model.

The Company has thoroughly studied the characteristics of “contactless services and otaku economy” in the post-epidemic era, comprehensively sorted out customer contacts, accelerated the innovative application of online interconnection service methods, adhered to the normalized “live broadcast” marketing service mechanism, continued to enrich service models and optimized service functions, through which users can have entire online service access and need not to go to the brick-and-mortar banks and fill out kinds of forms, thus offering an outstanding user experience.

Following the trend of foreign exchange market closely, the Company has continuously enriched “Zheshang Huiliying (浙商匯利盈)”, a product providing agency services for foreign exchange transactions, and continuously optimized “Zheshang Trading Treasure (浙商交易寶)”, a multi-functional comprehensive foreign exchange trading platform, and promoted many innovative mechanisms, such as initial security deposit waiver in respect of quality clients to help foreign trade enterprises to respond to exchange rate fluctuation risks effectively. During the reporting period, the amount of foreign exchange transactions conducted by the Company for its customers reached US\$24.197 billion.

Following the progress of capital project reform, the Company has promoted such capital project businesses as cross-border investment and financing, cross-border guarantee and centralized operation of cross-border capital, and coordinated domestic and overseas market resources to enable enterprises to expand financing channels, reduce capital costs and secure diversified business growth points.

# MANAGEMENT DISCUSSION AND ANALYSIS

## 2. Investment banking and financial market business segment

Leveraging the unique advantages of the investment banking and financial market business segment of being customer-oriented and familiar with the market, the Company maintained flexible and innovative service features, closely followed the pace of economic and financial reform, deeply analyze the investment and financing needs of the real economy, flexibly expand financial market, capital market, investment banking, financial institution, asset management and asset custodian businesses, and accelerated business model innovation based on platform-based service strategies to enhance comprehensive financial service capabilities.

### (1) Financial market business

In terms of financial market business, the Company continued to build a comprehensive FICC trading platform which integrates proprietary investment and financing, proprietary trading and trading agency service, continuously strengthened its capabilities of innovating cross-border businesses and businesses between markets and asset classes, and its abilities to serve customers, and actively promoted business development. All kinds of licenses are available for the financial market business of the Company, covering domestic and foreign markets for fixed income, foreign exchange, precious metal, commodity, etc., and there are various products. The Company also provided relevant agency and commissioned services for customers, such as Bond Trading Connect (債券通), agency in bond bidding, foreign exchange transaction agency (代客外匯), precious metal transaction agency, commissioned interest rate derivatives transaction etc. During the reporting period, various financial markets experienced ups and downs and even extreme situations due to epidemic and other factors, while the Company managed to control risks and grasp market opportunities. During the reporting period, the Company has successfully become the gold futures market maker and silver futures market maker of Shanghai Futures Exchange, thus further expanding the room for the development of financial market businesses of the Bank.

For the local currency transaction, in the first half of 2020, the Company adjusted the bond investment strategies in a timely manner according to the change in market environment, and periodically captured the market opportunities of a downward trend of bond yield at the beginning of the year and a sharply rebound in bond yield in the second quarter; during the reporting period, the market trading volume of the inter-bank local currency of the Company increased by approximately 6% on a period-on-period basis. In response to the trend of interest rate liberalization, the Company actively applied interest rate derivatives to serve the requirements of interest rate risk management of the real enterprises, so as to reduce the financing costs of the enterprises. During the reporting period, the Company was granted such awards as the “Core Trader of Inter-bank Local Currency Markets (銀行間市場本幣市場核心交易商)”, “Excellent Trader of Bond Markets (優秀債券市場交易商)”, “Excellent Trader of Currency Markets (優秀貨幣市場交易商)” in 2019.

## MANAGEMENT DISCUSSION AND ANALYSIS

For foreign currency transactions, in the first half of 2020, the Company enhanced research on the foreign exchange market, conducted risk diversification by using diversified trading portfolio strategies, explored the combination of strategic models and subjective transactions, and actively carried out foreign exchange agency businesses to meet customers' demands. During the reporting period, with significant fluctuations of both yields on sovereign bonds of developed countries and credit spread of Chinese enterprises, the Company increased the scale and duration of foreign currency dominated bonds in accordance with the market changes. During the reporting period, the Company was granted such awards as the "Most Potential Member for Spot Market-making in the Inter-bank Foreign Exchange Market (銀行間外匯市場即期最具做市潛力會員)", "Best Spot Member (最佳即期會員)", "Best Foreign Currency Repurchase Member (最佳外幣回購會員)" and "Best Institution for Technical Service Support (最佳技術服務支持機構)" in 2019.

For precious metal transactions, in the first half of 2020, the Company effectively captured trends of the precious metal market and opportunities of differences between future and spot prices, actively conducted precious metal transactions and physical sales, and innovated and improved the precious metal service solution so as to support the real entity customers. During the reporting period, the Company took a leading position in the market in terms of proprietary trading of gold and the proprietary trading of silver both in Shanghai Gold Exchange and Shanghai Futures Exchange. During the reporting period, the Company was granted the "Third Prize of Financial Outstanding Member (金融類優秀會員三等獎)", "Best Bidding Trading Member of the Year (年度最佳競價交易會員)", "Best Proprietary Bidding Trading Member of the Year (年度最佳競價交易自營會員)" and "International Business Special Contribution Member of the Year (年度國際業務特別貢獻會員)" in 2019 of Shanghai Gold Exchange, as well as the "Excellent Member Silver Award (優秀會員銀獎)", "Market Progress Award (市場進步獎)" and "Gold Industry Service Award (黃金產業服務獎)" in 2019 of Shanghai Futures Exchange.

### **(2) Capital market business**

During the reporting period, the Bank actively focused on the transformation and upgrading of local industries, deepened investment cooperation with key emerging industry enterprises and quality backbone enterprises, strengthened support for such major fields as talent bank, intelligent manufacturing and mixed reform of provincial state-owned enterprises, and expanded comprehensive service models. As of the end of the reporting period, the Bank's capital market business has served over 250 listed companies and nearly 300 non-listed companies; among which, private enterprises accounted for more than 90% and manufacturing accounted for nearly 40%.

The Company developed the market-oriented debt-to-equity swap business in an active manner. It helped the central enterprises, state-owned enterprises, quality private enterprises and their subsidiaries to improve financial structure by using the central bank's cut reserve fund and in the form of special bond and debt-to-equity fund. As of the end of the reporting period, the total market-oriented debt-to-equity swap business supported by the cut reserve fund of the Bank was RMB3.657 billion.

## MANAGEMENT DISCUSSION AND ANALYSIS

### **(3) Financial institution business**

As for the financial institution business, the Company actively adapted to the new situation, focused on the “two most” overall goal and the platform-based service strategy, insisted on the development direction of “going back to basics, deepening transformation, serving the general public and lawful operation”, and took advantage of the channels and platforms by relying on the financial institution customers, with a view to promoting asset sales, fund collection and service output.

By technological means, including the internet and blockchain, and with the “inter-bank asset pools” as the core carrier, the financial institution business created a “comprehensive service cloud platform of CZBank accessible to small and medium financial institutions”. Relying on the philosophy of “one-click credit (一鍵式授信)”, it strengthened the “one-stop service” function to provide financial institution customers with a comprehensive financial service solution integrating overall financial asset management, liquidity service, transaction and circulation, and credit enhancement agency, help customer to keep dynamic balance between liquidity and efficiency, ease tensions in inter-bank lending markets, further deepen its services to corporate clients and establish a virtuous cooperation ecosphere for financial institutions. Through platform-based bill and bill brokerage services, it provided corporate customers with whole-process online and whole-market inquiries matching bill services to help customers solve financing problems.

As one of the first five pilot banks approved by the People’s Bank of China to carry out bill brokerage business in China, the Company has ranked first among the five brokerage banks in respect of various business data.

### **(4) Asset management business**

The Company’s asset management business is centered on serving our customers professionally, aiming to build a professional platform that is equipped with cross-market and multi-tool applications, which enjoys professional efficiency higher than our peers and provides one-stop solutions to fulfil customers’ investment and financing needs. The Company positively accommodated to the market and policy changes, actively explored and promoted netting transformation, thoroughly implemented the platform-based service strategies, continued to enrich the product system, made full efforts to satisfy various investment and financing demands of customers, and strived to build a respected asset management business brand featured by “professional management, customer first, differentiated competition and leading efficiency”.

As of the end of the reporting period, the balance of the Company’s wealth management products amounted to RMB292.669 billion, representing a decrease of 11.44% as compared with that at the beginning of the year, wherein, the proportion of funds for the individuals and institution customers was 91.14% and 8.86%, respectively. During the reporting period, the Company issued wealth management products with a total amount of RMB378.750 billion, representing an increase of 6.49% on a year-on-year basis, and realized handling fee income from asset management business of RMB90 million.



## MANAGEMENT DISCUSSION AND ANALYSIS

### **(5) Investment banking business**

During the reporting period, the investment banking business of the Company actively implemented the Bank's platform-based service strategies, continuously improved its market competitiveness and influence relying on its business model and channel innovation, and maintained a strong momentum of development to serve the real economy in a sustainable way.

For the bond underwriting business, the Company intensified its management team building, seeing a steady increase in the bond underwriting size. During the reporting period, the Company underwrote various direct financial instruments such as financial bonds, corporate bonds and asset-backed securities in a total amount of RMB101.262 billion. Meanwhile, the Company made full use of the advantages of its investment banking business to serve the real economy and ranked the first in terms of the volume of bond-financing support instrument for private enterprises in the inter-bank market according to the data from WIND.

For the syndicated loan and M&A loan business, the Company proactively developed business to provide indirect financing service related to investment banking to its customer. During the reporting period, the total amount of syndicated loan and M&A loan was RMB2.653 billion.

### **(6) Asset custodian business**

During the reporting period, the Company's asset custodian business developed in a healthy and steady manner. As of the end of the reporting period, the assets balance held in custody by the Company reached RMB1.68 trillion, of which the assets of the public securities investment fund held in custody reached RMB179.239 billion, representing an increase of RMB11.367 billion or 6.77% as compared with that at the beginning of the year. During the reporting period, the Company's income from the custodian business was RMB279 million.

During the reporting period, the Company's asset custodian business deeply implemented the platform-based service strategies under the persistent guidance of the "two most" overall goal, continued to enhance marketing efforts for the custodian business of the licensed financial institutions including funds, securities, insurance, futures, trusts, urban and rural commercial banks, and adhered to the comprehensive and coordinated development of efficiency, quality and scale. During the reporting period, the Company continued to closely follow the market conditions and innovative hotspots with a focus on public funds custodian business, and continuously increased the contribution of public funds business to the Bank's custodian business. In the meantime, the Company continued to leverage the role of the custodian business as a platform to connect the asset side with the liability side, and integrated various resources to provide various licensed financial institutions with high-quality custodian services with distinctive characteristics, efficient operation and controllable risks.

## MANAGEMENT DISCUSSION AND ANALYSIS

### 3. Small enterprise business segment

During the reporting period, in achieving its mission and in compliance with the decision and arrangement of “six-stability” and “six-security” put forward by the Central Committee of the CPC, the Company stepped up efforts in innovation, advanced the transformation and upgrading of small and micro financial business, helped the small and micro enterprises with resumption of work and production, and worked together with the small and micro enterprises to overcome the difficulties. As of the end of the reporting period, 29 domestic branches provide small and micro financial business, with a balance of small and micro enterprise loans<sup>1</sup> under inclusive finance of RMB187.224 billion, representing an increase of RMB16.120 billion as compared with that at the beginning of the year, which outperformed its planned chronological progress reported to the CBIRC. The small and micro enterprise loans under inclusive finance accounted for 16.71% of total loans, again ranking top among the 18 national banks<sup>2</sup>. There were approximately 94,800 borrowers, representing an increase of 7,831 borrowers compared with that at the beginning of the year, higher than the growth of the same period of last year and indicating the coverage of small and micro enterprise loans was further expanded. The interest rate of new small and micro enterprise loans under inclusive finance decreased by 0.44 percentage point and the comprehensive finance cost decreased by 0.60 percentage point (according to CBIRC), both on year-on-year basis. The non-performing asset ratio of small and micro enterprise loans under inclusive finance was 1.11%, showing our asset quality remained excellent.

Implementation of inclusive finance to support the small and micro enterprises. At the beginning of the COVID-19 Epidemic, the Company was the first in the industry to launch “six measures” to provide financial supports to the small and micro enterprises, including increasing credit supply, temporary extension of principal and interest payment, loan renewal, automatic credit enhancement, opening green channel, interest and fee reduction, etc. Meanwhile, it carried out research targeted to the small and micro enterprises to adjust and improve its financial services. From the beginning of pandemic prevention to the end of the reporting period, the Company had provided financial support of loans of RMB64.415 billion to approximately 51,900 small and micro enterprises affected by the COVID-19 Epidemic and reduced loan interests of RMB168 million.

Focusing on innovation and transformation to expand customer base. It promoted supply chain financing business, improved the innovative application of platform-based services and provided better financial services to the small and micro enterprises along the upstream and downstream industrial chain of good-quality enterprises in an innovative business model appropriate in the circumstance. As of the end of the reporting period, the Company’s loans to the core enterprise clusters amounted to RMB7.618 billion. It also deepened the financial services for industrial parks of small and micro enterprises by the flexible use of “Standard Plant Loan” (標準廠房貸) and promotion of comprehensive service model of “head office to head office” (總對總) and “regional head office to regional head office” (區域總對總). As of the end of the reporting period, the Company developed 430 industrial park projects for small and micro enterprises and granted a total credit line of RMB52.108 billion.

<sup>1</sup> According to information on small and micro enterprise loans under inclusive finance from CBIRC.

<sup>2</sup> National commercial banks, including 6 major state-owned banks and 12 national stock-holding banks.

## MANAGEMENT DISCUSSION AND ANALYSIS

Continuous upgrading of online applications to improve its online service capability. During the pandemic, provided the relevant risks were under control, the Company expanded the online business scope for the small and micro enterprises in stages, which simplified business procedures and provided a safe and convenient “contactless” service to the small and micro enterprises. From the beginning of pandemic prevention to the end of the reporting period, the Company granted approximately 20,500 loans of RMB26.864 billion online and both number and total amount of online drawdowns accounted for over 90%. In order to satisfy the requirement for “One-Off” (最多跑一次) handling, the Company launched online real estate mortgage registration service to minimize offline contact. In June, 2020, up to 49.30% mortgage registrations of small and micro businesses within Zhejiang Province were handled online. It also intensified the use of Zhejiang’s comprehensive financial service platform and received the largest cumulative number of applications among all banks in the province.

### 4. Retail banking business segment

During the reporting period, the Company persisted in the bank-wide “two most” overall strategic objective for the retail banking business and further implemented the platform-based service strategy. With a focus on customers, the Company intensified business innovation efforts from three major aspects, i.e. “scenario + verticality + credibility”, and the innovative application of financial technologies, established “e-banking” into a comprehensive financial service platform and e-mall platform, continuously improved customer service capability and developed distinctive advantages and new growth drivers to establish itself into a “platform-based wealth management bank”. As of the end of the reporting period, the Company had 4,479,100 effective personal customers, representing a decrease of 5.63% as compared with that at the beginning of the year, including 712,100 premium personal customers, representing an increase of 3.19% as compared with that at the beginning of the year, and 10,719 private banking customers with daily average financial assets in a month of RMB6 million or above, representing an increase of 26.40% as compared with that at the beginning of the year. The balance of personal financial assets reached RMB521.736 billion, representing an increase of 6.58% as compared with that at the beginning of the year.

#### 1. Personal deposits and loans

The Company stepped up efforts in the expansion of personal deposits and recorded a substantial increase in the size of personal deposits. As of the end of the reporting period, the Company had personal deposits balance of RMB215.956 billion, representing an increase of 35.26% as compared with that at the beginning of the year.

The Company supports the reasonable housing demand of residents. In strict compliance with the national macro-control policies, the Company has implemented differentiated loan management, developed personal housing loans business in a stable and healthy manner and intensifies management over the intended usage of loans. By developing consumer loans business through platform-based customer acquisition, online operation and intelligent risk control, the Company has been committed to the establishment of “e-banking” as an asset pool platform with focuses on the “asset pool of individuals, family members and friends”, and continuous innovation of the “e-banking” platform to improve its customer service capability. As of the end of the reporting period, the balance of personal consumption loan and personal housing loans amounted to RMB145.110 billion. 340,500 customers have been contracted via “e-banking” asset pool platform, with total pooled assets of RMB140.768 billion and financing balance of RMB46.060 billion.

# MANAGEMENT DISCUSSION AND ANALYSIS

## 2. *Wealth management*

Committed to establishing itself into a “platform-based wealth management bank” and by consolidating both internal and external resources, the Company has launched many net-value wealth management products, including “Shengxin Win” (升鑫赢), “Juxin Win” (聚鑫赢), “Yongxin Zengli Anxiang”(湧薪增利安享) and “Yongxin Zengli Zunxiang”(湧薪增利尊享). It also keeps diversifying the consigned wealth management products and optimizing “Zengjin Smart Investment” (增金智投), a fund portfolio investment service, to meet the demand of individual customers for comprehensive financial services. It innovates marketing approaches and leverages diversified and effective socialized marketing and fission marketing model to acquire new customers and gradually builds up its platform-based, digitalized and socialized innovative marketing ability and customer service capability. Besides, it proactively establishes a personal customer loyalty management and equity incentive framework based on its “points reward system/e-mall platform” and uses the retailing comprehensive financial service platform to acquire, maintain and improve customers.

## 3. *Private banking*

The Company’s private banking business adheres to the philosophy of “passing of wealth and wisdom for sustainable development”. The Company continues to improve its ability to serve customers, manage wealth and allocate assets by improving three main systems, namely product, featured value-added service and professional team, thus developing the core competitiveness of private banking. While expanding the exclusive portfolio of investment and wealth management products for private banking customers, the Company strongly promotes family trusts and insurance trust business to cater for the needs of private banking customers for wealth continuity. Additionally, the Company makes continuous efforts to develop distinctive value-added services including “airport and highspeed rail 7×24 car pickup”, airport VIP lounge and customized activities for ultra-high net worth customers.

## 4. *Credit card business*

Making full use of internet and financial technologies, the credit card business of the Company follows the concept of “platform-based and online” development and gradually forms distinctive competitive edges. With continuous efforts in the research and development of credit card products, the Company has launched, including but not limited to, CZBANK Online Card (浙銀在線卡) and CZBANK & Jingdong Co-Branded Credit Card (京東金融聯名卡) to diversify its credit card products. Depending on various consumption scenarios, the Company further develops the scenario-based instalment business, for example, optimizing existing instalments products for parking space, home decoration and MBA tuition fee and launching the “instalments for adding an elevator to an existing home”, in order to provide comprehensive financial services to customers. All the simplified procedures, automatic approval and credit granting in batches enables the Company to improve customer experience and expand customer base. In a bid to improve customer stickiness and brand recognition , the Company makes continuous efforts in developing brand themes, for example, organizing a series of events themed “Fun Life” (趣生活) for UnionPay Card holders, to diversify the scenarios of card usages.

As of the end of the reporting period, the Company had issued 3,728,700 credit cards, with credit-card loan balances of RMB17.350 billion. During the reporting period, the Company issued 67,600 credit cards and recognized credit card spending of RMB39.651 billion. Income from credit card business was RMB749 million, including income from installment business of RMB384 million.

## MANAGEMENT DISCUSSION AND ANALYSIS

### (VII) FINANCIAL TECHNOLOGIES

During the reporting period, the Company focused on its platform-based service strategy, highlighted the driving force and leading role of technologies, continuously improved its innovative application ability of financial technologies, deepened the integration of technologies and business to innovate business model, improve operation management efficiency and customer experience, and create a new engine for the development of the platform-based service bank.

In respect of the platform-based service strategy, the Company focused on the economic and financial needs of real economy, continued to develop and improve the platform-based service system and structure. It was committed to the development and improvement of the comprehensive financial solution of “technology + finance + industry + customer”, upgrade and development of the “three major platforms” and related platform-based innovative applications, and the promotion of accounts receivable chain, Distribution Connect (分銷通), Property Management Connect (物管通) and other platform-based innovative applications to cooperate with external enterprises and platforms in respect of promotion support, system integrating and technological sharing based on the demand of different scenarios. It kept improving “e-banking” and other new retailing platforms and introduced them into retailing consumption scenarios, such as healthcare, community, large-scale e-commerce and schools to fuel the transformation and development of new retailing. It increased the application of new technologies and new interactive applications and innovatively launched various contactless online financial services, such as remote underwriting and approval, customer acquisition via QR code and online reservation to improve online service and customer experience.

In respect of the establishment of IT basic platform, the Company stepped up efforts in the research and application of blockchain technology, including the optimization of mutual recognition mechanism at the bottom of blockchain platform to realize underlying cross-chain technology. It further improved and promoted the microservice-based distributive application platform, facilitated the transformation of IT infrastructures based on cloud native distributive microservice technology, improved independent and controllable distributive big data platform, strengthened data-driven effect, continued to advance the bank-wide data management to improve data utilization and model building ability and the establishment of data service platform. Besides, it promoted the research and application of 5G, IPV6, cloud platform, distributive storage, domestic-made software and hardware, artificial intelligence, in-depth learning technology and product research and application.



## MANAGEMENT DISCUSSION AND ANALYSIS

In respect of financial technology management, the Company explored the innovation of financial technology mechanism and system and established a blockchain technology application institute for the basic study of blockchain technology platform and the innovative design of blockchain-based application scenarios and business models. By the implementation of flexible development and management mechanism, the Company focused on the overall planning and design of demands and improved the quality and efficiency of research and development. The Company continued to increase its investment in financial technology, with the number of technicians (including outsourced) exceeded 1,700. It also intensified the deep integration of industry, university and research and facilitated the collaborative research and innovative application between colleges and scientific research institution. Further, it intensified the intellectual property protection of financial technologies and submitted 9 financial technology-related patent applications.

In respect of production safety, the Company further improved the information security protection system, organized continuous information security evaluation as required by MLPS 2.0 and held on to the bottom line of no occurrence of significant risk matters. It strictly implemented the information technology protection requirements during the period of NPC&CPPCC and the pandemic prevention and control. During the first half of the year, the Company's information system maintained safe and stable and no significant information security incident occurred.

### (VIII) E-FINANCE CHANNELS

During the reporting period, the Company has formed a complete E-finance service system consisting of online banking, mobile banking, telephone banking, WeChat banking and self-service banking. The replacement rate of transactions via electronic channels reached 99.37%, taking a leading position in the industry.

#### ■ Online banking

During the reporting period, the Company continuously optimized personal online banking and realized the comprehensive upgrading of multiple business modules. Being customer-oriented, the Company simplified the operations of frequently used functions, enriched channel service scenarios and extended customer channel services. As of the end of the reporting period, the Company had 1,429,900 customers with personal online banking certificates, representing a year-on-year increase of 15.91%, including 82,700 monthly active customers. During the reporting period, the Company conducted 33,388,700 transactions totaling RMB785.282 billion via personal online banking.

During the reporting period, based on the genuine need of enterprises, the Company enhanced its corporate group service function, increased service scenarios, and innovatively launched the function of "customized menu" to provide personalized service to corporate customers. The Company continuously simplified the operations of frequently used functions and further reduced customer operations to optimize customer experience. And with the implementation of various anti-fraud and anti-attack process control strategies, the risk control level of the Company was significantly improved. As of the end of the reporting period, the Company had 149,400 customers with corporate online banking certificates, representing a year-on-year increase of 19.28%, including 87,000 monthly active customers, representing a year-on-year increase of 24.64%. During the reporting period, the Company conducted 29,356,500 transactions totaling RMB4,232.976 billion via corporate online banking for the reporting period.

## MANAGEMENT DISCUSSION AND ANALYSIS

### ■ Mobile banking

During the reporting period, relying on artificial intelligence, big data and other advanced technologies, the Company's personal mobile banking intensified the application of interactive intelligence to improve customer experience and provide one-stop comprehensive financial service to customers in an efficient, safe and convenient manner. During the reporting period, depending on the demand of the middle-aged and elderly customers and minimalists for financial services, the Company launched the clean version of mobile banking with big fonts, convenient operating procedures, simplified functions and distinctive services to improve its online service capability. It also launched the QR code marketing function in respect of asset pool, wealth management and credit card business to facilitate the expansion of online marketing. As of the end of the reporting period, the Company had 3,703,800 personal mobile banking customers, representing a year-on-year increase of 23.21%, including 1,038,400 monthly active customers, representing a year-on-year increase of 26.87%. During the reporting period, as an important collaborative channel of corporate online banking, the Company's corporate mobile banking allowed the legal person and financial officer of an enterprise to handle transfers and remittances, bank wealth management, international settlement, electronic notes and other corporate financial management matters in an efficient and convenient manner and at any time in any place, in addition to distinctive services available for small enterprise owners, such as small amount transfers and loans.

### ■ Telephone banking

The Company upheld the service philosophy of "customer-oriented, beyond expectation" and broke the traditional mindset on customer service. By applying multi-channel service platform, big data and intelligent technology and expanding all-media service channels continuously, it established an intelligent customer service system offering inclusive financial services to its customers in an efficient and cost-saving manner. Leveraging on intelligent voice, intelligent online robot, telephone operator service, online manpower service, WeChat, email and other means, the Company provided customers with rapid, comprehensive and professional high-quality services and was committed to establishing a 7×24 comprehensive one-stop service platform.

During the reporting period, the Company's mobile banking further optimized identity verification. For businesses with frequent callings and need a long time to solve, the Company optimized the operating procedures, and linked to the customer by message simultaneously and then instructed the customer to complete self-service, hence improving the intelligence level. During the reporting period, the Company's mobile bank received 1,071,600 calls from customers, of which 855,300 were passed to operators, with customer satisfaction of 99.74%. It served online customers for 357,500 times, and recorded a year-on-year increase of 15.56% in online self-service diversion ratio, and a complaint resolution rate of 100%.

## MANAGEMENT DISCUSSION AND ANALYSIS

### ■ WeChat banking

During the reporting period, the Company was committed to developing WeChat banking into an important platform for the introduction of new financial services and brand marketing. The WeChat banking consists of a WeChat official account and a WeChat official mini app. The WeChat official account provides various functions, such as debit card, credit card and service square. The WeChat official mini app' functions include personal e-deposits (個人e存款), wealth management, exchange rate, outlet appointment and e-loans (財e貸). As of the end of the reporting period, the Company had approximately 2,430,000 WeChat banking users and messages sent by the WeChat banking received over 1,840,000 views accumulatively.

### ■ Self-service banking

During the reporting period, the Company continued to step up the construction of traditional self-service equipment, including the automated teller machines, cash recycling systems and other 7×24 self-service banking services, available for customers to make deposits, withdrawals, account transfers, balance checks, password reset and other financial service needs. Meanwhile, in order to further promote the construction of intelligent outlets and meet customers' needs for opening an account via self-service banking, the Company provided intelligent self-service machines, such as intelligent teller machines, intelligent printers and online queueing machines to the outlets with large customer flows and business volumes, which greatly solved the problem of long-time queueing. As of the end of the reporting period, the Company had 256 self-service banks providing 7×24 services and 1,484 self-service machines of various types in its outlets.

## (IX) BUSINESS OF OVERSEAS BRANCH

The Company's Hong Kong Branch was established in 2018 and is the first branch established overseas. As a fully licensed bank, Hong Kong Branch can operate a full range of commercial banking services currently focusing on wholesale business. In the first half of 2020, Hong Kong Branch overcame the difficulties of the COVID-19 Epidemic and continued to focus on strategic opportunities including the "Guangdong-Hong Kong-Macao Greater Bay Area" and the "Belt and Road Initiative", promoted cross-border linkage business, continued to expand the local customer base and expand market share, so as to provide customers with professional cross-border financial solutions and financial services. Through close cooperation with customers and banking peers, the Company realized stable growth of trade finances, bilateral loans, syndicated loans and domestically guaranteed loans. Meanwhile, it also engaged in financial market business activities including trading agency, proprietary trading, banking account bond investments and monetary market transactions. During the reporting period, Hong Kong Branch actively implemented the platform-based service strategy to give full play to the interactive role of the platform and accelerated the exploration of distinctive businesses. As a result, the customer base and size of our Hong Kong asset pool increased continuously; both the volume and coverage of our cross-border business were effectively expanded; and the functions of our core and peripheral systems were further improved, all of which lay a solid foundation for our innovative business development.

As of the end of June, 2020, the total assets of Hong Kong Branch of the Company were HK\$27.737 billion, of which financial assets at fair value through other comprehensive income amounted to HK\$11.967 billion, accounting for 43.15%; loans and advances to customers amounted to HK\$9.033 billion, accounting for 32.57%; amounts due from head office and overseas offices amounted to HK\$3.912 billion, accounting for 14.10%; and Inter-bank receivables amounted to HK\$1.704 billion, accounting for 6.14%. During the reporting period, the net profit was HK\$125 million.

# MANAGEMENT DISCUSSION AND ANALYSIS

## (X) MAJOR SUBSIDIARIES AND EQUITY PARTICIPATION COMPANIES

### 1. Major Subsidiaries

Zheyin Financial Leasing is a 51%-owned subsidiary of our Bank. Zheyin Financial Leasing obtained its business license on January 18, 2017, with a registered capital of RMB3 billion. Its business scope covers leasing, transfer and grant of financial leasing assets, investment in fixed-income securities, acceptance of lease deposits from lessees, acceptance of fixed deposits of 3 months (inclusive) or longer from non-bank shareholders, inter-bank lending, borrowing from financial institutions, overseas borrowing, sale and disposal of leasehold, economic consulting as well as other businesses approved by CBIRC. As of the end of the reporting period, Zheyin Financial Leasing had total assets of RMB29.637 billion and net assets of RMB3.916 billion. It realized a net profit of RMB281 million for the period from January to June, 2020.

### 2. Equity Participation Companies

Equity Participation Company	Place of Incorporation	Date of Incorporation	Number of Shares	Investment Amount	proportion of shareholding
China UnionPay Co., Ltd	Shanghai	2002-3-26	10 million	RMB25 million	0.34%
National Financing Guarantee Fund Co., Ltd	Beijing	2018-7-26	750 million	RMB750 million	1.51%

## (XI) OUTLOOK

In the second half of 2020, the Bank will persistently follow the unswerving guidance by the “two most” overall goals, so as comprehensively promote the platform-based service strategy and realize the successful conclusion of the “3rd Five Year” plan.

The Bank will enhance assumption of responsibility and thoroughly implement the work requirements of “six-stability” and “six-security”, endeavor to stabilize enterprises and ensure employment, take multiple measures to reduce financing costs and continuously strengthen the support for the real economy; it will implement in-depth platform-based service strategy, enhance strategic guidance, improve platform-based service capabilities in traditional business while innovating business platform-based scenarios to help lower leverage, improve efficiency and create long-term return for customers. It will continuously improve digitization and professionalization capabilities, reshape banking services and internal management with financial technology; continue to improve risk management and internal control management, strictly adhere to the bottom line of risks, and perform well in preventing and resolving financial risks. Under the international and domestic dual-cycle pattern and the normalization of epidemic prevention and control, the Company will continue to improve the level of management and promote the high-quality development of its various businesses.

# CORPORATE GOVERNANCE

## 1. OVERVIEW OF CORPORATE GOVERNANCE

During the reporting period, the Shareholder's General Meeting, the Board of Directors, the Board of Supervisors and the Senior Management of the Company performed each of their duties and responsibilities in a balanced and coordinated manner. In compliance with laws and regulations and by reference to the best practices of outstanding companies, the Company implements corporate governance by focusing on the play of decision-making role of the Board and strengthening the the supervision role of the Board of supervisors in order to improve the governance systems of the Company continuously.

During the reporting period, a total of 26 meetings were held, including one shareholders' meeting, two class meetings of shareholders, five Board meetings, 10 meetings of special committees of the Board, five meetings of the Board of supervisors, and three meetings of special committees of the Board of supervisors. At the aforesaid meetings, the Company considered and approved the annual report of the Company, the work reports of the Board of Directors, the Board of supervisors and the president, the final account report, the financial budget report, the profit distribution plan, the related party transaction report and other material proposals.

During the reporting period, according to requirements of domestic and foreign regulatory authorities, the Company further improved the corporate governance systems by amending various systems and methods, including the Articles of Association of China Zheshang Bank Co., Ltd., the Rules of Procedures for Shareholder's General Meeting of China Zheshang Bank Co., Ltd., the Rules of Procedures for the Board of Directors of China Zheshang Bank Co., Ltd. and the Management Method of Information Disclosure of China Zheshang Bank Co., Ltd.

## 2. SHAREHOLDERS' GENERAL MEETING

During the reporting period, the Company held the 2019 annual general meeting, the 2020 first Class meeting for A shareholders and the 2020 first Class meeting for H shareholders on June 16, 2020. For details of the relevant proposals and announcements about the resolutions passed at the meetings, please refer to the respective notice of general meeting and announcement of resolutions of general meeting published by the Company on the websites of Shanghai Stock Exchange, Hong Kong Stock Exchange and the Company.

The convening, notifying, holding and voting procedures for the meetings above were in compliance with the relevant provisions of the Company Law, the Rules Governing the Listing of Stocks on Shanghai Stock Exchange, the Hong Kong Listing Rules and the Articles of Association. The Chairmen of the meetings had explained the detailed procedures for voting by poll to the shareholders at the general meetings. Lawyers attended the meetings for onsite witnessing and provided legal opinions thereat.

## 3. MEETINGS OF THE BOARD AND ITS SPECIAL COMMITTEES

During the reporting period, the Board organized and convened five Board meetings, at which 45 resolutions were considered and approved and 3 special reports were heard.

During the reporting period, the special committees of the Board organized and convened a total of 10 meetings, including one meeting by the Strategic Committee, two meetings by the Audit Committee, three meetings by the Risk and Related Party Transaction Control Committee, two meetings by the Nomination and Remuneration Committee, one meeting by the Consumer Rights Protection Committee and one meeting by the Inclusive Finance Development Committee, at which 44 resolutions were considered and approved and 1 special report was heard.



## CORPORATE GOVERNANCE

### 4. MEETINGS OF THE BOARD OF SUPERVISORS AND ITS SPECIAL COMMITTEES

During the reporting period, the Company held a total of five meetings of the Board of Supervisors, at which 22 resolutions were considered and 13 reports were heard and reviewed.

During the reporting period, the Supervision Committee of the Board of Supervisors of the Company convened two meetings and 8 resolutions were considered thereat; and the Nomination Committee of the Board of Supervisors held one meeting and 3 resolutions were considered thereat.

### 5. BOARD DIVERSITY POLICY

In accordance with relevant provisions of the Hong Kong Listing Rules, for the purpose of Board diversity, the Company has formulated the Board Diversity Policy of China Zheshang Bank Co., Ltd., providing that in setting up the composition of the Board, it shall consider various diversifying factors, including but not limited to gender, age, culture, educational background, professional experience, skill, knowledge and/or length of service. The Company will also, from time to time, take into account its business models and other specific requirements as well as a balanced inclusion of executive and non-executive Directors.

The Board carefully reviewed its diversity as well as the independence of its independent non-executive Directors, and believed that its diversification construction complied with relevant provisions under the Hong Kong Listing Rules and other laws and regulations, met the requirements for the Company to achieve strategic targets and sustainable development, and that all of the independent non-executive Directors had the requisite independence to act as independent non-executive Directors.

### 6. IMPLEMENTATION OF INFORMATION DISCLOSURE

The Company has always been attaching high importance to information disclosure, and has been strictly complying with various regulatory rules of the places where its shares are listed. In addition to fully implementing various regulatory rules, the Company has been, by taking into account day-to-day business practices, continuously sorting and improving the implementation rules with respect to the management of information disclosure from the perspectives of system construction and work procedure design.

The Company prohibits its staff from trading or recommending others to trade by making use of inside information. Information disclosure management system has been put in place, which designated the department responsible for inside information management and provided that information shall be disclosed in a timely and compliant manner pursuant to the requirements and procedures under the Rules Governing the Listing of Stocks on Shanghai Stock Exchange and the Hong Kong Listing Rules.

During the reporting period, the Company truly, accurately and completely carried out information disclosure work in a timely manner, strictly in accordance with the requirements of relevant information disclosure laws and regulations. The Company disclosed a total of 70 various announcements for A Shares on newspapers, including China Securities Journal, Shanghai Securities News, Securities Times and Securities Daily, the websites of the Shanghai Stock Exchange and the Company, and disclosed a total of 74 various announcements for H Shares on the websites of the Hong Kong Stock Exchange and the Company, which ensured that all shareholders had equal opportunity to get relevant information of the Company, and enhanced the transparency of the Company's governance.

## **CORPORATE GOVERNANCE**

### **7. MANAGEMENT OF INVESTOR RELATIONS**

The Company made consistent efforts to improve the management of investor relations and to promote the alignment between market value and intrinsic value. With an aim of maximizing investors profit and protecting their legitimate rights and interests, the Company cultivated a corporate culture to serve and respect investors. Sound interaction between the Company and the investors was also encouraged so as to enhance investors' understanding and recognition of the Company.

During the reporting period, the Company organized its 2019 domestic and overseas annual results briefing through live web casting for the first time, which strengthened its communicating and marketing efforts in both domestic and overseas markets by having in-depth exchanges with investors and analysts and timely addressing investors' concerns, therefore effectively expanding the scope of investors that were covered.

During the reporting period, the Company adopted various means to carry out investor relations management and consistently improved the service level of investors in accordance with the regulatory requirements of the listing place, taking into account practical experience. The Company accepted and handled matters related to investor relations by way of reverse roadshow, investor relation websites, telephone, e-mail and other means, and addressed and provided feedback on questions raised by investors in a timely manner, which effectively promoted a deeper understanding of the Company's value by investors and analysts on investment and enhanced the Company's influence in the capital market.

In order to get the attention and recognition from more investors, the Company consistently strengthened the management of the webpage for investor relations, timely updated the content of such webpage and made efforts to improve the collection of investor information. The Company also tracked in a timely manner analyst reports, monitored on a dynamic basis media and public opinions and earnestly understood from the capital market its advice and recommendation on the operation and development of the Company.

### **8. SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS**

The Company has adopted a code of conduct for securities transactions by Directors and supervisors, which is not less rigorous than the Model Code set out in Appendix 10 of the Hong Kong Listing Rules. The Company has confirmed with all Directors and supervisors and hereby acknowledged that they had complying with the aforesaid code during the period from January 1, 2020 to June 30, 2020.

### **9. STATEMENT OF COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE AS SET OUT IN THE HONG KONG LISTING RULES**

The Company agrees to the principles as set out in Corporate Governance Code and Corporate Governance Report (Appendix 14 to the Hong Kong Listing Rules). from January 1, 2020 to June 30, 2020, the Company has been in full compliance with the code provisions under such Code.

# CHANGES IN SHARES AND INFORMATION ON SHAREHOLDERS

## (I) CHANGES IN ORDINARY SHARES

### 1. Table of Changes in Ordinary Shares

Unit: Share, %

	December 31, 2019		Changes during the Reporting Period (Share)	June 30, 2020	
	Number	Proportion (%)		Number	Proportion (%)
I. Shares Subject to Selling Restrictions	14,647,129,491	68.87	-482,432,713	14,164,696,778	66.60
1. Shares Held by State	-	-	-	-	-
2. Shares Held by State-owned Legal Persons	3,811,588,677	17.92	-11,973,833	3,799,614,844	17.86
3. Other Domestic Shares	10,835,413,694	50.95	-470,331,760	10,365,081,934	48.73
Including: Shares Held by Domestic Non-State-owned Legal Persons	10,743,182,630	50.51	-378,100,696	10,365,081,934	48.73
Shares Held by Domestic Natural Persons	92,231,064	0.43	-92,231,064	-	-
4. Foreign Shares	127,120	0.00	-127,120	-	-
Including: Shares Held by Foreign Legal Persons	127,120	0.00	-127,120	-	-
Shares Held by Foreign Natural Persons	-	-	-	-	-
II. Listed Shares without Selling Restrictions	6,621,567,287	31.13	482,432,713	7,104,000,000	33.40
1. RMB Ordinary Shares	2,067,567,287	9.72	482,432,713	2,550,000,000	11.99
2. Domestic-Listed Foreign Shares	-	-	-	-	-
3. Overseas-Listed Foreign Shares	4,554,000,000	21.41	-	4,554,000,000	21.41
4. Other	-	-	-	-	-
III. Total Ordinary Shares	21,268,696,778	100.00	-	21,268,696,778	100.00

As of the end of the reporting period, the Bank had 21,268,696,778 ordinary shares in issue, including 16,714,696,778 A Shares and 4,554,000,000 H Shares.

### 2. Description on Changes in Ordinary Shares

During the reporting period, 482,432,713 shares subject to lock-up were issued by the Company through off-line allotment during its initial public offering of A Shares, which became tradable upon the expiration of the lock-up period on May 26, 2020.

## CHANGES IN SHARES AND INFORMATION ON SHAREHOLDERS

### (II) INFORMATION ON SHAREHOLDERS OF ORDINARY SHARES

#### Number of Shareholders of Ordinary Shares and Their Shareholdings

As of the end of the reporting period, the Bank had 448,325 shareholders of ordinary shares in total, including 448,201 shareholders of A Shares and 124 shareholders of H Shares.

As of the end of the reporting period, the table of shareholdings of the top ten shareholders and top ten shareholders of circulating shares (or shareholders without selling restrictions) was as follows:

*Unit: Share*

#### Shareholdings of Top Ten Shareholders

Name of Shareholder (full name)	Increase/ Decrease during the reporting period	Number of shares held at the end of period	Proportion (%)	Number of Shares Held subject to selling restrictions	Pledge and freezing		Nature of Shareholders
					Status of Shares	Number	
HKSCC Nominees Limited	+15,950	4,553,774,800	21.41	-	Unknown	-	-
Zhejiang Provincial Financial Holdings Co., Ltd.	-	2,655,443,774	12.49	2,655,443,774	-	-	State-owned Legal Person
Traveller Automobile Group Co., Ltd.	-	1,346,936,645	6.33	1,346,936,645	Freezing	1,346,936,645	Domestic Non-State-owned Legal Person
Hengdian Group Holdings Limited	-	1,242,724,913	5.84	1,242,724,913	-	-	Domestic Non-State-owned Legal Person
Zhejiang Provincial Energy Group Co., Ltd.	-	841,177,752	3.96	841,177,752	-	-	State-owned Legal Person
Minsheng Life Insurance Company Ltd. - self-owned capital	-	803,226,036	3.78	803,226,036	-	-	Domestic Non-State-owned Legal Person
Zhejiang Yongli Industry Group Co., Ltd.	-	548,453,371	2.58	548,453,371	Pledge	543,893,371	Domestic Non-State-owned Legal Person
Tong Lian Capital Management Co., Ltd.	-	543,710,609	2.56	543,710,609	-	-	Domestic Non-State-owned Legal Person
Zhejiang RIFA Holding Group Co., Ltd.	-	518,453,371	2.44	518,453,371	Pledge	518,449,000	Domestic Non-State-owned Legal Person
Zhejiang Hengyi High-tech Material Co., Ltd.	-	508,069,283	2.39	508,069,283	Pledge	508,069,283	Domestic Non-State-owned Legal Person

## CHANGES IN SHARES AND INFORMATION ON SHAREHOLDERS

### Shareholdings of Top Ten Shareholders without Selling Restrictions

*Unit: Share*

Name of Shareholder	Number of Circulating Shares Held without Selling Restrictions	Class and Number of Shares	
		Class	Number
HKSCC Nominees Limited	4,553,774,800	H Shares	4,553,774,800
Hong Kong Securities Clearing Company Limited	24,675,862	A Shares	24,675,862
First Qianhai Fund – China Minsheng Banking – First Qianhai-Driven Collective Asset Management Scheme (前海開源事件驅動集合資產管理計劃)	12,763,302	A Shares	12,763,302
Yanyong (顏勇)	8,169,767	A Shares	8,169,767
China Construction Bank Corporation Limited – First Qianhai Refinancing Selected Securities Investment Fund (前海開源再融資主題精選股票型證券投資基金)	7,999,983	A Shares	7,999,983
Ding Yuzhong (丁裕中)	7,800,000	A Shares	7,800,000
Industrial and Commercial Bank of China Limited – Golden Eagle Core Resources Blend Securities Investment Fund (金鷹核心資源混合型證券投資基金)	7,500,039	A Shares	7,500,039
Chen Junyi (陳俊毅)	7,180,000	A Shares	7,180,000
China Merchants Securities Co. Ltd – Tianhong China Securities Bank Index Initiative Securities Investment Fund (天弘中證銀行指數型發起式證券投資基金)	6,280,700	A Shares	6,280,700
Zhang Xiaoxia (張小霞)	5,858,560	A Shares	5,858,560
Description on the connected relationship and action in concert of the shareholders above	The Bank was aware of neither the connected relationship between the shareholders above nor whether they were parties acting in concert		
Description on shareholders of preference shares with restoration of voting rights and their number of shares held	Nil		

Note: The number of shares held by HKSCC Nominees Limited was the sum of shares of the Company's holders of H shares which were trading in its transaction system. Except for 490,000,000 shares held by Zhejiang Seaport (Hong Kong) Co., Limited were pledged, whether the rest of the H Shares were pledged was unknown to the Bank.



## CHANGES IN SHARES AND INFORMATION ON SHAREHOLDERS

### Number of Shares Held by Top Ten Shareholders Subject to Selling Restrictions and Conditions of Selling Restrictions

Unit: Share

No.	Name of Shareholders subject to Selling Restrictions	Listing and Trading of Shares Subject to Selling Restrictions			Conditions of Selling Restrictions
		Number of Shares Held Subject to Selling Restrictions	Listing and Trading Date	Number of Additional Listing and Trading Shares	
1	Zhejiang Provincial Financial Holdings Co., Ltd.	2,655,443,774	2022-11-28	0	Selling Restriction for Initial Offering
2	Traveller Automobile Group Co., Ltd.	1,346,936,645	2022-11-28	0	Selling Restriction for Initial Offering
3	Hengdian Group Holdings Limited	1,242,724,913	2022-11-28	0	Selling Restriction for Initial Offering
4	Zhejiang Provincial Energy Group Co., Ltd.	841,177,752	2022-11-28	0	Selling Restriction for Initial Offering
5	Minsheng Life Insurance Company Ltd. – self-owned capital	803,226,036	2020-11-26	0	Selling Restriction for Initial Offering
6	Zhejiang Yongli Industry Group Co., Ltd.	548,453,371	2020-11-26	0	Selling Restriction for Initial Offering
7	Tong Lian Capital Management Co., Ltd.	543,710,609	2022-11-28	0	Selling Restriction for Initial Offering
8	Zhejiang RIFA Holding Group Co., Ltd.	518,453,371	2020-11-26	0	Selling Restriction for Initial Offering
9	Zhejiang Hengyi High-tech Material Co., Ltd.	508,069,283	2022-11-28	0	Selling Restriction for Initial Offering
10	Zhejiang Hengyi Group Co., Ltd.	494,655,630	2022-11-28	0	Selling Restriction for Initial Offering
Description on the connected relationship and action in concert of the shareholders above		Except for Zhejiang Hengyi High-tech Material Co., Ltd. and Zhejiang Hengyi Group Co., Ltd. between which there was the connected relationship, the Bank was not aware of other connected relationships or relationships of acting in concert between the shareholders above			

## CHANGES IN SHARES AND INFORMATION ON SHAREHOLDERS

### (III) PLEDGE AND FREEZING OF ORDINARY SHARES

As at the end of the reporting period, to the knowledge of the Company, 4,953,472,953 shares of the Bank (representing 23.29% of the total ordinary shares in issue) were pledged; 2,433,696,130 shares were subject to judicial freezing.

### (IV) INTERESTS IN ORDINARY SHARES AND SHORT POSITIONS UNDER THE HONG KONG SECURITIES AND FUTURES ORDINANCE

As of June 30, 2020, in accordance with the register kept by the Company under section 336 of the SFO and so far as the Company is aware, the following persons (excluding the Company's directors, supervisors and chief executive (as defined in the Hong Kong Listing Rules)) had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or directly or indirectly held 5% or more of any class of share capital of the Company:

Name of Shareholder	Nature of interests and capacity	Class	Long/short position	Number of Shares (Share)	Approximate percentage of interest (%)	Approximate percentage of the relevant class of Shares (%)
Zhejiang Provincial Financial Holdings Co., Ltd.	Beneficial owner	A Shares	Long position	2,655,443,774	12.49	15.89
Traveller Automobile Group Co., Ltd. (Note 1)	Beneficial owner	A Shares	Long position	1,346,936,645	6.33	8.06
Zhejiang Hengyi Group Co., Ltd.	Beneficial owner and Interest of controlled corporation	A Shares	Long position	1,242,724,913	5.84	7.43
Qiu Jianlin (邱建林)	Interest of controlled corporation	A Shares	Long position	1,242,724,913	5.84	7.43
Hengdian Group Holdings Limited	Beneficial owner	A Shares	Long position	1,242,724,913	5.84	7.43
Hengdian Association For Economics Corporation	Interest of controlled corporation	A Shares	Long position	1,242,724,913	5.84	7.43
Guangsha Holding Group Co., Ltd.	Beneficial owner and Interest of controlled corporation	A Shares	Long position	954,655,630	4.49	5.71
Lou Zhongfu (樓忠福)	Interest of controlled corporation	A Shares	Long position	954,655,630	4.49	5.71
Wang Shuifu (王水福)	Interest of controlled corporation	A Shares	Long position	850,546,358	4.00	5.09
Chen Guihua (陳桂花)	Interest of controlled corporation	A Shares	Long position	850,546,358	4.00	5.09
Chen Xiabin (陳夏鑫)	Interest of controlled corporation	A Shares	Long position	850,546,358	4.00	5.09
Zhejiang Provincial Energy Group Co., Ltd.	Beneficial owner	A Shares	Long position	841,177,752	3.96	5.03

## CHANGES IN SHARES AND INFORMATION ON SHAREHOLDERS

Name of Shareholder	Nature of interests and capacity	Class	Long/short position	Number of Shares (Share)	Approximate percentage of interest (%)	Approximate percentage of the relevant class of Shares (%)
Zhejiang Provincial Energy Group Co., Ltd.	Interest of controlled corporation	H Shares	Long position	645,708,000	3.04	14.18
Zhejiang Energy Capital Holdings Co., Ltd. (浙能資本控股有限公司)	Beneficial owner and Interest of controlled corporation	H Shares	Long position	645,708,000	3.04	14.18
Zhejiang Energy International Co., Ltd. (浙江能源國際有限公司)	Beneficial owner	H Shares	Long position	280,075,000	1.32	6.15
Zhejiang Provincial Seaport Investment & Operation Group Co., Ltd.	Beneficial owner and Interest of controlled corporation	H Shares	Long position	1,000,000,000	4.70	21.96
Zhejiang Seaport (Hong Kong) Co., Limited	Beneficial owner	H Shares	Long position	864,700,000	4.07	18.99
Zhejiang Seaport Asset Management Co., Limited	Interest of controlled corporation	H Shares	Long position	864,700,000	4.07	18.99
Yancoal International (Holding) Company Limited	Beneficial owner	H Shares	Long position	934,000,000	4.39	20.51
Yanzhou Coal Mining Company Limited	Interest of controlled corporation	H Shares	Long position	934,000,000	4.39	20.51
Yankuang Group Company Limited	Interest of controlled corporation	H Shares	Long position	934,000,000	4.39	20.51
Central Huijin Investment Ltd.	Interest of controlled corporation	H Shares	Long position	685,000,000	3.22	15.04
Next Hero Holdings Limited	Party with security interest over the shares	H Shares	Long position	490,000,000	2.30	10.76
ICBC International Investment Management Limited	Interest of controlled corporation	H Shares	Long position	490,000,000	2.30	10.76
ICBC International Holdings Limited	Interest of controlled corporation	H Shares	Long position	490,000,000	2.30	10.76
Industrial and Commercial Bank of China Limited	Interest of controlled corporation	H Shares	Long position	490,000,000	2.30	10.76
Hong Kong Xinhui Investment Co., Ltd.	Beneficial owner	H Shares	Long position	389,037,000	1.83	8.54
Xinhui Zhongbao Co., Ltd.	Interest of controlled corporation	H Shares	Long position	389,037,000	1.83	8.54
Zhejiang Xinhui Group Co., Ltd.	Interest of controlled corporation	H Shares	Long position	389,037,000	1.83	8.54
Huang Wei (黃偉)	Interest of controlled corporation	H Shares	Long position	389,037,000	1.83	8.54

## CHANGES IN SHARES AND INFORMATION ON SHAREHOLDERS

Name of Shareholder	Nature of interests and capacity	Class	Long/short position	Number of Shares (Share)	Approximate percentage of interest (%)	Approximate percentage of the relevant class of Shares (%)
FTLIFE INSURANCE COMPANY LIMITED	Beneficial owner	H Shares	Long position	338,561,000	1.59	7.43
EARNING STAR LIMITED	Interest of controlled corporation	H Shares	Long position	338,561,000	1.59	7.43
SUCCESS IDEA GLOBAL LIMITED	Interest of controlled corporation	H Shares	Long position	338,561,000	1.59	7.43
NWS SERVICE MANAGEMENT LIMITED <sup>(Note 2)</sup>	Interest of controlled corporation	H Shares	Long position	338,561,000	1.59	7.43
NWS SERVICE MANAGEMENT LIMITED <sup>(Note 2)</sup>	Interest of controlled corporation	H Shares	Long position	338,561,000	1.59	7.43
NWS HOLDINGS LIMITED	Interest of controlled corporation	H Shares	Long position	338,561,000	1.59	7.43
NEW WORLD DEVELOPMENT COMPANY LIMITED	Interest of controlled corporation	H Shares	Long position	338,561,000	1.59	7.43
CHOW TAI FOOK ENTERPRISES LIMITED	Interest of controlled corporation	H Shares	Long position	338,561,000	1.59	7.43
CHOW TAI FOOK (HOLDING) LIMITED	Interest of controlled corporation	H Shares	Long position	338,561,000	1.59	7.43
CHOW TAI FOOK CAPITAL LIMITED	Interest of controlled corporation	H Shares	Long position	338,561,000	1.59	7.43
CHENG YU TUNG FAMILY (HOLDINGS) LIMITED	Interest of controlled corporation	H Shares	Long position	338,561,000	1.59	7.43
CHENG YU TUNG FAMILY (HOLDINGS II) LIMITED	Interest of controlled corporation	H Shares	Long position	338,561,000	1.59	7.43
Shaoxing Lingyan Equity Investment Fund Partnerships (Limited Partnership)	Beneficial owner	H Shares	Long position	250,000,000	1.18	5.49
Zhejiang Lingyan Capital Management Co., Ltd.	Interest of controlled corporation	H Shares	Long position	250,000,000	1.18	5.49
Shanghai Run Kuan Investment Management Co., Ltd.	Interest of controlled corporation	H Shares	Long position	250,000,000	1.18	5.49
Liu Yaozhong (劉耀中)	Interest of controlled corporation	H Shares	Long position	250,000,000	1.18	5.49
Great Wall Securities Co., Ltd.	Interest of controlled corporation	H Shares	Long position	250,000,000	1.18	5.49
Jiaxing Credit Lingxin Investment Partnership Enterprise (Limited Partnership) (嘉興信業領信投資合夥企業(有限合夥))	Interest of controlled corporation	H Shares	Long position	250,000,000	1.18	5.49

## CHANGES IN SHARES AND INFORMATION ON SHAREHOLDERS

Name of Shareholder	Nature of interests and capacity	Class	Long/short position	Number of Shares (Share)	Approximate percentage of interest (%)	Approximate percentage of the relevant class of Shares (%)
CITIC Securities Company Limited <sup>(Note 3)</sup>	Interest of controlled corporation	H Shares	Long position	629,869,994	2.96	13.83
	Interest of controlled corporation	H Shares	Short position	456,368,678	2.15	10.02
CITIC Securities International Company Limited <sup>(Note 3)</sup>	Interest of controlled corporation	H Shares	Long position	629,869,994	2.96	13.83
	Interest of controlled corporation	H Shares	Short position	456,368,678	2.15	10.02
CLSA B.V. <sup>(Note 3)</sup>	Interest of controlled corporation	H Shares	Long position	629,869,994	2.96	13.83
	Interest of controlled corporation	H Shares	Short position	456,368,678	2.15	10.02
CITIC CLSA Global Markets Holdings Limited <sup>(Note 3)</sup>	Interest of controlled corporation	H Shares	Long position	629,869,994	2.96	13.83
	Interest of controlled corporation	H Shares	Short position	456,368,678	2.15	10.02
CSI Capital Management Limited <sup>(Note 3)</sup>	Beneficial owner	H Shares	Long position	629,869,994	2.96	13.83
	Beneficial owner	H Shares	Short position	7,735,062	0.04	0.17
CSI Financial Products Limited	Beneficial owner	H Shares	Short position	448,633,616	2.11	9.85
Goncious I Limited <sup>(Note 3)</sup>	Beneficial owner	H Shares	Long position	792,843,890	3.73	17.41
	Beneficial owner	H Shares	Short position	792,843,890	3.73	17.41

### Notes:

- (1) As Traveller Automobile Group Co., Ltd., a shareholder of the Company, failed to provide the relevant information, the Company is not aware of the latest information about the interests in shares and short position of such shareholder.
- (2) These two companies that have the same name have different addresses of registration. For the details, please refer to the relevant information about disclosure of interests, which was published on the website of the Hong Kong Stock Exchange.
- (3) This part involves derivative instrument. For the details, please refer to the relevant information about disclosure of interests, which was published on the website of the Hong Kong Stock Exchange.



## CHANGES IN SHARES AND INFORMATION ON SHAREHOLDERS

### (V) INFORMATION ON THE CONTROLLING SHAREHOLDERS AND DE FACTO CONTROLLERS

As of the end of the reporting period, the Bank had no controlling shareholders and de facto controllers.

### (VI) INFORMATION ON THE COMPANY'S LARGEST SHAREHOLDER OF ORDINARY SHARES

As of the end of the reporting period, Zhejiang Provincial Financial Holdings Co., Ltd. held 12.49% of the shares of the Company and was the Company's largest shareholder of ordinary shares.

Zhejiang Provincial Financial Holdings Co., Ltd. was established in September 2012 with the uniform social credit code of 913300000542040763 and its legal representative was Zhang Qicheng (章啟誠). With a registered capital of RMB12.0 billion, the company is a financial investment management platform established by Zhejiang Provincial Government. The company is a state-owned enterprise directly subordinated to the provincial government and is supervised and managed by Zhejiang Provincial Department of Finance with the authorization from Zhejiang Provincial Government. The company is mainly engaged in financial equity investment, government equity investment fund management, asset management and other business.

### (VII) INFORMATION ON SUBSTANTIAL SHAREHOLDERS OF ORDINARY SHARES <sup>(NOTE 1)</sup>

No.	Name of Shareholder	Number of shares held (Share)	Separate shareholding ratio(%)	Joint shareholding ratio (%)	Reasons for being the Substantial Shareholders	Number of pledged shares	Controlling shareholders	De facto controllers	Parties acting in concert	Ultimate beneficial owners
1	Zhejiang Provincial Financial Holdings Co., Ltd.	2,655,443,774	12.49	12.49	Holding 5% or more of our Bank's shares	-	Zhejiang Provincial Department of Finance	Zhejiang Provincial Department of Finance	Nil	Zhejiang Provincial Financial Holdings Co., Ltd.
2	Zhejiang Provincial Energy Group Co., Ltd.	841,177,752	3.96	6.99	Holding 5% or more of our Bank's shares in total with the related parties	-	State-owned Assets Supervision and Administration Commission of the People's Government of Zhejiang Province	State-owned Assets Supervision and Administration Commission of the People's Government of Zhejiang Province	Nil	Zhejiang Provincial Energy Group Co., Ltd.
3	Zhejiang Energy Capital Holdings Co., Ltd. (H share)	365,633,000	1.72			-	Zhejiang Provincial Energy Group Co., Ltd.		Nil	Zhejiang Energy Capital Holdings Co., Ltd.
4	Zhejiang Energy International Co., Ltd. (H share)	280,075,000	1.32			-	Zhejiang Provincial Energy Group Co., Ltd.		Nil	Zhejiang Energy International Co., Ltd.

## CHANGES IN SHARES AND INFORMATION ON SHAREHOLDERS

No.	Name of Shareholder	Number of shares held (Share)	Separate shareholding ratio(%)	Joint shareholding ratio (%)	Reasons for being the Substantial Shareholders	Number of pledged shares	Controlling shareholders	De facto controllers	Parties acting in concert	Ultimate beneficial owners
5	Traveller Automobile Group Co., Ltd. <small>(note 2)</small>	1,346,936,645	6.33	6.33	Holding 5% or more of our Bank's shares	-	-	-	-	-
6	Zhejiang Hengyi High-tech Material Co., Ltd.	508,069,283	2.39	5.84	Holding 5% or more of our Bank's shares in total with the related parties	508,069,283	Zhejiang Hengyi Petrochemical Co., Ltd.	Qiu Jianlin (邱建林)	Nil	Zhejiang Hengyi High-tech Material Co., Ltd.
7	Zhejiang Hengyi Group Co., Ltd.	494,655,630	2.33			494,655,630	Qiu Jianlin (邱建林)		Nil	Zhejiang Hengyi Group Co., Ltd.
8	Zhejiang Hengyi Petrochemical Co., Ltd.	240,000,000	1.13			240,000,000	Hengyi Petrochemical Co., Ltd.		Nil	Zhejiang Hengyi Petrochemical Co., Ltd.
9	Hengdian Group Holdings Limited	1,242,724,913	5.84	5.84	Holding 5% or more of our Bank's shares	-	Hengdian Association For Economics Corporation	Hengdian Association For Economics Corporation	Nil	Hengdian Group Holdings Limited
10	Zhejiang Seaport (Hong Kong) Co., Limited	864,700,000	4.07	4.70	Jointly dispatch Directors to our Bank	490,000,000	Zhejiang Seaport Asset Management Co., Limited	State-owned Assets Supervision and Administration Commission of the People's Government of Zhejiang Province	Nil	Zhejiang Seaport (Hong Kong) Co., Limited
11	Zhejiang Provincial Seaport Investment & Operation Group Co., Ltd.	135,300,000	0.64			-	State-owned Assets Supervision and Administration Commission of the People's Government of Ningbo Municipal		Nil	Zhejiang Provincial Seaport Investment & Operation Group Co., Ltd.
12	Guangsha Holding Group Co., Ltd.	457,005,988	2.15	4.49	Jointly dispatch Directors to our Bank	457,004,756	Lou Zhongfu (樓忠福)	Lou Zhongfu (樓忠福)	Nil	Guangsha Holding Group Co., Ltd.
13	Zhejiang Dongyang Third Construction Co., Ltd.	354,480,000	1.67			354,480,000	Guangsha Holding Group Co., Ltd.		Nil	Zhejiang Dongyang Third Construction Co., Ltd.
14	Zhejiang Guangsha Co., Ltd.	143,169,642	0.67			143,169,600	Guangsha Holding Group Co., Ltd.		Nil	Zhejiang Guangsha Co., Ltd.
15	Minsheng Life Insurance Company Ltd.	803,226,036	3.78	3.78	Dispatch Supervisors to our Bank	-	China Wanxiang Holding Co., Ltd.	Lu Weiding (魯偉鼎)	Nil	Minsheng Life Insurance Company Ltd.

## CHANGES IN SHARES AND INFORMATION ON SHAREHOLDERS

No.	Name of Shareholder	Number of shares held (Share)	Separate shareholding ratio(%)	Joint shareholding ratio (%)	Reasons for being the Substantial Shareholders	Number of pledged shares	Controlling shareholders	De facto controllers	Parties acting in concert	Ultimate beneficial owners
16	Zhejiang China Light & Textile Industrial City Group Co., Ltd.	457,816,874	2.15			-	Shaoxing City Keqiao District Development and Operation Co., Ltd.	Shaoxing City	Nil	Zhejiang China Light & Textile Industrial City Group Co., Ltd.
17	Shaoxing City Keqiao District Development and Operation Co., Ltd.	302,993,318	1.42	3.58	Jointly dispatch Supervisors to our Bank	-	Shaoxing City Keqiao District State-owned Assets Investment and Operation Co., Ltd.	Keqiao Finance Bureau	Nil	Shaoxing City Keqiao District Development and Operation Co., Ltd.

### Notes:

- (1) For the definition of substantial shareholders, controlling shareholders, de facto controllers, related parties, parties acting in concert and ultimate beneficial owners, please see the relevant requirement of the Interim Measures for the Shareholding Management of Commercial Banks 《商業銀行股權管理暫行辦法》 issued by CBIRC. The substantial shareholders of the Bank has reported their related parties, and the Bank will regularly maintain and update the list of related parties to continuously lift the level of management of related party transactions. The Bank has disclosed the related party transactions for the reporting period in this report. Due to limitations on space, this report does not provide the list of related parties of substantial shareholders.
- (2) All the shares held by Traveller Automobile Group Co., Ltd. in our Bank have been subject to judicial freezing to date. The judicial disposition has not yet to be completed and the time when to complete is uncertain. Traveller Automobile Group Co., Ltd. has not provided, and our Bank is not aware of, the information on its controlling shareholders, de facto controllers, parties acting in concert and ultimate beneficial owners.

## (VIII) ISSUE AND LISTING OF SECURITIES

During the reporting period, the Company did not issue any new ordinary shares.

During the reporting period, 482,432,713 shares subject to lock-up were issued by the Company through off-line allotment during its initial public offering of A Shares, which became tradable upon the expiration of the lock-up period on May 26, 2020.

## CHANGES IN SHARES AND INFORMATION ON SHAREHOLDERS

### (IX) INFORMATION ON OFFSHORE PREFERENCE SHARES

#### 1. Issuance and listing of offshore Preference shares

Pursuant to the approval of the CBIRC (Yin Jian Fu [2017] No. 45) and the approval of the CSRC (Zheng Jian Xu Ke [2017] No. 360), the Bank made a non-public issuance of US\$2.175 billion Offshore Preference Shares in the offshore market on March 29, 2017. The Offshore Preference Shares had a par value of RMB100 and raised US\$20 per share, all of which were subscribed in U.S. dollars. Such offshore preference shares were listed on the Hong Kong Stock Exchange on March 30, 2017 (Stock Code of Preference Shares: 4610).

Based on the CNY Central Parity Rate published by the China Foreign Exchange Trading Centre on March 29, 2017, the gross proceeds from the offering of the Offshore Preference Shares were approximately RMB14.989 billion. Pursuant to applicable laws and regulations and the approvals by the relevant regulatory authorities such as the CBIRC and the CSRC, the proceeds raised from the Offshore Preference Shares issuance, after deducting issue expense, were all used to replenish the Bank's additional tier 1 capital, to increase the tier 1 capital adequacy ratio of the Bank and to optimize the capital structure.

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Stock Code of Offshore Preference Shares	Issuing Date	Issuing Price (US\$/Share)	Initial Annual Dividend Rate (%)	Issue Volume (Share)	Total Issue Amount (US\$)	Listing Date	Approved Number of Shares for Listing and Dealing (Share)
4610	2017/3/29	20	5.45	108,750,000	2,175,000,000	2017/3/30	108,750,000

2. Relevant provisions with respect to the rights and interests of the Offshore Preference Shares have been included in the Company's Articles of Association, which can be found on the websites of the Hong Kong Stock Exchange and the Company.

## CHANGES IN SHARES AND INFORMATION ON SHAREHOLDERS

### 3. Number of Shareholders and Shareholding of Offshore Preference Shares

As of the end of the reporting period, the total number of shareholders (or nominees) of the Company's Offshore Preference Shares was one, with The Bank of New York Depository (Nominees) Limited being the nominee.

Name of Shareholder	Nature of Shareholder	Share Class	Increase/Decrease during the Reporting Period		Total Number of Shares Held (Share)	Number of Shares Subject To Selling Restrictions (Share)	Number of Shares Pledged or Frozen (Share)
			Period (Share)	Shareholding Ratio (%)			
The Bank of New York Depository (Nominees) Limited	Foreign Legal Person	Offshore Preference Shares	-	100	108,750,000	-	Unknown

Notes:

- (1) Shareholding information on shareholders of Offshore Preference Shares was provided based on the information specified in the register of shareholders of offshore preference shares of the Bank.
- (2) As the issuance was an offshore non-public offering, what is set out in the register of shareholders of Offshore Preference Shares is the information on the Offshore Preference Shares held by The Bank of New York Depository (Nominees) Limited as a nominee on behalf of the placees in the clearing systems of Euroclear Bank S.A./N.V. and Clearstream Banking S.A. as of the end of the reporting period.

### 4. Profit Distribution for Offshore Preference Shares

The Bank paid the dividend in cash once a year to the holders of the Offshore Preference Shares. The dividend not paid by the Bank in full to the holders of the Offshore Preference Shares will not be accumulated to the next interest-bearing year. After being distributed with the dividend according to the agreed dividend rate, the holders of the Offshore Preference Shares shall no longer participate in the distribution of the remaining profits with the holders of the Ordinary Shares.



## CHANGES IN SHARES AND INFORMATION ON SHAREHOLDERS

According to the resolution and authorization of shareholders' general meeting, the Board meeting dated March 11, 2020 deliberated and adopted the proposal for Distributing Dividends for Offshore Preference Shares, approving the Bank to distribute the dividends for Offshore Preference Shares on March 30, 2020. Pursuant to relevant laws and regulations of China, while distributing dividends for Offshore Preference Shares to offshore non-resident corporate shareholders, the Bank shall withhold and pay on their behalf the corporate income tax calculated on a tax rate of 10%. According to relevant terms and conditions with respect to the Bank's Offshore Preference Shares, relevant taxes and fees shall be paid by the Bank. The dividends for Offshore Preference Shares distributed this time totaled US\$131,708,333.33, including: US\$118,537,500 actually paid to shareholders of the Offshore Preference Shares according to an annual dividend yield of 5.45%; pursuant to relevant legal regulations, the corporate income tax withheld and paid on behalf based on a tax rate of 10% was US\$13,170,833.33.

For the implementation plan for the distribution of dividends for Offshore Preference Shares, please refer to the announcements published on the websites of the Hong Kong Stock Exchange and the Bank.

The above dividend was paid in cash on March 30, 2020.

### **5. Redemption or Conversion of Offshore Preference shares**

During the reporting period, no redemption or conversion occurred for the Bank's offshore preference shares.

### **6. Resumption of Voting Rights for Offshore Preference shares**

During the reporting period, no resumption of voting rights occurred for the Bank's offshore preference shares.

### **7. Accounting policies Adopted for Offshore Preference shares and the Reasons Thereof**

In accordance with the Accounting Standards For Enterprises No.22 – Recognition And Measurement of Financial Instruments, the Accounting Standards For Enterprises No. 37 – Presentation of Financial Instruments and the Rules on Differentiating the Financial Liabilities and Equity Instruments and Relevant Accounting Treatment published by the Ministry Of Finance, as well as IAS 39 – Financial Instruments: Recognition and Measurement and IAS 32 – Financial Instruments: Presentation formulated by the International Accounting Standards Board, the terms of the issued and existing Offshore Preference Shares of the Bank meet the requirements for being accounted as equity instruments and will be accounted as equity instruments.

## INFORMATION ON DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, EMPLOYEES AND INSTITUTIONS

### (I) BASIC INFORMATION ON DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

As of the end of the reporting period:

The Board comprised 15 Directors, including 2 executive Directors, namely Mr. Shen Renkang and Mr. Xu Renyan; 6 non-executive Directors, namely Mr. Huang Zhiming, Mr. Wei Dongliang, Ms. Gao Qinhong, Mr. Hu Tiangao, Mr. Zhu Weiming and Ms. Lou Ting; and 7 independent non-executive Directors, namely Mr. Tong Benli, Mr. Yuan Fang, Mr. Dai Deming, Mr. Liu Pak Wai, Mr. Zheng Jindu, Mr. Zhou Zhifang and Mr. Wang Guocai.

The Board of Supervisors comprised 10 Supervisors, including 2 shareholder representative Supervisors, namely Mr. Yu Jianqiang and Mr. Ge Meirong, 4 employee representative Supervisors, namely Mr. Zheng Jianming, Mr. Wang Chengliang, Mr. Chen Zhongwei and Mr. Jiang Rong, and 4 external Supervisors, namely Mr. Yuan Xiaoqiang, Mr. Wang Jun, Mr. Huang Zuhui and Ms. Cheng Huifang.

The Senior Management comprised 11 members, namely Mr. Xu Renyan, Mr. Xu Manxuan, Mr. Wu Jianwei, Mr. Liu Long, Mr. Zhang Rongsen, Mr. Liu Guishan, Mr. Chen Haiqiang, Mr. Luo Feng, Mr. Sheng Hongqing, Mr. Song Shizheng and Mr. Jing Feng.

### (II) INFORMATION ON THE APPOINTMENT AND RESIGNATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Xia Yongchao resigned as a non-executive Director of the Company due to other work commitments, with effect from February 6, 2020.

Ms. Zhang Luyun resigned as an executive Director of the Company due to work commitments, with effect from June 12, 2020.

On June 16, 2020, the Company elected Mr. Wang Jian and Mr. Ren Zhixiang as the non-executive Directors of the Company and elected Mr. Wang Wei as the independent non-executive Director of the Bank at the 2019 annual general meeting. The qualification of such new Directors is subject to approval by the regulatory department.

On March 27, 2020, the appointment of Mr. Liu Guishan and Mr. Chen Haiqiang as the vice presidents of the Company was approved at the eighth meeting of the fifth session of the Board of the Company. On July 3, 2020, the senior management qualification of Mr. Liu Guishan and Mr. Chen Haiqiang for appointment as the vice presidents of the Company was approved by CBIRC, and they have duly performed their duties.

## INFORMATION ON DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, EMPLOYEES AND INSTITUTIONS

### (III) CHANGE OF DIRECTORS AND SUPERVISORS

Mr. Huang Zhiming, a non-executive Director of the Company, serves as a director of Zhejiang Yong'an Capital Management Co., Ltd. (浙江永安資本管理有限公司).

Mr. Wei Dongliang, a non-executive Director of the Company, ceased to serve as an executive director of Zhejiang Zheneng Venture Capital Co., Ltd. (浙江浙能創業投資有限公司) and Zhejiang Zheneng Investment Management Co., Ltd. (浙江浙能投資管理有限公司).

Mr. Hu Tiangao, a non-executive Director of the Company, serves as a senior vice president of Hengdian Group Holdings Limited (橫店集團控股有限公司).

Mr. Zhu Weiming, a non-executive Director of the Company, serves as chairman of Zhejiang Seaport Group Financial Co., Ltd. (浙江海港集團財務有限公司).

Ms. Lou Ting, a non-executive Director of the Company, ceased to serve as the chief executive officer of Guangsha Holding Group Co., Ltd. (廣廈控股集團有限公司).

Mr. Tong Benli, an independent non-executive Director of the Company, ceased to serve as an independent non-executive director of Hangzhou Jiebai Group Co., Limited (杭州解百集團股份有限公司).

Mr. Wang Jun, an external Supervisor of the Company, serves as an independent director of Guangzhou Dongling International Co., Ltd. (廣州東凌國際股份有限公司).

Mr. Chen Zhongwei, an employee Supervisor of the Company, serves as a supervisor of Zhejiang Zheyin Financial Leasing Co., Ltd. (浙江浙銀金融租賃股份有限公司).

Mr. Jiang Rong, an employee Supervisor of the Company, ceased to serve as director of the discipline inspection office.

## INFORMATION ON DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, EMPLOYEES AND INSTITUTIONS

### (IV) CHANGE IN SHAREHOLDING OF INCUMBENT DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT AND THOSE RESIGNED DURING THE REPORTING PERIOD

Name	Position	Number of shares held at the beginning of the period	Number of shares held at the end of the period	Changes in number of shares during the reporting period	Reasons for the change
Shen Renkang	Chairman, Executive Director	-	30,000	30,000	Acquire from secondary market
Xu Renyan	Executive Director, President	-	111,800	111,800	Acquire from secondary market
Yu Jianqiang	Shareholder Representative Supervisor, Chairman of the Board of Supervisors	-	110,000	110,000	Acquire from secondary market
Zhang Luyun	Former Executive Director (Note)	-	27,000	27,000	Acquire from secondary market
Xu Manxuan	Vice President	-	482,900	482,900	Acquire from secondary market
Wu Jianwei	Vice President	-	617,900	617,900	Acquire from secondary market
Liu Long	Vice President, Secretary of the Board, Company Secretary	-	610,100	610,100	Acquire from secondary market
Zhang Rongsen	Vice President	-	182,000	182,000	Acquire from secondary market
Liu Guishan	Vice President, Chief Risk Officer	-	57,900	57,900	Acquire from secondary market
Chen Haiqiang	Vice President	-	30,000	30,000	Acquire from secondary market
Luo Feng	Assistant to President	-	26,500	26,500	Acquire from secondary market
Sheng Hongqing	Assistant to President	-	21,500	21,500	Acquire from secondary market
Song Shizheng	Chief Information Officer	-	94,900	94,900	Acquire from secondary market
Jing Feng	Chief Finance Officer	-	48,000	48,000	Acquire from secondary market
Total		-	2,450,500	2,450,500	-

Note: Ms. Zhang Luyun resigned as an executive Director of the Company due to work commitments, with effect from June 12, 2020.

## INFORMATION ON DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, EMPLOYEES AND INSTITUTIONS

### (V) EMPLOYEES

As of the end of the reporting period, the Group had 15,331 employees (including dispatched employees, outsourced technicians and employees of the subsidiary of the Company), representing an increase of 254 as compared with that at the end of last year. Divided by the position types, 6,347 employees of the Company were categorized as marketing personnel, 1,537 employees as counter personnel, and 7,332 employees as mid-office and back-office personnel; divided by the educational levels, 3,079 obtained post-graduate degree or above (including 59 with doctorate degree), 11,096 obtained bachelor degree, and 1,041 obtained college degree or below. All of our employees participate in basic social pension insurance, and as of the end of the reporting period, 89 employees had retired from the Company.

### (VI) EMPLOYEE REMUNERATION POLICY

The Company's remuneration policy is guided by its growth strategy and the people-oriented concept. By adhering to the principle of marketization and by implementing comprehensive benchmarking management, the Company proactively explores its remuneration management mechanism that the remuneration is determined according to the salary levels based on position types, and optimizes the remuneration determination mechanism that is based on individual performance and organizational performance. Employee remuneration is mainly driven by capabilities and performance and the Company strives to set up a market-based remuneration system, which would reflect internal fairness and external competitiveness, promote the co-growth of employees and employers, focus equally on incentives and restraints and base remuneration on post value.

The Company's remuneration policy coordinates well with the risk management system, and is matched with its size as well as the nature and complexity degree of its business. Specifically, the total amount of remuneration allocated by the Company to its branches is linked with the realization status of overall benefits by such branches and the Company takes into account various kinds of risk factors so that the branch outlets would strive for risk-adjusted value creation and that long-term performance would be improved. Furthermore, the remuneration paid to employees is linked with the responsibilities and risk degree associated with the employee's post and different kinds of appraisal and performance allocation methods are applied to different types of employees, and the deferment payment of the performance-based remuneration is implemented in accordance with the internal control principles of prudent operations and strengthened constraints with the payment time basically in line with the risk persistency period of the corresponding business. For employees in the risk and compliance departments, their remuneration is determined by taking into account their position value, abilities to perform duties and other factors, and such remuneration is not directly related to the matters under their regulation and remains independent of other business segments.



## INFORMATION ON DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, EMPLOYEES AND INSTITUTIONS

### (VII) EMPLOYEES TRAINING

Based on our operation and development strategy, the Company conducts all-staff training to improve professional capabilities and performance. In addition, it also attaches high importance to the training of key talents and support the innovation and transformation of businesses. It promotes digital transformation of training to enhance the effectiveness and efficiency of training, so as to comprehensively improve management abilities and professional capabilities of our employees, and provide knowledge and talents support for the implementation of our strategy. During the reporting period, the Bank held 965 training programmes in total with 170,460 attendances.

### (VIII) INFORMATION ON INSTITUTIONS

Region	Name of institution	Business address	Tel. No.	Postal code	Number of institution	Number of employees	Asset size (million)
Yangtze River Delta region	Head office	No. 1788, Hongning Road, Xiaoshan District, Hangzhou, Zhejiang	95527	310006	1	2,805	
	Small Enterprise Credit Center	No. 288, Qingchun Road, Hangzhou	0571-87659510	310006	1	45	
	Shanghai Branch	No. 567, Weihai Road, Shanghai	021-61333333	200041	11	560	86,584
	Nanjing Branch	No.9, Zhongshan North Road, Gulou District, Nanjing	025-86823636	210008	23	962	112,314
	Suzhou Branch	Yueliangwan International Business Center, No. 9, Cuiwei Street, Industrial Park Zone, Suzhou	0512-62995527	215123	10	415	60,464
	Hefei Branch	Block A16, Financial Harbour Centre at the junction of Huizhou Avenue and Yangtze River Road, Baohe District, Hefei	0551-65722016	230611	1	171	19,757
	Hangzhou Branch	1/F, 7-22/F, Block D, Zhujin Building, No.1 Minxin Road, Jianggan District, Hangzhou, Zhejiang	0571-87330733	310020	49	2,067	252,099
	Ningbo Branch	No. 128, Wenkang Road, No. 555, Yangfan Road, Gaoxin District, Ningbo	0574-81855678	315000	15	582	59,448
	Wenzhou Branch	Northwest of Land Plot 17-05, Binjiang CBD, Lucheng District, Wenzhou, Zhejiang	0577-88079900	325000	11	446	46,929
	Shaoxing Branch	No. 1418, Jinkeqiao Avenue, Keqiao District, Shaoxing	0575-81166006	312030	9	421	43,281
	Jinhua Branch	1/F, 2/F, 10/F, Jiafu Business Building, No. 358, Binhong East Road, Jinhua	0579-82895527	321000	7	375	34,366
	Zhoushan Branch	No. 88, Lvdao Road, Qiandao Streets, Dinghai District, Zhoushan, Zhejiang	0580-2260302	316021	2	93	6,598

## INFORMATION ON DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, EMPLOYEES AND INSTITUTIONS

Region	Name of institution	Business address	Tel. No.	Postal code	Number of institution	Number of employees	Asset size (million)
Bohai Rim region	Beijing Branch	Jia 1-1, Jinrong Main Street, Xicheng District, Beijing	010-88006088	100033	17	838	182,444
	Tianjin Branch	No. 37, Youyi North Road, Hexi District, Tianjin	022-23271379	300204	12	508	42,047
	Shenyang Branch	No. 467, Shifu Road, Shenhe District, Shenyang	024-31259003	110000	7	295	20,891
	Jinan Branch	No. 801, Caoshanling South Road, Lixia District, Jinan, Shandong	0531-59669515	250101	14	760	75,835
Pearl River Delta region	Guangzhou Branch	No. 921, Guangzhou South Avenue, Haizhu District, Guangzhou	020-89299999	510220	7	501	75,162
	Shenzhen Branch	(1-4/F, 6/F) Lianhezongbu Building, High-tech District, Xuefu Road, Nanshan Street, Nanshan District, Shenzhen	0755-82760666	518057	11	513	70,840
Midwestern China region	Hohhot Branch	Zheshang Bank Building, No. 8, Chilechuan Street, Saihan District, Hohhot	0471-6993000	010098	1	76	9,059
	Nanchang Branch	1-2/F, 14-20/F, Block 35, Alph X, No. 1, Xuefu Road, Honggutan New District, Nanchang, Jiangxi	0791-88250606	330038	1	100	14,424
	Zhengzhou Branch	No. 2 Shangwu Waihuan Road, Zhengdong New District, Zhengzhou, Henan	0371-66277306	450018	2	237	23,268
	Changsha Branch	Unit 118-129, 1/F, Block 6, Unit 215-219, 2/F, Block 6 and 22-23/F, Block 1, Huachuang International Plaza, No. 109 Furong Middle Road Part 1, Kaifu District, Changsha, Hunan	0731-82987566	410005	1	161	16,419
	Wuhan Branch	International Financial Center, No. 296, Xinhua Road, Jianghan District, Wuhan, Hubei	027-85331510	430022	3	270	20,306
	Chongqing Branch	Block A, No. 1, Xingguang Avenue, Gaoxin Park, New North Zone, Chongqing	023-88280888	401121	9	435	70,094
	Chengdu Branch	Building 1, Jinjiang Spring, No. 299, Yong'an Road, Jinjiang District, Chengdu	028-85579955	610023	14	477	53,092
	Guiyang Branch	No. 88, Yan'an Road Central, Yunyan District, Guiyang	0851-85861088	550000	1	91	7,585
	Xi'an Branch	Building 3, Taihua Jinmao Guoji, No. 16, Fenghui South Road, Yanta District, Xi'an	029-61833333	710075	11	523	48,992
	Lanzhou Branch	No. 1888, Nanchang Road, Chengguan District, Lanzhou	0931-8172110	730030	9	425	33,211
Overseas Institution Subsidiary	Hong Kong Branch	15/F, Three Exchange Square, No. 8 Connaught Place, Central, Hong Kong	0852-28018282	999077	1	64	25,301
	Zheyin Financial Leasing	5/F, Block D, Zhujin Building, No.1 Minxin Road, Jiangan District, Hangzhou, Zhejiang	0571-87560880	310020	1	115	29,637
<b>Total</b>	-	-	-	-	<b>262</b>	<b>15,331</b>	<b>-</b>

## SIGNIFICANT EVENTS

### (I) PURCHASE AND SALE AND REDEMPTION OF SECURITIES

During the reporting period, the Company and its subsidiary did not purchase, sell or redeem any of the Company's listed securities.

### (II) USAGE OF PROCEEDS RAISED

The use of proceeds of the Company was consistent with such usages as committed in the Prospectus of the Company.

### (III) MATERIAL LITIGATIONS AND ARBITRATIONS

The Company was involved in certain legal litigations/arbitrations in the ordinary course of business, most of which were filed by the Company itself for the purpose of recovering non-performing loans. The above litigations/arbitrations also include those arising as a result of other disputes. For the relevant information on the case involving disputes of guarantee contracts between the Company and Yiwu Shimao Center Development Co., Ltd. (義烏世貿中心發展有限公司), Zhejiang Xinguang Building Material Decoration Mall Development Co., Ltd. (浙江新光建材裝飾城開發有限公司), Xinguang Yuancheng Co., Ltd. (新光圓成股份有限公司), Zhejiang Chuangdao Investment Management Co., Ltd. (浙江創道投資管理有限公司), Nanjing Jiangong Industrial Group Co., Ltd. (南京建工產業集團有限公司), Nanjing Jiangong Group Co., Ltd. (南京建工集團有限公司), Yu Yunxin (虞雲新), Zhou Xiaoguang (周曉光), Yu Jiangbo (虞江波), Yu Tianyi (俞恬伊) and Ji Changqun (季昌群), please refer to the Announcement of China Zheshang Bank Co., Ltd. on the Litigation 《浙商銀行股份有限公司關於訴訟事項的公告》 (Number: 2020-012) and the Announcement of China Zheshang Bank Co., Ltd. on Update to the Litigation 《浙商銀行股份有限公司關於訴訟事項進展的公告》 (Number:2020-020) issued by the Company on the website of the Shanghai Stock Exchange (www.sse.com.cn). For the relevant information on the case involving disputes of guarantee contracts between the Company and PKU Capital Operation Co., Ltd. (北大資產經營有限公司) and PKU Resources Group Co., Ltd. (北大資源集團有限公司), please refer to the Announcement of China Zheshang Bank Co., Ltd. on the Litigation 《浙商銀行股份有限公司關於訴訟事項的公告》 (Number: 2020-023) and the Announcement of China Zheshang Bank Co., Ltd. on Update to the Litigation 《浙商銀行股份有限公司關於訴訟事項進展的公告》 (Number:2020-032) issued by the Company on the website of the Shanghai Stock Exchange (www.sse.com.cn).

As of the end of the reporting period, there were totally 25 pending litigations/arbitrations (excluding cases involving enforcement opposition) where the Company was a defendant, and the total value of these 25 litigations/arbitrations was RMB89.0348 million. The Company expects that such pending litigations/arbitrations will not have a material adverse impact on the Company's business, financial position or operating results.

### (IV) MATERIAL CONNECTED TRANSACTIONS/RELATED PARTY TRANSACTIONS

#### 1. Connected Transactions (Related Party Transactions) Related to Daily Operations

The Company carried out the connected transactions in accordance with requirements of regulatory authorities at home and abroad, including the Administrative Measures for the Connected Transactions between the Commercial Banks and their Insiders or Shareholders (《商業銀行與內部人和股東關聯交易管理辦法》), the Interim Measures for the Shareholding Management of Commercial Banks (《商業銀行股權管理暫行辦法》), the Rules Governing the Listing of Stocks on Shanghai Stock Exchange (《上海證券交易所股票上市規則》), the Guidelines of the Shanghai Stock Exchange on Affiliated Transactions of Listed Companies (《上海證券交易所上市公司關聯交易實施指引》) and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (《香港聯合交易所有限公司證券上市規則》). The connected transactions were conducted on normal commercial terms. The terms of transactions were fair and reasonable and in the benefits of the Company and the shareholders as a whole.

## SIGNIFICANT EVENTS

During the reporting period, the Company considered and approved the Resolution on Estimated Annual Caps for Connected Transactions of China Zheshang Bank Co., Ltd. in 2020 (《關於浙商銀行股份有限公司2020年度日常關聯交易預計額度的議案》) at the 2019 annual general meeting held on June 16, 2020.

During the reporting period, the actual utilization of the Company's connected transactions was set out below:

No.	Related Party	Proposed Annual Caps for Connected Transactions in 2020	Contemplated Business/ Transaction in 2020	As of June 30, 2020
1	Zhejiang Provincial Financial Holdings Co., Ltd. and its associates	RMB1.6 billion	Purchase of wealth management products of the Company	Inactive
2	Caitong Securities Co., Ltd. and its associates	RMB10 billion	Comprehensive credit granting business, investment and financing business, derivatives business, etc.	Balance: Nil
		RMB5,625,000	Entrusted asset management business, etc.	Total expenses: RMB2,467,200
		RMB11 million	Asset custody business, sales agent business, etc.	Total commission income: RMB1,523,000
3	Zhejiang Provincial Energy Group Company Ltd. and its associates	RMB10.3 billion	Comprehensive credit granting business, investment and financing business, derivatives business, etc.	Credit balance: RMB234 million
4	Zheshang Property and Casualty Insurance Company Limited	RMB1.5 billion	Investment and financing business, derivatives business, etc.	Balance: Nil
		RMB700,000	Sales agent business, etc.	Total commission income: RMB546,600
		RMB844,800	Property leasing	Rental income for the first half of the year: RMB422,400
5	Orient Securities Co., Ltd.	RMB6.5 billion	Investment and financing business, derivatives business, etc.	Fair value of derivatives business: RMB-8,355,400

## SIGNIFICANT EVENTS

No.	Related Party	Proposed Annual Caps for Connected Transactions in 2020	Contemplated Business/ Transaction in 2020	As of June 30, 2020
6	Zhejiang Hengyi Group Co., Ltd. and its associates	RMB6.3 billion	Comprehensive credit granting business, investment and financing business, derivatives business, etc.	Credit balance: RMB3.587 billion
		RMB1.5 million	Bonds underwriting business, etc.	Inactive
7	Hengdian Group Holdings Limited and its associates	RMB3.92 billion	Comprehensive credit granting business, investment and financing business, derivatives business, etc.	Credit balance: RMB173 million
8	Nanhua Futures Co., Ltd	RMB10 million	Entrusted asset management business, etc.	Inactive
		RMB3 million	Asset custody business, etc.	Inactive
		RMB500 million	Investment and financing business, derivatives business, etc.	Balance: Nil
9	Zhejiang Provincial Seaport Investment & Operation Group Co., Ltd. and its associates	RMB4 billion	Investment and financing business, derivatives business, etc.	Balance: Nil
10	Guangsha Holding Group Co., Ltd. and its associates	RMB3.135 billion	Comprehensive credit granting business	Balance: RMB1.15 billion
11	Shaoxing City Keqiao District State-owned Assets Investment and Operation Co., Ltd. and its associates	RMB6.3 billion	Comprehensive credit granting business, investment and financing business, derivatives business, etc.	Credit balance: RMB400 million
		RMB1.25 million	Bonds underwriting business, etc.	Inactive
12	Minsheng Life Insurance Company Ltd.	RMB1 billion	Investment and financing business, derivatives business, etc.	Balance: Nil
		RMB1 million	Sales agent business, etc.	Total commission income: RMB4,100



## SIGNIFICANT EVENTS

No.	Related Party	Proposed Annual Caps for Connected Transactions in 2020	Contemplated Business/ Transaction in 2020	As of June 30, 2020
13	Minsheng Tonghui Asset Management Co., Ltd.	RMB1 billion	Investment and financing business, derivatives business, etc.	Balance: Nil
14	Zhejiang RIFA Holding Group Co., Ltd. and its associates	RMB1.925 billion	Comprehensive credit granting business	Credit balance: RMB770 million
15	Zhejiang Yongli Industry Group Co., Ltd. and its associates	RMB3.9 billion	Comprehensive credit granting business	Credit balance: RMB2.889 billion
		RMB3,832,500	Property leasing	Rental expense for the first half of the year: RMB1,916,200
16	Sinatay Life Insurance Co., Ltd.	RMB2 billion	Investment and financing business, derivatives business, etc.	Balance: Nil
17	Zhejiang Shaoxing Ruifeng Rural Commercial Bank Co., Ltd.	RMB5 billion	Comprehensive credit granting business, investment and financing business, derivatives business, etc.	Balance: Nil
18	Ningbo Commerce Bank Company Limited	RMB6 billion	Comprehensive credit granting business, investment and financing business, derivatives business, etc.	Balance: Nil
19	Zhejiang Agricultural Materials Group Co., Ltd.	RMB1.22 billion	Comprehensive credit granting business, investment and financing business, derivatives business, etc.	Balance: Nil
20	Connected natural persons	No more than RMB38 million for each account and RMB800 million for total credit line	Personal loans, credit card business, etc.	Credit balance: RMB211 million

During the reporting period, all the connected transactions of the Bank have been disclosed as required, the relevant announcements of which are available on the designated newspapers and websites.

## SIGNIFICANT EVENTS

During the reporting period, the Company provided commercial banking services and products in our ordinary and usual course of business to the public in the PRC, which included our connected persons. These transactions were entered into on normal commercial terms (or on better terms to the Company) in the ordinary and usual course of our business, and thus were fully exempt from all disclosure, annual review and Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

The Company also enters into certain non-banking transactions (such as leasing arrangements) with our connected persons and/or their respective associates from time to time in our ordinary and usual course of business on normal commercial terms (or on better terms to us). Such transactions constitute de minimis transactions under Chapter 14A of the Hong Kong Listing Rules and are fully exempted from all disclosure, annual review and Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

Details of related party transactions entered into by the Company for the half year ended June 30, 2020 are set out in "Notes to Condensed Interim Financial Report – Related Party Relationship and Transactions".

Saved as disclosed above, no related party transactions set out in "Notes to Condensed Interim Financial Report – Related Party Relationship and Transactions" fall within the definition of "connected transactions" or "continuing connected transactions" under Chapter 14A of the Hong Kong Listing Rules and the Company confirms that it has complied with the disclosure requirements under Chapter 14A of the Hong Kong Listing Rules.

### 2. Connected Transactions in Acquisition and Disposal of Assets or Equity

During the reporting period, the Company hasn't conducted connected transactions involving the acquisition and disposal of assets or equity.

### 3. Connected Transactions in relation to Joint External Investment

During the reporting period, the Company hasn't conducted connected transactions in relation to joint external investment.

### 4. Connected Creditor's Rights and Liabilities

During the reporting period, the Company hasn't had any non-operational connected creditor's rights and liabilities.

## (V) MATERIAL CONTRACTS AND THEIR PERFORMANCE

### 1. Material custody, contracting and leasing

During the reporting period, none of the material contracts signed by the Company involved custody, contracting or leasing any assets of other companies or vice versa which fell outside the normal business scope of a bank.

### 2. Significant guarantees

Guarantee business is an ordinary business of the Company. During the reporting period, save for the financial guarantee business carried out by the Company within the business scope approved by the PBOC and the CBIRC, there were no other significant guarantees that shall be disclosed.

## SIGNIFICANT EVENTS

### (VI) MATERIAL PURCHASE, SALE OR DISPOSAL OF ASSETS AND CORPORATE MERGERS

The Company did not have any material purchase, sale or disposal of assets, or corporate mergers during the reporting period.

### (VII) STOCK INCENTIVE PLAN

The Company did not implement any stock incentive plan during the reporting period.

### (VIII) EMPLOYEE STOCK OWNERSHIP SCHEME

The Company did not implement an employee stock ownership scheme during the reporting period.

### (IX) INTERESTS AND SHORT POSITIONS OF THE DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES UNDER HONG KONG LAWS AND REGULATIONS

As at June 30, 2020, the interests and short positions of the Directors, Supervisors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (as defined in the SFO), which are required to be notified to the Company and Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, including the interests and short positions which the Directors, Supervisors and chief executives of the Company are taken or deemed to have under such provisions of the SFO, or which are required to be and are recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO or as otherwise required to be notified to the Company and Hong Kong Stock Exchange pursuant to the Model Code set out in Appendix 10 to the Hong Kong Listing Rules, were as follows:

Name	Position	Class of shares	Long/short position	Capacity	No. of shares (shares)	Percentage of the relevant class of shares in issue (%)	Percentage of the total issued ordinary shares (%)
Shen Renkang (沈仁康)	Chairman, Executive Director	A Share	Long position	Beneficial Owner	30,000	0.00018	0.00014
Xu Renyan (徐仁艷)	Executive Director, President	A Share	Long position	Beneficial Owner	111,800	0.00067	0.00053
Yu Jianqiang (于建強)	Shareholder Representative Supervisor, Chairman of the Board of Supervisors	A Share	Long position	Beneficial Owner	110,000	0.00066	0.00052
Zhang Luyun (張魯芸)	Former Executive Director	A Share	Long position	Beneficial Owner	27,000	0.00016	0.00013

Note: Ms. Zhang Luyun resigned as an executive Director of the Company due to work commitments, with effect from June 12, 2020.

## SIGNIFICANT EVENTS

### (X) DISCIPLINARY ACTIONS IMPOSED ON THE COMPANY OR ITS DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND SHAREHOLDERS HOLDING 5% OR MORE SHARES IN THE COMPANY

No significant administrative penalty was imposed and no notice of criticism was circulated by any regulatory authority upon the Company or the Board of Directors and the Directors, the Board of Supervisors, the Supervisors and senior management of the Company and Shareholders holding 5% or more shares during the reporting period.

### (XI) PERFORMANCE OF THE UNDERTAKINGS

Background of undertakings	Type of undertakings	Undertaking entities	Undertakings	Time and period of undertakings	Any period for performance	Whether timely and strictly performed
Undertakings in relation to the initial public offering	Shares subject to trading moratorium	Zhejiang Provincial Financial Holdings Co., Ltd., Traveller Automobile Group Co., Ltd., Zhejiang Hengyi Group Co., Ltd. and its related parties Zhejiang Hengyi High-tech Material Co., Ltd. and Zhejiang Hengyi Petrochemical Co., Ltd., Hengdian Group Holdings Limited, Guangsha Holding Group Co., Ltd. and its related parties Zhejiang Dongyang Third Construction Co., Ltd. and Zhejiang Guangsha Co., Ltd., Zhejiang Provincial Energy Group Co., Ltd., Tong Lian Capital Management Co., Ltd., Xizi Elevator Group Co, Ltd., Shanghai Xizi United Investment Co., Ltd., Hangzhou Minsheng Pharmaceutical Holding Group Co., Ltd. (杭州民生醫藥控股集團有限公司) (9,460,000 Domestic Shares), Zhuji Hongyi Electronic Science and Technology Co., Ltd. (諸暨宏億電子科技有限公司), Zhejiang Huasheng Logistics Co., Ltd. (浙江華升物流有限公司)	Within 36 months from the date on which the A Shares of the Bank are listed and traded on the stock exchange, they will not transfer or entrust others to manage the Domestic Shares of the Bank that are directly or indirectly held by them before the issuance, nor sell the above shares back to the Bank.	November 26, 2019 to November 25, 2022	Yes	Yes
Undertakings in relation to the initial public offering	Shares subject to trading moratorium	Minsheng Life Insurance Company Ltd., Zhejiang China Light & Textile Industrial City Group Co., Ltd., Shaoxing City Kejiao District Development and Operation Co., Ltd., Lizi Industrial Group Co., Ltd., Zhuji Lizi Automobile Transportation Co., Ltd., Nice Group Co., Ltd., Zhejiang Yongli Industry Group Co., Ltd., Zhejiang RIFA Holding Group Co., Ltd., Jinggong Group Co., Ltd., Zhejiang Huatong Holding Group Co., Ltd., Zhejiang Jingfa Industry Group Co., Ltd., Hangzhou Huiying Investment Management Co., Ltd. (杭州匯映投資管理有限公司), Zhejiang Xin'ao Industry Co., Ltd., Hangzhou Minsheng Pharmaceutical Holding Group Co., Ltd. (8,310,000 Domestic Shares), Xihu Sub-branch of Hangzhou United Rural Commercial Bank Co. Ltd.	Within 12 months from the date on which the A Shares of the Bank are listed and traded on the stock exchange, they will not transfer or entrust others to manage the Domestic Shares of the Bank that are directly or indirectly held by them before the issuance, nor sell the above shares back to the Bank.	November 26, 2019 to November 25, 2020	Yes	Yes

## SIGNIFICANT EVENTS

Background of undertakings	Type of undertakings	Undertaking entities	Undertakings	Time and period of undertakings	Any period for performance	Whether timely and strictly performed
Undertakings in relation to the initial public offering	Shares subject to trading moratorium	The Directors, Supervisors, and senior management of the Company shall perform their obligations for stabilizing share price with the amount invested for purchasing Shares not less than 15% of their remuneration after tax received from the Company for the previous year	The shares will not be sold within 6 month after the completion of purchasing	January 18, 2020 to July 17, 2020	Yes	Yes
Other undertakings	Shares subject to trading moratorium	The senior management of the Company shall purchase A Shares of the Company at their wish with an amount of not less than RMB12 million	The shares are subject to lock-up for three years when the purchasing is completed	The purchasing of shares is in process under schedule	Yes	Yes

Note: Hangzhou Minsheng Pharmaceutical Holding Group Co., Ltd. held 8,310,000 Domestic Shares of the Bank due to judicial transfer before the application of the Bank's A Shares, and held additional 9,460,000 Domestic Shares of the Bank due to judicial transfer after the application of the Bank's A Shares.

## (XII) SOCIAL RESPONSIBILITY

In the first half of 2020, upholding the philosophy of “from the society and to the society”, CZBank continued to explore the organic combination of the performance of social responsibility and the commercial sustainability, strived to creating the consolidated value of economy, environment, and society, and really assumed the corporate social responsibility.

During the reporting period, the Bank attached high importance to the epidemic prevention and control. The Bank continued to provide premium financial services through various measures, including but not limited to making donations, both monetary and materials against the epidemic, launching “six clauses” to support small and micro enterprises, opening “green channels” of financing for enterprises fighting against the epidemic, and deepening coordination of the epidemic prevention and control. As of the end of June 2020, in order to fight against the epidemic, the Bank provide loan support of RMB61.061 billion and credit support of RMB21.779 billion and made donations with a total amount of RMB26.181 million, both monetary and in kind.

### 1. Poverty Alleviation Work

The year of 2020 is the last year to win the battle against poverty. CZBank continued to further implement the significant decision and deployment of the CPC Central Committee and the State Council on the work that finance should serve the rural revitalization and support poverty alleviation, raised its political awareness, and strengthened the performance of its responsibility. The Bank made full efforts to boost the advancement of financial poverty alleviation through industrial, target-based, educational, and consumption poverty alleviation, further enhancing the breadth, depth, and accuracy of financial poverty alleviation and exploring the construction of CZBank's unique poverty alleviation system.



## SIGNIFICANT EVENTS

During the reporting period, based on platform-oriented thinking, CZBank pushed forward poverty alleviation with an innovative online and normal model. The Bank linked the poverty alleviation capital with the local industry development to drive employment of people in poverty and enhance internal development power among people in poverty, thereby supporting poverty-stricken areas in a sustainable manner. As of the end of June 2020, the targeted poverty alleviation loan balance of the Bank was RMB713 million, representing an increase of RMB113 million over the beginning of the year with a growth rate of 18.83%; agricultural loan balance was RMB157.86 billion; the donation expenses in relation to assistance of underprivileged students and poverty alleviation and other aspects were approximately RMB2.34 million.

First, strengthen industrial poverty alleviation. The Bank made an innovation on the application of platform service model in the agricultural and poverty alleviation areas. It promoted the industry-chain service model covering “bank + leading enterprises + farmer/poverty-stricken family” to provide credit resources to core enterprises in the upstream and downstream of industry chain of farming and agricultural product processing sectors, thereby supporting poverty-stricken areas to cultivate unique industries with advantages and driving poverty-stricken people in the upstream and downstream to increase income and lift them out of poverty. As of the end of June 2020, the targeted industrial poverty alleviation loan balance of the Bank was RMB642 million, representing an increase of RMB142 million over the beginning of the year.

Second, deepen target-based poverty alleviation. The Bank continued to deepen the target-based poverty alleviation work such as coordinative poverty alleviation between the east and the west part of China and the special activity that “thousands of enterprises support thousands of villages for poverty alleviation”. The Bank provided all-round assistance in the industrial vitalization, talent support and other aspects to support the construction of beautiful villages. In particular, during the COVID-19 Epidemic, the Bank adopted various measures such as donating epidemic prevention materials, purchasing unsalable agricultural and sideline products, and propelling work commencement and resumption of projects to help pairing villages to surmount difficulties and carried out practical and effective target-to-target assistance in such a “special period”. As of the end of June 2020, the Bank provided assistant capital with a total amount of RMB15.9938 million.

Third, create unique educational poverty alleviation model. The Bank insisted on the philosophy that poverty alleviation depends on enhancement of education, focusing on assistant program of “one school for one branch”. The Bank carried out “class resumption with fight against epidemic”, “painting new pictures by children” and other activities to support schools for their effective epidemic prevention and orderly class resumption, receiving broad recognition from students and teachers. At present, the Bank establishes assistance relationship with 12 rural schools. It has contributed approximately RMB1.7 million to improve teaching condition and support underprivileged children with more than 4,200 students receiving its assistance.

Fourth, expand channels of consumption poverty alleviation. Leveraging on e-Bank shopping mall (e家銀商城), the Bank has actively facilitated online sales of agricultural and sideline products from poverty-stricken areas. The priority zone in the shopping mall has successively introduced Liangshan Kangli Agriculture (涼山康利農業), Liangshan Shanlitao Agriculture (涼山山裡淘農業), and Gansu Agricultural Venture (甘肅農創) and other poverty alleviation enterprises to online sell boletuses, yak meat and other unique agricultural products from such enterprises, thus helping enterprises and farmers to expand sale channels of their products and increase their income sources.

## SIGNIFICANT EVENTS

### 2. Environment-related Performance and Policies

The Bank further implemented green development concept and insisted to actively boost green finance as its important business, so as to achieve organic unity of commercial sustainability and social ecologic efficiency. During the reporting period, the Bank continued to improve green credit policies and directed credit resources to firstly invest in green environmental protection sectors; it insisted on green operation, striving for promoting “paperless” business process; it encouraged employees to conserve energy and reduce consumption. As of the end of June 2020, the Bank provided facility balance of RMB107.773 billion to green industries such as pollution prevention and control and clean energy, of which green loan balance was RMB70.628 billion.

### (XIII) REVIEW OF THE INTERIM RESULTS

The 2020 interim report of the Company prepared under the China Accounting Standards and the International Financial Reporting Standards has reviewed by KPMG Huazhen LLP and KPMG in accordance with China Standards on Review Engagements and International Standard on Review Engagements, respectively.

The Board of Directors and the audit Committee of the Board of Directors of the Company have reviewed and approved the results and financial report of the Company for the period ended June 30, 2020.

### (XIV) PUBLISHING THE INTERIM REPORT

The English and Chinese version of the interim report prepared by the Company in accordance with the International Financial Reporting Standards and Hong Kong Listing Rules will be available on the website of Hong Kong Stock Exchange and the Company’s website. For any inconsistency between the two versions, the Chinese version shall prevail.

The Chinese version of the semi-annual report prepared by the Company in accordance with the China Accounting Standards and the Rules of CSRC for the Preparation of Semi-annual Reports will be available on the website of Shanghai Stock Exchange and the Company’s website.

# REVIEW REPORT

**To the board of directors of China Zheshang Bank Co., Ltd.**

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

## INTRODUCTION

We have reviewed the condensed consolidated interim financial statements set out on pages 101 to 209, which comprises the condensed consolidated statement of financial position of China Zheshang Bank Co., Ltd. ("the Bank") and its subsidiary ("the Group") as at 30 June 2020, the condensed consolidated statements of other comprehensive income, the condensed consolidated statements of changes in equity and cash flows for the six month period then ended, and explanatory notes. Management is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with International Accounting Standard 34, *Interim Financial Reporting*.

Our responsibility is to form a conclusion, based on our review, on the condensed consolidated interim financial statements and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## SCOPE OF REVIEW

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

## CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that condensed consolidated interim financial statements as at and for the six months ended 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

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2020 (Unaudited)  
(Expressed in millions of RMB unless otherwise stated)

	Note	Six months ended 30 June	
		2020 (Unaudited)	2019 (Unaudited)
Interest income		41,418	38,750
Interest expense		(23,455)	(22,799)
<b>NET INTEREST INCOME</b>	III. 1	17,963	15,951
Fee and commission income		3,214	2,851
Fee and commission expense		(251)	(284)
<b>NET FEE AND COMMISSION INCOME</b>	III. 2	2,963	2,567
Net trading gains	III. 3	2,355	3,080
Net gains on financial investments	III. 4	1,665	767
Other operating income	III. 5	235	208
<b>OPERATING INCOME</b>		25,181	22,573
Operating expenses	III. 6	(6,243)	(6,064)
Impairment losses	III. 7	(11,033)	(7,765)
<b>PROFIT BEFORE TAXATION</b>		7,905	8,744
Income tax expense	III. 8	(993)	(1,120)
<b>PROFIT FOR THE PERIOD</b>		6,912	7,624
Attributable to:			
Shareholders of the Bank		6,775	7,528
Non-controlling interests		137	96

The notes on pages 110 to 209 form part of these condensed consolidated interim financial statements.

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2020 (Unaudited)  
(Expressed in millions of RMB unless otherwise stated)

	Note	Six months ended 30 June	
		2020 (Unaudited)	2019 (Unaudited)
<b>Items that may be reclassified to profit or loss:</b>	III. 37		
Fair value changes on financial assets at fair value through other comprehensive income		(981)	(92)
Impairment losses of financial assets at fair value through other comprehensive income		634	(172)
Exchange difference from the translation of foreign operations		365	159
<b>Other comprehensive income, net of tax</b>		18	(105)
<b>Total comprehensive income</b>		6,930	7,519
<b>Attributable to:</b>			
Shareholders of the Bank		6,793	7,423
Non-controlling interests		137	96
<b>Basic and diluted earnings per share attributable to the shareholders of the Bank:</b>			
Basic earnings per share (RMB yuan/share)		0.27	0.36
Diluted earnings per share (RMB yuan/share)		0.27	0.36

The notes on pages 110 to 209 form part of these condensed consolidated interim financial statements.



## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020 (Unaudited)  
(Expressed in millions of RMB unless otherwise stated)

	Note	30 June 2020 (Unaudited)	31 December 2019 (Audited)
<b>ASSETS</b>			
Cash and balances with central bank	III. 10	154,124	131,029
Precious metals		7,866	21,251
Deposits with banks and other financial institutions	III. 11	27,008	17,725
Placements with banks and other financial institutions	III. 12	3,669	9,184
Derivative financial assets	III. 13	15,135	13,892
Financial assets purchased under resale agreements	III. 14	18,433	28,950
Loans and advances to customers	III. 15	1,097,410	998,933
Financial investments	III. 16		
– Financial investments measured at fair value through profit or loss		133,412	129,266
– Financial investments measured at amortized cost		374,858	305,160
– Financial investments measured at fair value through other comprehensive income		93,500	83,612
Fixed assets	III. 18	13,226	12,673
Right-of-use assets	III. 19	4,898	5,081
Intangible assets	III. 20	266	268
Deferred income tax assets	III. 21	13,159	11,831
Other assets	III. 22	33,642	31,931
<b>TOTAL ASSETS</b>		<b>1,990,606</b>	<b>1,800,786</b>
<b>LIABILITIES</b>			
Due to central bank		76,568	94,065
Deposits from banks and other financial institutions	III. 24	88,723	132,950
Placements from banks and other financial institutions	III. 25	38,755	33,853
Financial liabilities at fair value through profit or loss	III. 26	21,851	15,143
Derivative financial liabilities	III. 13	15,979	14,911
Financial assets sold under purchase agreements	III. 27	34,604	6,002
Customer deposits	III. 28	1,354,290	1,143,741
Employee benefits payable	III. 29	4,313	4,439
Tax payable	III. 30	3,697	4,669
Provision	III. 31	5,692	5,544
Lease liabilities		3,018	3,108
Debt securities issued	III. 32	198,502	206,241
Other liabilities	III. 33	15,693	8,093
<b>TOTAL LIABILITIES</b>		<b>1,861,685</b>	<b>1,672,759</b>

The notes on pages 110 to 209 form part of these condensed consolidated interim financial statements.

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020 (Unaudited)  
(Expressed in millions of RMB unless otherwise stated)

	Note	30 June 2020 (Unaudited)	31 December 2019 (Audited)
<b>EQUITY</b>			
Share capital	III. 34	21,269	21,269
Other equity instruments	III. 35	14,958	14,958
Capital reserve	III. 36	32,018	32,018
Other comprehensive income	III. 37	2,286	2,268
Surplus reserve	III. 38	7,294	7,294
Statutory general reserve	III. 39	21,013	19,454
Retained earnings		28,165	28,985
Equity attributable to shareholders of the Bank		127,003	126,246
Non-controlling interests		1,918	1,781
<b>TOTAL EQUITY</b>		<b>128,921</b>	<b>128,027</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>1,990,606</b>	<b>1,800,786</b>

The condensed consolidated interim financial statements were approved by the board of directors on 28 August 2020:

**Shen Renkang**  
*Chairman*

**Xu Renyan**  
*President*

**Liu Long**  
*Vice President*

**Jing Feng**  
*Chief Finance Officer*

The notes on pages 110 to 209 form part of these condensed consolidated interim financial statements.

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020 (Unaudited)  
(Expressed in millions of RMB unless otherwise stated)

	Note	Attributable to shareholders of the Bank						Subtotal	Non-Controlling interests	Total	
		Share capital	Other equity instruments	Capital reserve	Other comprehensive income	Surplus reserve	Statutory general reserve				Retained earnings
<b>Balance as at 1 January 2020</b>		21,269	14,958	32,018	2,268	7,294	19,454	28,985	126,246	1,781	128,027
<b>Changes in equity for the period</b>											
1. Total comprehensive income		-	-	-	18	-	-	6,775	6,793	137	6,930
2. Appropriation of profits											
- Appropriation to statutory general reserve	III. 39	-	-	-	-	-	1,559	(1,559)	-	-	-
- Distributions to ordinary shareholders	III. 40	-	-	-	-	-	-	(5,104)	(5,104)	-	(5,104)
- Distributions to preference shareholders	III. 40	-	-	-	-	-	-	(932)	(932)	-	(932)
<b>Balance as at 30 June 2020</b>		21,269	14,958	32,018	2,286	7,294	21,013	28,165	127,003	1,918	128,921

The notes on pages 110 to 209 form part of these condensed consolidated interim financial statements.

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020 (Unaudited)  
(Expressed in millions of RMB unless otherwise stated)

	Note	Attributable to shareholders of the Bank							Subtotal	Non-Controlling interests	Total
		Share capital	Other equity instruments	Capital reserve	Other comprehensive income	Surplus reserve	Statutory general reserve	Retained earnings			
Balance as at 1 January 2019		18,719	14,958	22,130	1,389	6,025	18,462	19,203	100,886	1,563	102,449
Changes in equity for the period											
1. Total comprehensive income		-	-	-	(105)	-	-	7,528	7,423	96	7,519
2. Appropriation of profits											
- Appropriation to statutory general reserve	III. 39	-	-	-	-	-	992	(992)	-	-	-
- Distributions to preference shareholders	III. 40	-	-	-	-	-	-	(881)	(881)	-	(881)
Balance as at 30 June 2019		18,719	14,958	22,130	1,284	6,025	19,454	24,858	107,428	1,659	109,087

The notes on pages 110 to 209 form part of these condensed consolidated interim financial statements.

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020 (Unaudited)  
(Expressed in millions of RMB unless otherwise stated)

	Note	Attributable to equity holders of the Bank							Subtotal	Non-Controlling interests	Total
		Share capital	Other equity instruments	Capital reserve	Other comprehensive income	Surplus reserve	Statutory general reserve	Retained earnings			
<b>Balance as at 1 January 2019</b>		18,719	14,958	22,130	1,389	6,025	18,462	19,203	100,886	1,563	102,449
Changes in equity for the year											
1. Total comprehensive income		-	-	-	879	-	-	12,924	13,803	218	14,021
2. Increase in capital											
- Contribution of shareholders	III. 34	2,550	-	9,888	-	-	-	-	12,438	-	12,438
3. Appropriation of profits											
- Appropriation to surplus reserve	III. 38	-	-	-	-	1,269	-	(1,269)	-	-	-
- Appropriation to statutory general reserve	III. 39	-	-	-	-	-	992	(992)	-	-	-
- Distributions to preference shareholders	III. 40	-	-	-	-	-	-	(881)	(881)	-	(881)
<b>Balance as at 31 December 2019</b>		21,269	14,958	32,018	2,268	7,294	19,454	28,985	126,246	1,781	128,027

The notes on pages 110 to 209 form part of these condensed consolidated interim financial statements.



## CONDENSED CONSOLIDATED CASH FLOWS STATEMENT

For the six months ended 30 June 2020 (Unaudited)  
(Expressed in millions of RMB unless otherwise stated)

	For six months ended 30 June	
	2020 (Unaudited)	2019 (Unaudited)
<b>Cash flows from operating activities:</b>		
Profit before taxation	7,905	8,744
Adjustments for:		
– Impairment losses	11,033	7,765
– Depreciation and amortization	778	654
– Interest income from financial investments	(7,621)	(9,660)
– Net investment income	(4,186)	(2,690)
– Net losses from changes in fair value	1,390	425
– Net foreign exchange gain	(155)	(445)
– Net losses on disposal of fixed assets	1	–
– Interest expense on debt securities issued	3,173	4,497
– Interest expense on lease liabilities	70	75
– Increase of deferred income tax assets	(1,212)	(1,515)
Net change in operating assets and operating liabilities:		
Net (increase)/decrease in balances with central bank	(16,192)	746
Net decrease/(increase) in deposits with banks and other financial institutions	1,071	(3,715)
Net (increase)/decrease in placements with banks and other financial institutions	(1,611)	2,511
Net decrease/(increase) in financial assets purchased under resale agreements	28,941	(15,783)
Net increase in loans and advances to customers	(103,203)	(68,945)
Net decrease in financial assets held for trading	1,605	5,696
Net decrease/(increase) in other operating assets	14,386	(6,923)
Net (decrease)/increase in due to central bank	(17,276)	30,268
Net decrease in deposits from banks and other financial institutions	(43,505)	(23,831)
Net increase in placements from banks and other financial institutions	4,995	980
Net increase/(decrease) in financial assets sold under repurchase agreements	28,600	(5,394)
Net increase in customer deposits	208,217	74,202
Net increase in other operating liabilities	1,756	387
Net cash flows from operating activities before tax	118,960	(1,951)
Income tax paid	(3,422)	(2,183)
Net cash generate from/(used in) operating activities	115,538	(4,134)

The notes on pages 110 to 209 form part of these condensed consolidated interim financial statements.

## CONDENSED CONSOLIDATED CASH FLOWS STATEMENT

For the six months ended 30 June 2020 (Unaudited)  
(Expressed in millions of RMB unless otherwise stated)

	Note	Six months ended 30 June	
		2020 (Unaudited)	2019 (Unaudited)
<b>Cash flows from investing activities:</b>			
Dividends received		–	2
Proceeds from disposal of fixed assets		12	1
Purchases of fixed assets, intangible assets and other long-term assets		(1,006)	(1,283)
Proceeds from interest and sale of financial investments		10,831	15,065
Proceeds from redemption of financial investments		814,026	1,752,720
Purchases of financial investments		(898,886)	(1,753,070)
Net cash (used in)/generated from investing activities		(75,023)	13,435
<b>Cash flows from financing activities:</b>			
Proceeds from issuance of debt securities		94,531	150,610
Cash paid for repayment of debt securities		(102,038)	(148,600)
Interest paid on debt securities issued		(3,406)	(4,331)
Cash paid for dividend distribution		(932)	(881)
Payment of lease liabilities		(318)	(194)
Net cash used in financing activities		(12,163)	(3,396)
Effect of exchange rate changes on cash and cash equivalents		266	(1)
Net increase in cash and cash equivalents		28,618	5,904
Cash and cash equivalents at beginning of the period	III. 41	46,944	37,639
Cash and cash equivalents at end of the period	III. 41	75,562	43,543
<b>Net cash flows from operating activities include:</b>			
Interest received		33,235	27,681
Interest paid		(18,880)	(16,770)

The notes on pages 110 to 209 form part of these condensed consolidated interim financial statements.

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in million of RMB unless otherwise stated)

## I GENERAL INFORMATION

China Zheshang Bank Co., Ltd. (the “Bank”) is a national joint-stock commercial bank established on the basis of the original Zhejiang Commercial Bank with the approval from the China Banking Regulatory Commission (“CBRC” which was renamed to China Banking and Insurance Regulatory Commission in 2018, hereinafter “CBIRC”) (Yin Jian Fu [2004] No. 91 Document) and Zhejiang Commission of China Banking Regulatory Commission (Zhe Yin Jian Fu [2004] No. 48 Document). The Bank obtained the Finance License (No. B0010H133010001) with the approval from the CBIRC. On 26 July 2004, the Bank completed the change of registration in Zhejiang Administration for Industry and Commerce and obtained the Business License (No. 330000000013295) in Zhejiang Province, the People’s Republic of China (the “PRC”). On 7 November 2016, the Bank obtained the Uniform Social Credit Code (No.91330000761336668H).

The Bank was listed on the Hong Kong Stock Exchange on 30 March 2016 with the stock code of 2016, the Bank was listed on the Shanghai Stock Exchange on 26 November 2019 with the stock code of 601916. As at 30 June 2020, the Bank’s registered capital is RMB21,268,696,778.

As at 30 June 2020, the Bank has established 260 branch outlets in 19 provinces (municipalities) and Hong Kong in China, including 63 branches (27 of them are tier-one branches), one branch-level specialized institution and 196 sub-branches. The principal activities of the Bank include corporate and personal deposits, loans and advances, clearing and settlement service, treasury business, and other banking service as approved by the CBIRC.

Zhejiang Zheyin Financial Leasing Co., Ltd. (“Zheyin Leasing”) was established on 18 January 2017 with a registered capital of RMB3 billion. Since the Bank has control over Zheyin Leasing, the Bank has included it in the consolidated scope of the report. The Bank and its subsidiary, Zheyin Leasing, are collectively referred to as “the Group”.

## II BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated interim financial statements have been prepared on a going concern basis.

The condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard (“IAS”) 34, *Interim Financial Reporting*, and disclosure requirements of the rules governing the listing of securities on the Stock Exchange of Hong Kong Limited. The condensed interim consolidated financial statements should be read in conjunction with the Group’s last annual consolidated financial statements as at and for the year ended 31 December 2019.

The Group has applied the following amendments to IFRSs issued by the the International Accounting Standards Board to these financial statements for the current accounting period:

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

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in million of RMB unless otherwise stated)

### II BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

*(Continued)*

Other than the amendment to IFRS 16, the Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the amended IFRSs are discussed below:

#### **(1) Amendment to IFRS 3, *Definition of a Business***

The amendments clarify the definition of a business and provide further guidance on how to determine whether a transaction represents a business combination. In addition, the amendments introduce an optional “concentration test” that permits a simplified assessment of whether an acquired set of activities and assets is an asset rather than business acquisition, when substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

The group has applied the amendments prospectively to transactions for which the acquisition date is on or after 1 January 2020.

The adoption has no material impact on the financial position and the financial result of the Group.

#### **(2) Amendment to IFRS 16, *Leases Covid-19-Related Rent Concessions***

The amendment provides a practical expedient that allows a lessee to by-pass the need to evaluate whether certain qualifying rent concessions occurring as a direct consequence of the COVID-19 pandemic (“COVID-19-related rent concessions”) are lease modifications and, instead, account for those rent concessions as if they were not lease modifications.

The Group has elected to early adopt the amendments and applies the practical expedient to all qualifying COVID-19-related rent concessions granted to the Group during the interim reporting period. Consequently, rent concessions received have been accounted for as negative variable lease payments recognized in profit or loss in the period in which the event or condition that triggers those payments occurred.

The adoption has no material impact on the financial position and the financial result of the Group.

Except for the above accounting policy amendments, the accounting policies adopted in the preparation of this condensed consolidated interim financial statement are consistent with the Group’s consolidated financial statement for the year ended 31 December 2019.



## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in million of RMB unless otherwise stated)

### III NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

#### 1 NET INTEREST INCOME

	For six months ended 30 June	
	2020	2019
<b>Interest income:</b>		
Loans and advances to customers	31,009	26,251
Financial investments	7,621	9,660
Balances with central bank	944	842
Finance lease receivables	942	856
Deposits and placements with banks and other financial institutions and financial assets purchased under resale agreements	902	1,141
<b>Total</b>	<b>41,418</b>	<b>38,750</b>
<b>Interest expense:</b>		
Customer deposits	(16,369)	(12,373)
Debt securities issued	(3,173)	(4,497)
Deposits and placements from banks and other financial institutions and financial assets sold under repurchase agreements	(2,361)	(4,484)
Due to central bank	(1,482)	(1,370)
Lease liabilities	(70)	(75)
<b>Total</b>	<b>(23,455)</b>	<b>(22,799)</b>
<b>Net interest income</b>	<b>17,963</b>	<b>15,951</b>



## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in million of RMB unless otherwise stated)

### III NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

#### 2 NET FEE AND COMMISSION INCOME

	For six months ended 30 June	
	2020	2019
<b>Fee and commission income:</b>		
Underwriting service	1,411	618
Fees from bank cards	575	573
Credit commitment	401	314
Custodian and other fiduciary service	279	280
Settlement business	213	183
Agency service	119	130
Asset management service	90	490
Others	126	263
Total	3,214	2,851
Fee and commission expense	(251)	(284)
Net fee and commission income	2,963	2,567

#### 3 NET TRADING GAINS

	For six months ended 30 June	
	2020	2019
Financial investments measured at fair value through profit or loss ("FVTPL")	2,363	2,597
Exchange gains and related derivatives	155	445
Precious metals and related derivatives	(85)	138
Other derivatives	(78)	(100)
Total	2,355	3,080

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in million of RMB unless otherwise stated)

### III NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

#### 4 NET GAINS ON FINANCIAL INVESTMENTS

	For six months ended 30 June	
	2020	2019
Net gains arising from financial investments measured at fair value through other comprehensive income ("FVOCI")	1,653	689
Net gains arising from financial investments measured at amortized cost ("AC")	18	64
Dividend income from equity investments designated to be measured at FVOCI	–	2
Other investment (losses)/gains	(6)	12
Total	1,665	767

#### 5 OTHER OPERATING INCOME

	For six months ended 30 June	
	2020	2019
Operating lease income	65	64
Government grants	41	50
Other miscellaneous income	129	94
Total	235	208

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in million of RMB unless otherwise stated)

### III NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

#### 6 OPERATING EXPENSE

	For six months ended 30 June	
	2020	2019
Staff costs (i)	4,139	4,177
General and administrative expenses	920	876
Depreciation and amortization	778	654
Taxes and surcharges	306	241
Rental expenses	32	61
Donations	21	5
Auditors' remuneration	2	2
Others	45	48
Total	6,243	6,064

#### (i) Staff costs

	For six months ended 30 June	
	2020	2019
Salaries and bonuses	3,502	3,349
Other social security and benefit costs	211	219
Housing funds	154	137
Pension costs – defined contribution plans	202	401
Labor union fee and staff education expenses	70	71
Total	4,139	4,177

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in million of RMB unless otherwise stated)

### III NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

#### 7 IMPAIRMENT LOSSES

		For six months ended 30 June	
	Note	2020	2019
Deposits with banks and other financial institutions	III.11	59	273
Placements with banks and other financial institutions	III.12	(29)	104
Loans and advances to customers	III.15		
– measured at AC		5,065	3,917
– measured at FVOCI		636	(56)
Financial investment			
– measured at AC	III.16.2	4,581	3,366
– measured at FVOCI		259	(229)
Finance lease receivables		221	211
Off-balance sheet items		145	180
Others		96	(1)
Total		11,033	7,765

#### 8 INCOME TAX EXPENSE

		For six months ended 30 June	
	Note	2020	2019
Current income tax		2,205	2,635
Deferred income tax	III.21	(1,212)	(1,515)
Total		993	1,120

Current income tax is calculated based on the statutory rate of 25% of the taxable income of the Group in accordance with PRC income tax regulations.

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in million of RMB unless otherwise stated)

### III NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

#### 8 INCOME TAX EXPENSE (Continued)

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

	For six months ended 30 June	
	2020	2019
Profit before taxation	7,905	8,744
Tax calculated at a tax rate of 25%	1,976	2,186
Effects of non-taxable income (i)	(1,090)	(1,078)
Effects of non-deductible expenses (ii)	107	12
Income tax expense	993	1,120

- (i) The non-taxable income mainly represents interest income arising from treasury bonds and municipal government bonds, and dividend income arising from fund investments, which is income tax free in accordance with the PRC tax regulations.
- (ii) The non-deductible expenses mainly include certain expenditures, such as staff costs and so forth, which are not deductible for tax purposes according to PRC tax regulations.

#### 9 BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the net profit for the period attributable to shareholders of the Bank by the weighted average number of ordinary shares outstanding during the period/year. The conversion feature of preference shares is considered to be contingently issuable ordinary shares. The triggering events of the conversion did not occur during the six months ended 30 June 2020, and therefore the conversion feature of preference shares has no effect on the basic and diluted earnings per share calculation.

	For six months ended 30 June	
	2020	2019
Net profit attributable to ordinary shareholders of the Bank (in RMB millions)	5,843	6,647
Weighted average number of ordinary shares in issue (in millions of shares)	21,269	18,719
Basic earnings per share (RMB yuan/share)	0.27	0.36



## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in million of RMB unless otherwise stated)

### III NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

#### 10 CASH AND BALANCES WITH CENTRAL BANK

	Note	30 June 2020	31 December 2019
Cash		535	528
Balances with central bank			
– Mandatory reserve	(1)	124,298	108,184
– Surplus reserve	(2)	29,113	22,219
– Fiscal deposits		119	41
Subtotal		153,530	130,444
Accrued interest		59	57
Total		154,124	131,029

- (1) The Group is required to place mandatory reserve deposits and mandatory reserve for foreign forward exchange with the People's Bank of China (the "PBOC"). As at 30 June 2020, rates for mandatory reserves were as follow:

	30 June 2020	31 December 2019
Mandatory reserve rate for deposits denominated in RMB	9.0%	9.5%
Mandatory reserve rate for deposits denominated in foreign currencies	5.0%	5.0%
Mandatory reserve rate for foreign exchange risk	20.0%	20.0%

- (2) Surplus reserve with the PBOC are mainly for settlement purpose.

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in million of RMB unless otherwise stated)

### III NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

#### 11 DEPOSITS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

*Analyzed by type and location of counterparties*

	30 June 2020	31 December 2019
In mainland China		
– Banks	18,716	12,104
– Other financial institutions	2,378	2,970
Outside mainland China		
– Banks	5,994	2,615
– Other financial institutions	18	58
Accrued interest	15	32
Total	27,121	17,779
Less: Allowance for impairment losses (Note III. 23)	(113)	(54)
Carrying amount	27,008	17,725

#### 12 PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

*Analyzed by type and location of counterparties*

	30 June 2020	31 December 2019
In mainland China		
– Banks	2,122	8,131
– Other financial institutions	270	650
Outside mainland China		
– Banks	1,273	418
Accrued interest	7	17
Total	3,672	9,216
Less: Allowance for impairment losses (Note III. 23)	(3)	(32)
Carrying amount	3,669	9,184

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in million of RMB unless otherwise stated)

### III NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

#### 13 DERIVATIVE FINANCIAL INSTRUMENTS

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

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 future 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 derivative financial instruments held by the Group are listed below:

#### *As at 30 June 2020*

	Notional amount	Fair value	
		Asset	Liability
Swap contracts	2,321,885	14,454	(15,434)
Option contracts	81,791	468	(303)
Forward contracts	8,105	213	(242)
Total	2,411,781	15,135	(15,979)

#### *As at 31 December 2019*

	Notional amount	Fair value	
		Asset	Liability
Swap contracts	2,028,550	13,353	(14,313)
Option contracts	95,789	491	(429)
Forward contracts	4,573	48	(169)
Total	2,128,912	13,892	(14,911)

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in million of RMB unless otherwise stated)

### III NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

#### 14 FINANCIAL ASSETS PURCHASED UNDER RESALE AGREEMENTS

*(1) Analyzed by type and location of counterparties*

	<b>30 June 2020</b>	<b>31 December 2019</b>
In mainland China		
– Other financial institutions	18,432	16,076
– Banks	–	12,865
Accrued interest	1	9
Total	18,433	28,950
Less: Allowance for impairment losses	–	–
Carrying amount	18,433	28,950

*(2) Analyzed by type of collateral*

	<b>30 June 2020</b>	<b>31 December 2019</b>
Bills	11,117	2,238
Bonds		
– Financial bonds	4,727	16,665
– Government bonds	1,211	10,038
– Interbank certificates of deposit	377	–
– Other bonds	1,000	–
Accrued interest	1	9
Total	18,433	28,950
Less: Allowance for impairment losses	–	–
Carrying amount	18,433	28,950

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in million of RMB unless otherwise stated)

### III NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

#### 15 LOANS AND ADVANCES TO CUSTOMERS

(1) Analyzed by classification and nature

	30 June 2020	31 December 2019
Loans and advances to customers measured at AC		
Corporate loans and advances		
– Corporate loans	664,453	641,782
– Trade finance	15,962	14,434
Corporate loans and advances	680,415	656,216
Personal loans and advances		
– Personal business loans	142,736	129,707
– Residential mortgage loans	66,916	52,956
– Consumer loans	78,194	93,014
Personal loans and advances	287,846	275,677
Loans and advances to customers measured at FVOCI		
Corporate loans and advances		
– Trade finance	62,745	23,394
– Discounted bills	95,362	71,632
Subtotal	1,126,368	1,026,919
Fair value change through other comprehensive income	(197)	212
Accrued interest	3,589	3,040
Gross amount	1,129,760	1,030,171
Less: Allowance for impairment losses (Note III. 23)	(32,350)	(31,238)
Carrying amount	1,097,410	998,933



## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in million of RMB unless otherwise stated)

### III NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

#### 15 LOANS AND ADVANCES TO CUSTOMERS (Continued)

##### (2) Analyzed by type of collateral

	30 June 2020		31 December 2019	
	Book value	Proportion (%)	Book value	Proportion (%)
Unsecured loans	205,089	18.21%	182,700	17.79%
Guaranteed loans	181,914	16.15%	193,199	18.81%
Collateralized loans				
– Mortgage Loans	512,471	45.50%	461,556	44.95%
– Pledged loans	131,532	11.68%	117,832	11.47%
Discounted bills	95,362	8.46%	71,632	6.98%
Subtotal	1,126,368	100.00%	1,026,919	100.00%
Fair value changes through other comprehensive income	(197)		212	
Accrued interest	3,589		3,040	
Gross amount	1,129,760		1,030,171	
Less: Allowance for impairment losses (Note III. 23)	(32,350)		(31,238)	
Carrying amount	1,097,410		998,933	

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in million of RMB unless otherwise stated)

### III NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

#### 15 LOANS AND ADVANCES TO CUSTOMERS (Continued)

##### (3) Overdue loans and advances to customers analyzed by type of collateral and overdue period

	30 June 2020				Total
	Overdue within 3 months (inclusive)	Overdue between 3 months and 1 year (inclusive)	Overdue between 1 year and 3 years (inclusive)	Overdue more than 3 years	
Unsecured loans	964	1,878	104	2	2,948
Guaranteed loans	1,973	2,131	1,733	48	5,885
Collateralized loans					
– Mortgage Loans	2,569	2,882	1,567	69	7,087
– Pledged loans	265	1,525	705	12	2,507
<b>Total</b>	<b>5,771</b>	<b>8,416</b>	<b>4,109</b>	<b>131</b>	<b>18,427</b>

	31 December 2019				Total
	Overdue within 3 months (inclusive)	Overdue between 3 months and 1 year (inclusive)	Overdue between 1 year and 3 years (inclusive)	Overdue more than 3 years	
Unsecured loans	1,944	925	101	2	2,972
Guaranteed loans	5,811	2,421	1,341	46	9,619
Collateralized loans					
– Mortgage Loans	1,091	2,305	1,392	72	4,860
– Pledged loans	541	2,259	811	6	3,617
<b>Total</b>	<b>9,387</b>	<b>7,910</b>	<b>3,645</b>	<b>126</b>	<b>21,068</b>

The Group classifies loans and advances to customers with principal or interest overdue 1 day above (including 1 day) as overdue loans and advances to customers.

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in million of RMB unless otherwise stated)

### III NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

#### 15 LOANS AND ADVANCES TO CUSTOMERS (Continued)

##### (4) Analyzed by assessment of allowance for impairment losses

(a) Allowance for impairment losses of loans and advances to customers measured at AC

	30 June 2020			
	Stage 1	Stage 2	Stage 3	Total
Loans and advances to customers measured at AC				
– Corporate loans and advances	645,564	21,492	13,359	680,415
– Personal loans and advances	282,687	1,598	3,561	287,846
Accrued interest	3,502	87	–	3,589
<b>Total</b>	<b>931,753</b>	<b>23,177</b>	<b>16,920</b>	<b>971,850</b>
Less: Allowance for impairment losses (Note III. 23)	(15,481)	(6,487)	(10,382)	(32,350)
<b>Carrying amount</b>	<b>916,272</b>	<b>16,690</b>	<b>6,538</b>	<b>939,500</b>

	31 December 2019			
	Stage 1	Stage 2	Stage 3	Total
Loans and advances to customers measured at AC				
– Corporate loans and advances	620,139	24,226	11,851	656,216
– Personal loans and advances	271,816	1,376	2,485	275,677
Accrued interest	2,953	87	–	3,040
<b>Total</b>	<b>894,908</b>	<b>25,689</b>	<b>14,336</b>	<b>934,933</b>
Less: Allowance for impairment losses (Note III. 23)	(16,373)	(5,280)	(9,407)	(31,060)
<b>Carrying amount</b>	<b>878,535</b>	<b>20,409</b>	<b>4,929</b>	<b>903,873</b>

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in million of RMB unless otherwise stated)

### III NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

#### 15 LOANS AND ADVANCES TO CUSTOMERS (Continued)

##### (4) Analyzed by assessment of allowance for impairment losses (Continued)

(b) Allowance for impairment losses of loans and advances to customers measured at FVOCI

	30 June 2020			
	Stage 1	Stage 2	Stage 3	Total
Loans and advances to customers measured at FVOCI				
– Trade finance	62,670	75	–	62,745
– Discounted bills	95,343	–	19	95,362
Fair value through other comprehensive income	(197)	–	–	(197)
<b>Total</b>	<b>157,816</b>	<b>75</b>	<b>19</b>	<b>157,910</b>
Allowance for impairment losses on loans and advances to customers measured at FVOCI (Note III. 23)	(750)	(3)	(11)	(764)
	31 December 2019			
	Stage 1	Stage 2	Stage 3	Total
Loans and advances to customers measured at FVOCI				
– Trade finance	23,369	25	–	23,394
– Discounted bills	71,577	–	55	71,632
Fair value through other comprehensive income	212	–	–	212
<b>Total</b>	<b>95,158</b>	<b>25</b>	<b>55</b>	<b>95,238</b>
Allowance for impairment losses on loans and advances to customers measured at FVOCI (Note III. 23)	(135)	–	(43)	(178)

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in million of RMB unless otherwise stated)

### III NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

#### 15 LOANS AND ADVANCES TO CUSTOMERS (Continued)

##### (5) Movements of the allowance for impairment losses of loans and advances to customers

(a) Movements of the allowance for impairment losses of loans and advances to customers measured at AC

	For the six months ended 30 June 2020			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2020	16,373	5,280	9,407	31,060
Transfer:				
– to stage 1	110	(98)	(12)	–
– to stage 2	(78)	112	(34)	–
– to stage 3	(330)	(343)	673	–
(Reverse)/Charge (Note III. 7)	(598)	1,534	4,129	5,065
Write-offs and transfer out	–	–	(3,937)	(3,937)
Recoveries of loans and advances previously written off	–	–	232	232
Other movements	4	2	(76)	(70)
Balance as at 30 June 2020	15,481	6,487	10,382	32,350
	For the year ended 31 December 2019			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2019	17,149	3,382	7,498	28,029
Transfer:				
– to stage 1	38	(21)	(17)	–
– to stage 2	(396)	439	(43)	–
– to stage 3	(106)	(590)	696	–
(Reverse)/Charge (Note III. 7)	(312)	2,200	5,702	7,590
Write-offs and transfer out	–	–	(4,688)	(4,688)
Recoveries of loans and advances previously written off	–	–	343	343
Other movements	–	(130)	(84)	(214)
Balance as at 31 December 2019	16,373	5,280	9,407	31,060



## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in million of RMB unless otherwise stated)

### III NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

#### 15 LOANS AND ADVANCES TO CUSTOMERS (Continued)

##### (5) Movements of the allowance for impairment losses of loans and advances to customers (Continued)

(b) Movements of the allowance for impairment losses on loans and advances to customers measured at FVOCI

	For the six months ended 30 June 2020			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2020	135	–	43	178
Transfer:				
– to stage 1	–	–	–	–
– to stage 2	–	–	–	–
– to stage 3	–	–	–	–
Charge (Note III. 7)	615	3	18	636
Write-offs	–	–	(50)	(50)
Balance as at 30 June 2020	750	3	11	764

	For the year ended 31 December 2019			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2019	92	–	36	128
Transfer:				
– to stage 1	–	–	–	–
– to stage 2	–	–	–	–
– to stage 3	–	–	–	–
Charge (Note III. 7)	43	–	7	50
Balance as at 31 December 2019	135	–	43	178

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in million of RMB unless otherwise stated)

### III NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

#### 16 FINANCIAL INVESTMENTS

	Note	30 June 2020	31 December 2019
Financial investments measured at fair value through profit or loss ("FVTPL")	16.1	133,412	129,266
Financial investments measured at amortized cost ("AC")	16.2	374,858	305,160
Financial investments measured at fair value through other comprehensive income ("FVOCI")	16.3	93,500	83,612
<b>Total</b>		<b>601,770</b>	<b>518,038</b>

#### 16.1 Financial investments measured at FVTPL

	30 June 2020	31 December 2019
Fund investments	85,704	86,143
Bond investments		
– Financial bonds	7,723	4,724
– Government bonds	2,966	9,952
– Interbank certificates of deposit	2,674	10,521
– Other bonds and asset-backed securities ("ABS")	31,260	14,966
Trust schemes and asset management plans	1,813	1,721
Equity investments	1,272	1,239
<b>Total</b>	<b>133,412</b>	<b>129,266</b>

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in million of RMB unless otherwise stated)

### III NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

#### 16 FINANCIAL INVESTMENTS (Continued)

##### 16.1 Financial investments measured at FVTPL (Continued)

Bonds traded on the mainland interbank bond market are included in the outside Hong Kong listed category.

Analyzed by listing location:

	30 June 2020	31 December 2019
Fund investments		
– Listed outside Hong Kong	85,704	86,143
Bond investments		
– Listed in Hong Kong	12,827	2,872
– Listed outside Hong Kong	31,796	37,291
Trust schemes and asset management plans		
– Unlisted	1,813	1,721
Equity investments		
– Listed outside Hong Kong	64	31
– Unlisted	1,208	1,208
<b>Total</b>	<b>133,412</b>	<b>129,266</b>

Analyzed by type of issuers:

	30 June 2020	31 December 2019
Mainland China issuers		
– Banking and other financial institutions	93,467	100,494
– Corporate entities	30,028	17,786
– Government	2,966	9,952
Outside Mainland China issuers		
– Banking and other financial institutions	2,804	894
– Corporate entities	4,147	140
<b>Total</b>	<b>133,412</b>	<b>129,266</b>

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in million of RMB unless otherwise stated)

### III NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

#### 16 FINANCIAL INVESTMENTS (Continued)

##### 16.2 Financial investments measured at AC

	30 June 2020	31 December 2019
Bond investments		
– Government bonds	103,297	102,965
– Financial bonds	71,923	52,261
– Corporate bonds and other bonds	67,008	30,507
Trust schemes and asset management plans	139,807	127,781
Accrued interest	5,759	4,812
Total	387,794	318,326
Less: Allowance for impairment losses (Note III. 23)	(12,936)	(13,166)
Carrying amount	374,858	305,160

Analyzed by listing location:

	30 June 2020	31 December 2019
Bond investments		
– Listed outside Hong Kong	176,771	155,226
– Unlisted	65,457	30,507
Trust schemes and asset management plans		
– Unlisted	139,807	127,781
Accrued interest	5,759	4,812
Total	387,794	318,326

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in million of RMB unless otherwise stated)

### III NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

#### 16 FINANCIAL INVESTMENTS (Continued)

##### 16.2 Financial investments measured at AC (Continued)

Analyzed by type of issuers:

	30 June 2020	31 December 2019
Mainland China issuers:		
– Government	103,297	102,965
– Banking and other financial institutions	211,730	180,042
– Corporate entities	67,008	30,507
Accrued interest	5,759	4,812
<b>Total</b>	<b>387,794</b>	<b>318,326</b>

The financial investments measured at AC are analyzed in the form of allowance for impairment losses as follows:

	30 June 2020			
	Stage 1	Stage 2	Stage 3	Total
Debt investments	361,588	6,933	13,514	382,035
Accrued interest	5,633	126	–	5,759
<b>Total</b>	<b>367,221</b>	<b>7,059</b>	<b>13,514</b>	<b>387,794</b>
Less: Allowance for impairment losses (Note III. 23)	(2,261)	(1,665)	(9,010)	(12,936)
<b>Carrying amount</b>	<b>364,960</b>	<b>5,394</b>	<b>4,504</b>	<b>374,858</b>
	31 December 2019			
	Stage 1	Stage 2	Stage 3	Total
Debt investments	288,113	12,280	13,121	313,514
Accrued interest	4,659	153	–	4,812
<b>Total</b>	<b>292,772</b>	<b>12,433</b>	<b>13,121</b>	<b>318,326</b>
Less: Allowance for impairment losses (Note III. 23)	(2,200)	(2,718)	(8,248)	(13,166)
<b>Carrying amount</b>	<b>290,572</b>	<b>9,715</b>	<b>4,873</b>	<b>305,160</b>



## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in million of RMB unless otherwise stated)

### III NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

#### 16 FINANCIAL INVESTMENTS (Continued)

##### 16.2 Financial investments measured at AC (Continued)

Movement of allowance for impairment losses of financial investments measured at AC

	For the six months ended 30 June 2020			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2020	2,200	2,718	8,248	13,166
Transfer:				
– to stage 1	–	–	–	–
– to stage 2	(33)	33	–	–
– to stage 3	(17)	(928)	945	–
Charge/(reverse) (Note III. 7)	111	(158)	4,628	4,581
Write-offs	–	–	(4,811)	(4,811)
Balance as at 30 June 2020	2,261	1,665	9,010	12,936

	For the year ended 31 December 2019			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2019	2,400	1,510	3,581	7,491
Transfer:				
– to stage 1	–	–	–	–
– to stage 2	(166)	166	–	–
– to stage 3	(107)	(1,397)	1,504	–
Charge	73	2,439	6,158	8,670
Write-offs	–	–	(2,996)	(2,996)
Recoveries of loans and advances previously written off	–	–	1	1
Balance as at 30 December 2019	2,200	2,718	8,248	13,166

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in million of RMB unless otherwise stated)

### III NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

#### 16 FINANCIAL INVESTMENTS (Continued)

##### 16.3 Financial investments measured at FVOCI

	30 June 2020	31 December 2019
Bond investment:		
– Government bonds	40,275	39,766
– Financial bonds	24,326	9,223
– Interbank certificates of deposit	1,487	1,512
– Other bonds	3,436	2,245
Other debt instruments	22,373	29,539
Accrued interest	663	637
Subtotal	92,560	82,922
Financial investments designated to be measured at FVOCI		
Equity investments	940	690
Total	93,500	83,612

Analyzed by listing location:

	30 June 2020	31 December 2019
Bond investment and other debt instruments		
– Listed in Hong Kong	3,613	3,879
– Listed outside Hong Kong	65,911	48,867
– Unlisted	22,373	29,539
Equity investments		
– Unlisted Unlisted	940	690
Accrued interest	663	637
Total	93,500	83,612

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in million of RMB unless otherwise stated)

### III NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

#### 16 FINANCIAL INVESTMENTS (Continued)

##### 16.3 Financial investments measured at FVOCI (Continued)

Analyzed by type of issuers:

	30 June 2020	31 December 2019
Mainland China issuers:		
– Government	39,878	38,063
– Banking and other financial institutions	17,824	4,733
– Others	22,865	28,000
Outside Mainland China issuers:		
– Government	397	1,703
– Banking and other financial institutions	7,989	6,002
– Corporate entities	2,944	3,784
Accrued interest	663	637
Subtotal	92,560	82,922
Equity investments	940	690
Total	93,500	83,612

Certain non-trading equity investments are designated by the Group as financial investments measured at FVOCI. For six months ended 30 June 2020, the Group has not recognized dividend income on such equity investments (For six months ended 30 June 2019: dividend income recognized amounted to RMB1.5 million).

#### 17 INVESTMENT IN SUBSIDIARIES

##### The Bank

	30 June 2020	31 December 2019
Zhejiang Zheyin Financial Leasing Co., Ltd.,	1,530	1,530

For details of subsidiaries, please refer to Note IV. 1.

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in million of RMB unless otherwise stated)

### III NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

#### 18 FIXED ASSETS

	Note	30 June 2020	31 December 2019
Fixed assets	(1)	9,891	9,892
Construction in progress	(2)	3,335	2,781
Total		13,226	12,673

#### (1) Fixed assets

	Properties and buildings	Office and electronic Equipment	Motor vehicles	Fixed assets in the operating leases	Total
<b>Cost</b>					
Balance as at 1 January 2020	8,985	1,752	155	1,057	11,949
Additions	337	28	2	–	367
Construction in progress transfer in	1	–	–	–	1
Disposals	(11)	(11)	(1)	–	(23)
Balance as at 30 June 2020	9,312	1,769	156	1,057	12,294
<b>Less: Accumulated depreciation</b>					
Balance as at 1 January 2020	(975)	(916)	(101)	(65)	(2,057)
Charge	(173)	(141)	(11)	(31)	(356)
Disposal	–	9	1	–	10
Balance as at 30 June 2020	(1,148)	(1,048)	(111)	(96)	(2,403)
<b>Carrying amount</b>					
Balance as at 30 June 2020	8,164	721	45	961	9,891
Balance as at 1 January 2020	8,010	836	54	992	9,892

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in million of RMB unless otherwise stated)

### III NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

#### 18 FIXED ASSETS (Continued)

##### (1) Fixed assets (Continued)

	Properties and buildings	Office and electronic Equipment	Motor vehicles	Fixed assets in the operating leases	Total
<b>Cost</b>					
Balance as at 1 January 2019	6,831	1,581	166	606	9,184
Additions	1,465	209	10	457	2,141
Construction in progress transfer in	691	3	–	–	694
Disposals	(2)	(41)	(21)	(6)	(70)
Balance as at 31 December 2019	8,985	1,752	155	1,057	11,949
Less: Accumulated depreciation					
Balance as at 1 January 2019	(651)	(689)	(100)	(22)	(1,462)
Charge	(325)	(264)	(19)	(44)	(652)
Disposal	1	37	18	1	57
Balance as at 31 December 2019	(975)	(916)	(101)	(65)	(2,057)
Carrying amount					
Balance as at 31 December 2019	8,010	836	54	992	9,892
Balance as at 1 January 2019	6,180	892	66	584	7,722

As at 30 June 2020, there is no dormant assets held by the Group (31 December 2019: Nil).

As at 30 June 2020, the Group's properties and buildings with an aggregate carrying amount of RMB884 million (31 December 2019: RMB597 million) was still in progress of obtaining the legal titles.



## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in million of RMB unless otherwise stated)

### III NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*(Continued)*

#### 18 FIXED ASSETS *(Continued)*

##### *(2) Construction in progress*

	<b>Construction in progress</b>
Balance as at 1 January 2019	2,635
Additions	966
Transfer to fixed assets	(694)
Transfer to long-term prepaid expenses	(126)
	<hr/>
Balance as at 31 December 2019	2,781
Additions	585
Transfer to fixed assets	(1)
Transfer to long-term prepaid expenses	(30)
	<hr/>
Balance as at 30 June 2020	<b>3,335</b>

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in million of RMB unless otherwise stated)

### III NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

#### 19 RIGHT-OF-USE ASSETS

	Land use rights	Buildings	Others	Total
<b>Cost</b>				
Balance as at 1 January 2019	633	3,298	17	3,948
Additions	1,317	521	11	1,849
Disposals	–	(25)	–	(25)
Balance as at 31 December 2019	1,950	3,794	28	5,772
Additions	–	172	7	179
Disposals	–	(21)	–	(21)
Balance as at 30 June 2020	1,950	3,945	35	5,930
<b>Less: Accumulated depreciation</b>				
Balance as at 1 January 2019	(99)	–	–	(99)
Additions	(26)	(563)	(4)	(593)
Disposals	–	1	–	1
Balance as at 31 December 2019	(125)	(562)	(4)	(691)
Additions	(25)	(316)	(1)	(342)
Disposals	–	1	–	1
Balance as at 30 June 2020	(150)	(877)	(5)	(1,032)
<b>Carrying amount</b>				
Balance as at 30 June 2020	1,800	3,068	30	4,898
Balance as at 31 December 2019	1,825	3,232	24	5,081

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in million of RMB unless otherwise stated)

### III NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

#### 20 INTANGIBLE ASSETS

	<b>Computer software</b>
Cost	
Balance as at 1 January 2019	433
Additions	90
Balance as at 31 December 2019	523
Additions	21
Balance as at 30 June 2020	544
Less: Accumulated amortization	
Balance as at 1 January 2019	(211)
Additions	(44)
Balance as at 31 December 2019	(255)
Additions	(23)
Balance as at 30 June 2020	(278)
Carrying amount	
Balance as at 30 June 2020	266
Balance as at 31 December 2019	268

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in million of RMB unless otherwise stated)

### III NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

#### 21 DEFERRED INCOME TAX ASSETS AND LIABILITIES

##### (1) Non offset deferred income tax assets and deferred income tax liabilities

	30 June 2020		31 December 2019	
	Deductible/ (taxable) temporary difference	Deferred Income tax assets/ (liabilities)	Deductible/ (taxable) temporary difference	Deferred Income tax assets/ (liabilities)
Allowance for impairment losses and provisions	49,155	12,289	45,542	11,385
Accrued staff costs	3,426	857	3,319	830
Unrealized gains and losses of derivative financial instruments	390	98	993	248
Unrealized losses of financial investments measured at FVTPL	244	61	–	–
Others	632	157	687	172
Non-offset deferred income tax assets	53,847	13,462	50,541	12,635
Depreciation of fixed assets	(452)	(113)	(350)	(87)
Unrealized gains of financial instruments measured at FVTPL	–	–	(1,647)	(412)
Unrealized income of financial investments measured at FVOCI	(759)	(190)	(1,222)	(305)
Non-offset deferred income tax liabilities	(1,211)	(303)	(3,219)	(804)
Net amount after offsetting	52,636	13,159	47,322	11,831

##### (2) Changes in deferred income tax

	30 June 2020	31 December 2019
Balance as at beginning of the period/year	11,831	8,320
Charged to profit or loss	1,212	3,649
Charged to other comprehensive income	116	(138)
Balance as at end of the period/year	13,159	11,831

The Group does not have significant unrecognized deferred income tax assets and liabilities at the end of the reporting period.

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in million of RMB unless otherwise stated)

### III NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

#### 22 OTHER ASSETS

	Note	30 June 2020	31 December 2019
Finance lease receivables	(1)	27,075	25,233
Settlement accounts		1,067	1,895
Guaranteed deposits		603	832
Long-term prepaid expenses		700	724
Prepayment of land and building and deposit		691	708
Prepayment of improvements and equipment		163	489
Interest receivable		404	480
Others		2,939	1,570
<b>Total</b>		<b>33,642</b>	<b>31,931</b>

#### (1) Finance lease receivables

	30 June 2020	31 December 2019
Finance lease receivables	31,673	29,396
Less: Unrecognized finance income	(3,624)	(3,369)
<b>Subtotal</b>	<b>28,049</b>	<b>26,027</b>
Less: Allowance for impairment losses (Note III. 23)	(974)	(794)
<b>Carrying amount</b>	<b>27,075</b>	<b>25,233</b>

The undiscounted finance lease receivables to be received in each of the five consecutive accounting years after the balance sheet date are as follow:

	30 June 2020		31 December 2019	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	11,107	35.07%	10,108	34.39%
1- 2 years	8,467	26.73%	8,154	27.74%
2- 3 years	6,086	19.22%	5,190	17.65%
3- 4 years	2,865	9.05%	2,967	10.09%
4- 5 years	1,129	3.56%	1,248	4.25%
Above 5 years	2,019	6.37%	1,729	5.88%
<b>Total</b>	<b>31,673</b>	<b>100.00%</b>	<b>29,396</b>	<b>100.00%</b>



## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in million of RMB unless otherwise stated)

### III NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

#### 23 ALLOWANCE FOR IMPAIRMENT LOSSES

	Note	1 January 2020	Charge/ (Reverse) for the period	Write- off and transfer out for the period	Others (i)	30 June 2020
Deposits with banks and other financial institutions	III. 11	54	59	–	–	113
Placements with banks and other financial institutions	III. 12	32	(29)	–	–	3
Loans and advances to customers	III. 15					
– measured at AC		31,060	5,065	(3,937)	162	32,350
– measured at FVOCI		178	636	(50)	–	764
Financial investment	III. 16					
– measured at AC		13,166	4,581	(4,811)	–	12,936
– measured at FVOCI		206	259	–	–	465
Finance lease receivables		794	221	(41)	–	974
Other assets		74	96	(35)	3	138
Off-balance sheet items	III. 31	5,544	145	–	3	5,692
<b>Total</b>		<b>51,108</b>	<b>11,033</b>	<b>(8,874)</b>	<b>168</b>	<b>53,435</b>

	Note	1 January 2019	Charge/ (Reverse) for the year	Write- off and transfer out for the year	Others (i)	31 December 2019
Deposits with banks and other financial institutions	III. 11	2	52	–	–	54
Placements with banks and other financial institutions	III. 12	3	29	–	–	32
Loans and advances to customers	III. 15					
– measured at AC		28,029	7,590	(4,688)	129	31,060
– measured at FVOCI		128	50	–	–	178
Financial investment	III. 16					
– measured at AC		7,491	8,670	(2,996)	1	13,166
– measured at FVOCI		506	(300)	–	–	206
Finance lease receivables		411	383	–	–	794
Other assets		114	6	(49)	3	74
Off-balance sheet items	III. 31	3,118	2,422	–	4	5,544
<b>Total</b>		<b>39,802</b>	<b>18,902</b>	<b>(7,733)</b>	<b>137</b>	<b>51,108</b>

(i) Others include the recoveries of financial assets previously written off and effect of exchange rate changes.

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in million of RMB unless otherwise stated)

### III NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

#### 24 DEPOSITS FROM BANKS AND OTHER FINANCIAL INSTITUTION

*Analyzed by type and geographical location of counterparties*

	30 June 2020	31 December 2019
In mainland China		
– Banks	55,557	75,888
– Other financial institutions	32,370	55,682
Outside mainland China		
– Other financial institutions	187	49
Accrued interest	609	1,331
Total	88,723	132,950

#### 25 PLACEMENTS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

*Analyzed by type and geographical location of counterparties*

	30 June 2020	31 December 2019
In mainland China		
– Banks	35,991	28,486
Outside mainland China		
– Banks	2,598	5,108
Accrued interest	166	259
Total	38,755	33,853

#### 26 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2020	31 December 2019
Financial liabilities related to precious metals (i)	16,623	9,451
Short positions of trading bonds	5,228	5,692
Total	21,851	15,143

- (i) According to the risk management strategy, the Group matches the precious metals related financial liabilities with precious metals or derivatives, and therefore recognized as financial liabilities measured at fair value through profit and loss.

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in million of RMB unless otherwise stated)

### III NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

#### 27 FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

*Analyzed by type of collateral*

	30 June 2020	31 December 2019
Bonds sold under repurchase agreements	33,114	6,002
Bills sold under repurchase agreements	1,488	–
Accrued interest	2	–
Total	34,604	6,002

#### 28 CUSTOMER DEPOSITS

	30 June 2020	31 December 2019
Demand deposits		
– Corporate customers	390,930	332,440
– Personal customers	43,660	44,331
Subtotal	434,590	376,771
Time deposits		
– Corporate customers	727,751	637,178
– Personal customers	172,296	115,332
Subtotal	900,047	752,510
Other deposits	5,457	2,596
Accrued interest	14,196	11,864
Total	1,354,290	1,143,741

Pledged deposits are listed as follow:

	30 June 2020	31 December 2019
Pledged deposits	136,063	124,734

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in million of RMB unless otherwise stated)

### III NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

#### 29 EMPLOYEE BENEFITS PAYABLE

	1 January 2020	Accrual during the period	Payments during the period	30 June 2020
Salaries, bonuses and allowances	4,355	3,502	(3,603)	4,254
Staff welfare	–	147	(147)	–
Housing fund	–	154	(154)	–
Social insurance				
– Medical insurance	–	58	(58)	–
– Work-related injury insurance	–	1	(1)	–
– Maternity insurance	–	3	(3)	–
Commercial insurance	–	2	(2)	–
Labour union fee and staff education fee	84	70	(95)	59
Post employment benefits	–	58	(58)	–
Unemployment insurance	–	2	(2)	–
Annuity	–	142	(142)	–
<b>Total</b>	<b>4,439</b>	<b>4,139</b>	<b>(4,265)</b>	<b>4,313</b>

	1 January 2019	Accrual during the year	Payments during the year	31 December 2019
Salaries, bonuses and allowances	3,934	6,338	(5,917)	4,355
Staff welfare	–	384	(384)	–
Housing fund	–	298	(298)	–
Social insurance				
– Medical insurance	–	174	(174)	–
– Work-related injury insurance	–	5	(5)	–
– Maternity insurance	–	15	(15)	–
Commercial insurance	–	51	(51)	–
Labour union fee and staff education fee	72	166	(154)	84
Post employment benefits	–	359	(359)	–
Unemployment insurance	–	12	(12)	–
Annuity	–	440	(440)	–
<b>Total</b>	<b>4,006</b>	<b>8,242</b>	<b>(7,809)</b>	<b>4,439</b>

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in million of RMB unless otherwise stated)

### III NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

#### 30 TAX PAYABLE

	30 June 2020	31 December 2019
Income tax payable	2,748	3,966
Value added tax ("VAT") payable	756	439
Others	193	264
Total	3,697	4,669

#### 31 PROVISIONS

	30 June 2020	31 December 2019
Impairment allowance for off-balance sheet items (Note III. 23)	5,692	5,544

#### 32 DEBT SECURITIES ISSUED

	Note	30 June 2020	31 December 2019
Fixed-rate financial bonds – 2020	(1)	5,000	5,000
Fixed-rate financial bonds – 2021	(2)	10,000	10,000
Fixed-rate offering – tier 2 capital bond – 2026	(3)	10,000	10,000
Fixed-rate offering – tier 2 capital bond – 2028	(4)	15,000	15,000
Fixed-rate financial bonds – 2021	(5)	20,000	20,000
Fixed-rate green financial bonds – 2022	(6)	5,000	5,000
Fixed-rate small and micro businesses financial bonds – 2023	(7)	10,000	–
Fixed-rate small and micro businesses financial bonds – 2023	(8)	15,000	–
Certificates of deposit	(9)	918	348
Interbank certificates of deposit	(10)	106,069	139,801
Subtotal		196,987	205,149
Accrued interest		1,515	1,092
Total		198,502	206,241



## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in million of RMB unless otherwise stated)

### III NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*(Continued)*

#### 32 DEBT SECURITIES ISSUED *(Continued)*

- (1) Fixed-rate financial bond of RMB5 billion was issued on 24 December 2015, with a maturity of 5 years and a fixed coupon rate of 3.88% per annum payable annually. The Bank has no option to redeem the bond before maturity.
- (2) Fixed-rate financial bond of RMB10 billion was issued on 24 February 2016, with a maturity of 5 years and a fixed coupon rate of 3.60% per annum payable annually. The Bank has no option to redeem the bond before maturity.
- (3) Fixed-rate offering – tier 2 capital bond of RMB10 billion was issued on 14 September 2016, with a maturity of 10 years and a fixed coupon rate of 3.60% per annum payable annually. The Bank has an option to redeem all the debts at book value at the end of year 2021.
- (4) Fixed-rate offering – tier 2 capital bond of RMB15 billion was issued on 13 June 2018, with a maturity of 10 years and a fixed coupon rate of 4.80% per annum payable annually. The Bank has an option to redeem all the debts at book value at the end of year 2023.
- (5) Fixed-rate financial bond of RMB20 billion was issued on 27 August 2018, with a maturity of 3 years and a fixed coupon rate of 4.39% per annum payable annually. The Bank has no option to redeem the bond before maturity.
- (6) Fixed-rate green financial bond of RMB5 billion was issued on 16 September 2019, with a maturity of 3 years and a fixed coupon rate of 3.42%. The Bank has no option to redeem the bond before maturity.
- (7) Fixed-rate small and micro businesses financial bonds of RMB10 billion was issued on 3 March 2020, with a maturity of 3 years and a fixed coupon rate of 2.95%. The Bank has no option to redeem the bond before maturity.
- (8) Fixed-rate small and micro businesses financial bonds of RMB15 billion was issued on 8 April 2020, with a maturity of 3 years and a fixed coupon rate of 2.50%. The Bank has no option to redeem the bond before maturity.
- (9) There were two unpaid certificates of deposit at Hong Kong Branch at at 30 June 2020, whose total face value amounted RMB918 million. Both of these certificates of deposit were issued in US dollar with maturity less than one year and annual interest rate of 0.95% and 1.50%, respectively. (There was one unpaid certificates of deposit at Hong Kong Branch as at 31 December 2019, whose total face value amounted RMB348 million. The certificate of deposit was issued in US dollar with maturity of less than one year and annual interest rate of 2.25%.)
- (10) As at 30 June 2020, the Bank has issued a total of 85 inter-bank certificates of deposit in the inter-bank market but not yet due, with the maximum maturity of 1 year. (As at 31 December 2019, the Bank issued a total of 90 inter-bank certificates of deposit in the inter-bank market but not yet due, with the maximum maturity of 1 year.)

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in million of RMB unless otherwise stated)

### III NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

#### 33 OTHER LIABILITIES

	30 June 2020	31 December 2019
Settlement accounts	4,017	3,967
Dividends payable	5,110	6
Deposits related to finance lease	2,110	1,824
Bills payable	518	928
Others	3,938	1,368
<b>Total</b>	<b>15,693</b>	<b>8,093</b>

#### 34 SHARE CAPITAL

	30 June 2020	31 December 2019
Ordinary shares listed in Mainland China (A share)	16,715	16,715
Ordinary shares listed in Hong Kong (H share)	4,554	4,554
<b>Total</b>	<b>21,269</b>	<b>21,269</b>

According to the *Reply for the Approval of the Initial Public Offering of Zheshang Bank Co., Ltd.* (China Securities Regulatory Commission [2019] No.1846), issued by the China Securities Regulatory Commission on 11 October 2019, the Bank was approved to issue 2,550,000,000 RMB ordinary shares at a price of RMB4.94 per share. The above funds were in place on 20 November 2019, and was verified by Pricewaterhouse Coopers Zhong Tian LLP with a capital verification report of PwC ZT Yan Zi (2019) No. 0685. The total funds raised amounted to RMB12,597 million, the Bank's share capital increased by RMB2,550 million, and after deducting the issuance cost of RMB159 million, the remaining RMB9,888 million was recognized in the capital reserve.

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in million of RMB unless otherwise stated)

### III NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

#### 35 OTHER EQUITY INSTRUMENTS

	30 June 2020	31 December 2019
Offshore preference shares		
Amount of issuance	14,989	14,989
Less: Issuance expense	(31)	(31)
Total	14,958	14,958

**(1) List of preference shares issued at the end of the period/year**

Equity instruments in issue	Preference shares (Offshore)
Issue date	29 March 2017
Accounting treatment	Equity instrument
Dividend rate	5.45%
Original issuance price per share (USD/share)	20
Number (In millions)	108.75
In original currency (USD in millions)	2,175
In RMB (RMB in millions)	14,989
Issuance fee (RMB in millions)	31
Maturity date	No maturity date
Conversion condition	Mandatory
Conversion status	No conversion during the period

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in million of RMB unless otherwise stated)

### III NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*(Continued)*

#### 35 OTHER EQUITY INSTRUMENTS *(Continued)*

##### **(2) Main terms of preference shares**

###### *(a) Dividend*

The dividend for offshore preference shares is non-cumulative. The offshore preference shares dividend will be calculated on following dividend yields:

- from the issuance date (including issuance date) to the first reset date (excluding reset date), at the rate of 5.45% per annum; and
- thereafter, for the period from the first reset date and the period from each reset date (including former reset date) to the next coming reset date (excluding latter reset date), at the relevant reset dividend rate.

###### *(b) Conditions to distribution of dividends*

On the premise of ensuring that the Bank's capital adequacy ratio meets regulatory requirements, the Bank has a distributable after-tax profit after making up previous years' losses, contributing to the statutory surplus reserve and making statutory general reserve, and the Bank's board of directors has announced the distribution in accordance with the Bank's articles of association. In the case of the dividend resolution, the Bank may distribute such dividends to shareholders of overseas preference shares.

Subject to a resolution to be passed at the shareholders' general meeting of the Bank on each such occasion, the Bank may elect to cancel (in total or in partial) any dividend otherwise scheduled to be paid on a dividend payment date in the manner set out in the conditions. The Bank may at its discretion use the funds arising from the cancellation of such dividend to repay other indebtedness which are due.

Under the circumstances where the Bank cancels a dividend in total or in partial, in accordance with the shareholders' resolution and the conditions, the Bank would not make any distribution or dividend in cash or otherwise on, and will procure that no distribution or dividend in cash or otherwise is made on, any ordinary shares or on any other class of shares or obligations that ranks or is expressed to rank junior to the offshore preference shares.

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in million of RMB unless otherwise stated)

### III NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*(Continued)*

#### 35 OTHER EQUITY INSTRUMENTS *(Continued)*

##### **(2) Main terms of preference shares** *(Continued)*

###### *(c) Conversion*

If any trigger event occurs, the Bank shall (having notified and obtained the consent of the CBIRC but without the need for the consent of the offshore preference shareholders or the ordinary shareholders):

- Cancel any dividend in respect of the relevant loss absorption amount that is accrued but unpaid up to and including the conversion date; and
- On the conversion date, all or some of the offshore preference shares shall be irrevocably and compulsorily converted into H shares with equal number. The converted H shares number is equal to the loss absorption amount held by the offshore preference shareholders (as converted into Hong Kong dollars at the fixed exchange rate of USD\$1.00 to HK\$7.7544) divided by the effective conversion price, rounded down (to the extent permitted by applicable laws and regulations) to the nearest whole number of H shares. Any fractional share less than one H share resulting from the conversion will not be issued and no cash payment or other adjustment will be made in lieu thereof.

The “trigger event” refers to an additional tier one capital instrument trigger event or a non-viability trigger event, as the case may be. The “additional tier one capital instrument trigger event” refers to the occasion where the Bank’s core tier one capital adequacy ratio of the Bank has fallen to 5.125% or below. The “non-viability trigger event” is defined as the earlier of: (i) the CBIRC having decided that without a conversion or write-off, the Bank would become non-viable; and (ii) the relevant authorities having decided that a public sector injection of capital or equivalent support is necessary, without which the Bank would become non-viable.

###### *(d) Order of distribution and liquidation method*

Upon the winding-up of the Bank, the offshore preference shareholders shall rank: (1) junior to holders of all liabilities of the Bank including subordinated liabilities and obligations issued or guaranteed by the Bank that rank, or are expressed to rank, senior to the offshore preference shares; (2) equally in all respects with each other and without preference among themselves and with the holders of parity obligations; and (3) in priority to the ordinary shareholders.

On such winding-up of the Bank, any remaining assets of the Bank shall, after the distributions in accordance with the conditions have been made, be applied to the claims of the shareholders so that the claims of the offshore preference shareholders shall be *pari passu* with the claims of holders of any parity obligations and in priority to the claims of the ordinary shareholders.



## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in million of RMB unless otherwise stated)

### III NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

#### 35 OTHER EQUITY INSTRUMENTS (Continued)

##### (2) Main terms of preference shares (Continued)

###### (e) Redemption

The Bank may, subject to obtaining the CBIRC approval and compliance with the conditions to the distribution of dividends set out in the conditions and redemption preconditions, upon prior notice to the offshore preference shareholders and the fiscal agent, redeem all or some of the offshore preference shares on the first reset date and on any dividend payment date thereafter. The redemption price for each offshore preference share shall be the aggregate of an amount equal to its liquidation preference plus any declared but unpaid dividends in respect of the period from (and including) the immediately preceding dividend payment date to (but excluding) the date scheduled for redemption.

##### (3) Information related to the holders of the equity instrument

	30 June 2020	31 December 2019
Attributable to shareholders of the Bank		
– Equity attribute to ordinary shareholders of the Bank	112,045	111,288
– Equity attribute to other equity holders of the Bank	14,958	14,958
Attributable to non-controlling interest		
– Equity attribute to ordinary shareholders of non-controlling interest	1,918	1,781

##### (4) Changes in issued preference shares

	31 December 2019	Increased during the period	Decreased during the period	30 June 2020
Number of shares (In millions)	108.75	–	–	108.75
In original currency (USD in millions)	2,175	–	–	2,175
Total in RMB (RMB in millions)	14,958	–	–	14,958

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in million of RMB unless otherwise stated)

### III NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

#### 36 CAPITAL RESERVE

	1 January 2020	Increased during the period	Decreased during the period	30 June 2020
Share premium	32,018	–	–	32,018

	1 January 2019	Increased during the year	Decreased during the year	30 June 2019
Share premium	22,130	9,888	–	32,018

#### 37 OTHER COMPREHENSIVE INCOME

	Other comprehensive income in consolidated statement of financial position			Other comprehensive income in consolidated statement of comprehensive income for six months ended 30 June 2020			
	1 January 2020	Net-of-tax amount attributable to shareholders of the Bank	30 June 2020	Before-tax amount of the period	Previously recognized amount transferred to profit or loss	Income tax expense	Net-of-tax amount attributable to shareholders of the Bank
Items that may not be reclassified to profit or loss							
– Gains or losses arising from changes in fair value of financial investments designated to be measured at FVOCI	124	–	124	–	–	–	–
Items that may be reclassified to profit or loss							
– Gains or losses arising from changes in fair value of financial assets measured at FVOCI	505	(981)	(476)	341	(1,649)	327	(981)
– Allowance for impairment losses of financial assets measured at FVOCI	288	634	922	845	–	(211)	634
– Translation differences arising from translation of foreign currency financial statements	1,351	365	1,716	365	–	–	365
Total	2,268	18	2,286	1,551	(1,649)	116	18

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in million of RMB unless otherwise stated)

### III NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

#### 37 OTHER COMPREHENSIVE INCOME (Continued)

	Other comprehensive income in consolidated statement of financial position			Other comprehensive income in consolidated statement of comprehensive income for the year ended 31 December 2019			
	1 January 2019	Net-of-tax amount attributable to shareholders of the Bank	30 June 2019	Before-tax amount of the period	Previously recognized amount transferred to profit or loss	Income tax expense	Net-of-tax amount attributable to shareholders of the Bank
Items that may not be reclassified to profit or loss							
– Gains or losses arising from changes in fair value of financial investments designated to be measured at FVOCI	–	124	124	165	–	(41)	124
Items that may be reclassified to profit or loss							
– Gains or losses arising from changes in fair value of financial assets measured at FVOCI	28	477	505	1,843	(1,207)	(159)	477
– Allowance for impairment losses of financial assets measured at FVOCI	475	(187)	288	(249)	–	62	(187)
– Translation differences arising from translation of foreign currency financial statements	886	465	1,351	465	–	–	465
<b>Total</b>	<b>1,389</b>	<b>879</b>	<b>2,268</b>	<b>2,224</b>	<b>(1,207)</b>	<b>(138)</b>	<b>879</b>

#### 38 SURPLUS RESERVE

	<b>Statutory surplus reserve</b>
Balance as at 1 January 2019	6,025
Appropriation	1,269
Balance as at 31 December 2019	7,294
Appropriation	–
Balance as at 30 June 2020	<b>7,294</b>

Pursuant to the Company Law of the PRC and the Articles, the Bank is required to transfer 10% of its net profit to the statutory surplus reserve.

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in million of RMB unless otherwise stated)

### III NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

#### 39 STATUTORY GENERAL RESERVE

	<b>Statutory general reserve</b>
Balance as at 1 January 2019	18,462
Appropriation	992
Balance as at 31 December 2019	19,454
Appropriation	1,559
Balance as at 30 June 2020	<b>21,013</b>

Pursuant to *Requirements on Impairment Allowance for Financial Institutions* (Caijin [2012] No. 20) (“the Requirement”), the Bank establishes a statutory general reserve within equity through the appropriation of profit to address unidentified potential impairment risks, which should not be less than 1.5% of the year-end balance of its risk assets.

#### 40 DIVIDENDS

##### (a) *Approved and distributed dividends of ordinary shareholders*

As approved by shareholders in 2019 Annual General Meeting on 16 June 2020, based on the Bank’s total ordinary shares amounting to 21,269 million shares on the record date of profit distribution, the Bank declared a cash dividend of RMB2.4 yuan for each 10 ordinary shares, with total amount of RMB5,104 million.

As approved by shareholders in 2018 Annual General Meeting on 27 May 2019, the Bank didn’t distribute dividends for ordinary shares in 2018.

##### (b) *Approved and distributed dividends of offshore preference shareholders*

On 11 March 2020, as approved by the resolution of the board of directors, the Bank would distribute dividends to offshore preference shareholders. A total dividend of USD132 million (tax inclusive) was distributed, calculated at a dividend rate of 5.45% (after tax), equivalent to RMB932 million. The dividend issuance date was 30 March 2020.

On 18 March 2019, as approved by the resolution of the board of directors, the Bank would distribute dividends to offshore preference shareholders. A total dividend of USD132 million (tax inclusive) was distributed, calculated at a dividend rate of 5.45% (after tax), equivalent to RMB881 million. The dividend issuance date was 29 March 2019.

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in million of RMB unless otherwise stated)

### III NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

#### 41 CASH AND CASH EQUIVALENTS

For the purposes of the consolidated statements of cash flow, cash and cash equivalents comprise the following balances with original maturities of less than three months used for the purpose of meeting short-term cash commitments:

	30 June 2020	30 June 2019
Cash	535	475
Surplus deposit reserve with central bank	29,113	24,263
Deposits with banks and other financial institutions with original maturities of less than three months	26,209	18,417
Placements with banks and other financial institutions with original maturities of less than three months	1,273	388
Financial assets purchased under resale agreements with original maturities of less than three months	18,432	–
Total	75,562	43,543

#### 42 TRANSFER OF FINANCIAL ASSETS

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

##### (1) *Securitization transactions*

The Group transfers credit assets to structured entities which issue asset-backed securities to investors. The Group would determine whether or not to derecognize the associated credit assets by evaluating the extent to which it retains the risks and rewards of the assets.

As at 30 June 2020, the gross amount of the Group's unmatured transferred credit assets was RMB878 million (31 December 2019: RMB1,425 million). Among the transferred credit assets, the Group determined that it has continuing involvement of RMB878 million as at 30 June 2020 (31 December 2019: RMB1,048 million). The Group recognized other assets and other liabilities of RMB169 million as at 30 June 2020 (31 December 2019: RMB169 million) arising from such continuing involvement.



## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in million of RMB unless otherwise stated)

### III NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

#### 42 TRANSFER OF FINANCIAL ASSETS (Continued)

##### (2) Loan transfers

For the six months ended 30 June 2020, the Group transferred non-performing loans amounting to RMB1,237 million (For the year ended 31 December 2019: RMB2,060 million) to the asset management companies. As the Group transferred almost all the risks and rewards of these non-performing loans, the Group derecognized these non-performing loans.

##### (3) Securities lending transactions

Transferred financial assets that do not qualify for derecognition mainly include debt securities lent to counterparties under securities lending agreements. The counterparties are allowed to sell or repledge those securities lent under agreements to repurchase in the absence of default by the Group, but has an obligation to return the securities at the maturity of the contract. The Group has determined that it retains substantially all the risks and rewards of these securities and therefore has not derecognized them. As at 30 June 2020, the carrying amount of debt securities lent to counterparties was RMB7,950 million (31 December 2019: RMB9,070 million).

### IV THE EQUITY IN OTHER ENTITIES

#### 1 The equity in subsidiaries

As at the balance sheet date, the subsidiaries included in the consolidated financial statements are as follows:

Name	Place of incorporation	Registered address	Principal activities	Registered capital	Proportion of equity
Zhejiang Zheyin Financial Leasing Co., Ltd.	Zhejiang Province	Zhoushan	Financial Industry	RMB3 billion	51%

#### 2 Involvement with unconsolidated structured entities

The Group manages or invests in multiple structured entities, mainly including investment funds, trust schemes, asset management plans and asset-backed securities. To judge whether the Group controls such structured entities, the Group assesses the overall interests (including direct income and expected management fees) in the structured entities through its participation in the decisions on the establishment of the structured entities, the extent of its participation and related contractual arrangements, as well as its decision-making power over the structured entities. If the Group has power over such structured entities through investment contracts and other arrangements, has variable interests through its involvement in the structured entities and has the ability to affect those interests through its power over the structured entities, the Group considers that it controls the structured entities and then consolidates them in the consolidated financial statements. If the Group does not have substantive rights to the primary activities of the structured entities, or the Group acts as an agent instead of a main owner due to its insignificant proportion of the overall interests in the structured entities over which the Group has power, the Group does not consolidate the structured entities in the consolidated financial statements.

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in million of RMB unless otherwise stated)

### IV THE EQUITY IN OTHER ENTITIES *(Continued)*

#### 2 Involvement with unconsolidated structured entities *(Continued)*

##### *(1) Basic information of unconsolidated structured entities directly held by the Group*

The unconsolidated structured entities directly held by the Group include investment funds, trust schemes and asset management plans and asset-backed securities initiated and established by third-party institutions directly held by the Group.

Considering the relevant agreements and the Group's investments in the structured entities, the Group does not consolidate the above structured entities in the consolidated financial statements.

The following table sets out an analysis of the line items in the consolidated statement of financial position in which assets were recognized relating to the Group's interests in structured entities sponsored by third party institutions:

	30 June 2020		
	Financial investments measured at FVTPL	Financial investments measured at AC	Total
Investment funds	85,704	–	85,704
Trust schemes and asset management plans	1,813	129,412	131,225
Asset-backed securities	807	–	807
<b>Total</b>	<b>88,324</b>	<b>129,412</b>	<b>217,736</b>

	31 December 2019		
	Financial investments measured at FVTPL	Financial investments measured at AC	Total
Investment funds	86,143	–	86,143
Trust schemes and asset management plans	1,721	116,732	118,453
Asset-backed securities	1,459	–	1,459
<b>Total</b>	<b>89,323</b>	<b>116,732</b>	<b>206,055</b>

The maximum exposures to loss in the above unconsolidated structured entities directly held by the Group are the fair value or amortized cost of the assets held by the Group on the balance sheet date.

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in million of RMB unless otherwise stated)

### IV THE EQUITY IN OTHER ENTITIES *(Continued)*

#### 2 Involvement with unconsolidated structured entities *(Continued)*

##### ***(2) Structured entities sponsored by the Group which the Group did not consolidate but held an interest***

The types of unconsolidated structured entities sponsored by the Group include the non-principal-guarantee 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 are fees charged by providing management services. As at the balance sheet date, the carrying amount of fee receivables being recognized are not material in the statement of financial position.

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 was RMB292,669 million (31 December 2019: RMB330,480 million). During the six months ended 30 June 2020, the intermediate business income received by the Group for providing asset management services for such financial products was RMB90 million (from 1 January 2019 to 30 June 2019: RMB490 million). As at 30 June 2020 and 31 December 2019, the balance of service charges receivable for asset management services of the Group was not material.

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in million of RMB unless otherwise stated)

## V SEGMENT REPORTING

### 1 Business segment

For management purposes, the Group is organised into different operating segments, namely corporate banking, retail banking and treasury operations, based on internal organisational structure, management requirement and internal reporting system.

#### *Corporate banking*

The corporate banking segment covers the provision of financial products and services to corporations, government agencies and other institutions. The products and services include corporate loans and advances, trade financing, deposit products and various types of corporate intermediary services, etc.

#### *Retail banking*

The retail banking segment covers the provision of financial products and services to individual customers. The products and services include personal loans and advances, deposit products, card business and various types of personal intermediary services, etc.

#### *Treasury operations*

The treasury operations segment covers the Group's treasury operations which include money market transactions, repurchase transactions, debt instruments investments, financial derivatives business for proprietary trading or on behalf of customers, as well as financial products and services provided to other financial institutions. The division also manages the liquidity level of the Group, including the issuance of debt securities.

#### *Other business*

Other business segments refer to other businesses not included in the above reporting segments and related businesses of the subsidiary.

The accounting policies adopted in the preparation of segment reports are consistent with those adopted in the preparation of the Group's consolidated financial statements.

Transactions between segments mainly represent the provision of funding to and from individual segments. These transactions are conducted on terms determined with reference to the average cost of funding and have been reflected in the performance of each segment. Net interest income and expense arising on internal fund transfer are referred to as internal net interest income/expense. Net interest income and expense relating to third parties are referred to as external net interest income/expense.

Segment revenues, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment income, expenses, results, assets and liabilities are included in the internal balances and internal transactions that are offsetted in preparing the financial statements. Segment capital expenditure refers to the total cash outflow of purchasing fixed assets, intangible assets and other long-term assets in the accounting period.

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in million of RMB unless otherwise stated)

### V SEGMENT REPORTING (Continued)

#### Business segments

	For the six months ended 30 June 2020				
	Corporate banking	Retail banking	Treasury operations	Others	Total
External interest income	7,574	4,878	5,015	496	17,963
Inter-segment net interest income/(expenses)	4,068	(499)	(3,569)	–	–
<b>Net interest income</b>	11,642	4,379	1,446	496	17,963
<b>Net fee and commission income</b>	2,032	604	318	9	2,963
Net trading gains	–	–	2,355	–	2,355
Net gains on financial investments	410	–	1,255	–	1,665
Other operating income	–	56	32	147	235
<b>Operating income</b>	14,084	5,039	5,406	652	25,181
Operating expenses	(3,561)	(1,423)	(1,116)	(143)	(6,243)
Impairment losses	(4,373)	(1,578)	(4,870)	(212)	(11,033)
<b>Total operating expenses</b>	<b>(7,934)</b>	<b>(3,001)</b>	<b>(5,986)</b>	<b>(355)</b>	<b>(17,276)</b>
Profit/(loss) before taxation	6,150	2,038	(580)	297	7,905
<b>Segment assets</b>	978,274	310,414	641,627	47,132	1,977,447
<b>Unallocated assets</b>					13,159
<b>Total assets</b>					<b>1,990,606</b>
<b>Segment liabilities</b>	(1,139,696)	(219,765)	(482,349)	(19,875)	(1,861,685)
Other segment information:					
Credit commitments	613,310	14,678	–	–	627,988
Depreciation and amortization	450	180	143	5	778
Capital expenditure	582	233	185	6	1,006



## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in million of RMB unless otherwise stated)

### V SEGMENT REPORTING (Continued)

#### Business segments (Continued)

	For the six months ended 30 June 2019				
	Corporate banking	Retail banking	Treasury operations	Others	Total
External interest income	7,444	4,513	3,621	373	15,951
Inter-segment net interest income/(expenses)	4,448	(1,247)	(3,273)	72	-
<b>Net interest income</b>	<b>11,892</b>	<b>3,266</b>	<b>348</b>	<b>445</b>	<b>15,951</b>
Net fee and commission income	1,226	539	783	19	2,567
Net trading gains	-	-	3,080	-	3,080
Net gains on financial investments	182	-	583	2	767
Other operating income	1	1	63	143	208
<b>Operating income</b>	<b>13,301</b>	<b>3,806</b>	<b>4,857</b>	<b>609</b>	<b>22,573</b>
Operating expenses	(3,307)	(1,148)	(1,398)	(211)	(6,064)
Impairment losses	(3,408)	(959)	(3,196)	(202)	(7,765)
<b>Total operating expenses</b>	<b>(6,715)</b>	<b>(2,107)</b>	<b>(4,594)</b>	<b>(413)</b>	<b>(13,829)</b>
Profit before taxation	6,586	1,699	263	196	8,744
<b>Segment assets</b>	<b>1,020,699</b>	<b>248,005</b>	<b>428,051</b>	<b>30,592</b>	<b>1,727,347</b>
<b>Unallocated assets</b>					<b>9,922</b>
<b>Total assets</b>					<b>1,737,269</b>
<b>Segment liabilities</b>	<b>(935,556)</b>	<b>(126,508)</b>	<b>(554,022)</b>	<b>(12,096)</b>	<b>(1,628,182)</b>
Other segment information:					
Credit commitments	393,775	14,617	-	-	408,392
Depreciation and amortization	351	101	201	1	654
Capital expenditure	731	184	318	50	1,283

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in million of RMB unless otherwise stated)

## V SEGMENT REPORTING *(Continued)*

### 2 Regional division

The Group operates principally in mainland China, and also has a branch in Hong Kong, China. Geographically, the Group mainly conducts its business in the four areas listed below in Mainland China.

“Yangtze River Delta Region” refers to the head office, Zheyin Leasing and the following areas serviced by the tier-one branches of the Group: Hangzhou, Ningbo, Wenzhou, Shaoxing, Zhoushan, Shanghai, Nanjing, Suzhou, Hefei, Jinhua;

“Bohai Rim Region” refers to the following areas serviced by the tier-one branches of the Group: Beijing, Tianjin, Jinan, Shenyang;

“Pearl River Delta Region” refers to the following areas serviced by the tier-one branches of the Group: Shenzhen, Guangzhou, Hong Kong; and

“Midwestern China” refers to the following areas serviced by the tier-one branches of the Group: Chengdu, Guiyang, Xi’an, Lanzhou, Chongqing, Wuhan, Zhengzhou, Changsha, Huhehaote, Nanchang.

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in million of RMB unless otherwise stated)

### V SEGMENT REPORTING (Continued)

#### REGIONAL DIVISION

	For the six months ended 30 June 2020					
	Yangtze	Bohai	Pearl	Midwestern	Elimination	Total
	River Delta Region	Rim Region	River Delta Region	China		
External interest income	10,274	2,051	993	4,645	-	17,963
Inter-segment net interest (expenses)/income	(371)	1,262	347	(1,238)	-	-
<b>Net interest income</b>	9,903	3,313	1,340	3,407	-	17,963
<b>Net fee and commission income</b>	1,228	639	190	906	-	2,963
Net trading gains	1,477	180	306	392	-	2,355
Net gains on financial investments	1,476	71	36	82	-	1,665
Other operating income	182	15	3	35	-	235
<b>Operating income</b>	14,266	4,218	1,875	4,822	-	25,181
Operating expenses	(3,825)	(933)	(429)	(1,056)	-	(6,243)
Impairment losses	(7,537)	(1,015)	(1,047)	(1,434)	-	(11,033)
<b>Total operating expenses</b>	<b>(11,362)</b>	<b>(1,948)</b>	<b>(1,476)</b>	<b>(2,490)</b>	-	<b>(17,276)</b>
Profit before taxation	2,904	2,270	399	2,332	-	7,905
<b>Segment assets</b>	1,722,486	321,218	171,303	296,451	(534,011)	1,977,447
<b>Unallocated assets</b>						13,159
						1,990,606
<b>Segment liabilities</b>	(1,607,484)	(322,236)	(171,428)	(294,548)	534,011	(1,861,685)
Other segment information :						
Credit commitment	306,093	127,533	45,481	148,881	-	627,988
Depreciation and amortization	445	123	70	140	-	778
Capital expenditure	744	230	14	18	-	1,006

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in million of RMB unless otherwise stated)

### V SEGMENT REPORTING (Continued)

#### REGIONAL DIVISION (Continued)

	For the six months ended 30 June 2019					
	Yangtze River Delta Region	Bohai Rim Region	Pearl River Delta Region	Midwestern China	Elimination	Total
External interest income	7,806	2,754	1,111	4,280	-	15,951
Inter-segment net interest Income/(expenses)	1,083	142	67	(1,292)	-	-
<b>Net interest income</b>	<b>8,889</b>	<b>2,896</b>	<b>1,178</b>	<b>2,988</b>	<b>-</b>	<b>15,951</b>
<b>Net fee and commission income</b>	<b>1,130</b>	<b>568</b>	<b>272</b>	<b>597</b>	<b>-</b>	<b>2,567</b>
Net trading gains	2,235	237	296	312	-	3,080
Net gains on financial investments	477	148	48	94	-	767
Other operating income	104	39	5	60	-	208
<b>Operating income</b>	<b>12,835</b>	<b>3,888</b>	<b>1,799</b>	<b>4,051</b>	<b>-</b>	<b>22,573</b>
Operating expenses	(3,776)	(916)	(411)	(961)	-	(6,064)
Impairment losses	(3,244)	(1,871)	(1,258)	(1,392)	-	(7,765)
<b>Total operating expenses</b>	<b>(7,020)</b>	<b>(2,787)</b>	<b>(1,669)</b>	<b>(2,353)</b>	<b>-</b>	<b>(13,829)</b>
Profit before taxation	5,815	1,101	130	1,698	-	8,744
<b>Segment assets</b>	<b>1,751,149</b>	<b>272,404</b>	<b>142,076</b>	<b>286,560</b>	<b>(724,842)</b>	<b>1,727,347</b>
<b>Unallocated assets</b>						<b>9,922</b>
						<b>1,737,269</b>
<b>Segment liabilities</b>	<b>(1,655,336)</b>	<b>(272,369)</b>	<b>(142,147)</b>	<b>(283,172)</b>	<b>724,842</b>	<b>(1,628,182)</b>
Other segment information:						
Credit commitment	214,366	85,660	22,278	86,088	-	408,392
Depreciation and amortization	374	93	56	131	-	654
Capital expenditure	655	483	14	131	-	1,283

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in million of RMB unless otherwise stated)

## VI COMMITMENTS AND CONTINGENCIES

### 1 Credit commitments and financial guarantee

Bank acceptances refer to the Group's commitment to honor bills issued by customers, block chain receivables confirmation refer to the Group's commitment to block chain receivables confirmation issued by customers. The Group expects that most of the bank acceptances and block chain receivables confirmation will be settled at the same time as the payment of customers. The Group provides letter of credit and financial guarantee services to guarantee the performance of customers to third parties. The Group's credit commitments include approved loan commitments and undrawn credit card limit.

The contractual amount of credit commitments and financial guarantee are set out below: the amount of bank acceptances, block chain receivables confirmation, letter of credit and letter of guarantee disclosed is the maximum potential loss amount that the Group will recognize at the balance sheet date if the counterparties fail to perform. The disclosed corporate loan commitments amount and undrawn credit line of credit card are the contract amount assumed to be fully issued. The relevant credit line may not be used before maturity. Therefore, the contract amount mentioned below does not represent the expected cash outflow in the future.

	30 June 2020	31 December 2019
Bank acceptances	327,736	283,047
Block chain receivables confirmation	142,129	96,108
Letters of credit issued	118,540	106,861
Letters of guarantee issued		
– financing letters of guarantee	13,594	15,603
– non-financing letters of guarantee	10,848	9,115
Corporate loan commitments	463	803
Undrawn credit card limit	14,678	14,578
<b>Total</b>	<b>627,988</b>	<b>526,115</b>



## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in million of RMB unless otherwise stated)

### VI COMMITMENTS AND CONTINGENCIES *(Continued)*

#### 2 Capital commitments

As at the balance sheet date, the Group's capital commitments are as follows:

	30 June 2020	31 December 2019
Signed but not paid	3,119	687
Approved but not signed	2,634	5,505
<b>Total</b>	<b>5,753</b>	<b>6,192</b>

#### 3 Bond underwriting and redemption commitments

- (1) As at 30 June 2020, the Group has no outstanding bond underwriting commitment (31 December 2019: Nil).
- (2) As an underwriting agent of the Government, the Group is obliged to redeem these bonds at the discretion of the holders at any time prior to maturity. The redemption price for the bonds is based on the nominal value of the bonds plus any interest accrued up to the redemption date. The interest accrued shall be calculated in accordance with the relevant rules of the Ministry of Finance and the PBOC. The redemption price may be different from the fair value of similar bonds traded in the market on the redeem day.

As at 30 June 2020, the Group had underwritten and sold bonds with an accumulated amount of RMB679 million (31 December 2019: RMB672 million) to the general public, and these government bonds have not yet matured nor been redeemed. Management expects that the amount of redemption of these government bonds through the Group prior to maturity will not be material.

#### 4 Litigations and arbitrations

As at the balance sheet date, the Group was involved in certain legal proceedings or arbitrations in the ordinary course of business. The Group expects that such pending litigations and arbitrations will not materially and adversely affect the Group's financial position.

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in million of RMB unless otherwise stated)

### VII FIDUCIARY BUSINESS

Entrusted loan refers to the depositor's designation of a specific third party to the Group as the borrower, and the credit risk related to the loan is borne by the depositor of the designated lender. Entrusted financial management refers to the business in which the Group is entrusted by customers to operate and manage customers' assets. The investment risk of entrusted financial management shall be borne by the client. Entrusted investment refers to the fact that the Group accepts the entrustment of a single or multiple clients based on the principal-agent relationship to engage in investment services such as asset operation, investment management, investment consultancy and so on. The investment risk of entrusted investment shall be borne by the client.

As at the balance sheet date, the entrusted business of the Group is as follows:

	<b>30 June 2020</b>	<b>31 December 2019</b>
Entrusted loans	24,155	27,666
Entrusted investments	300	300

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in million of RMB unless otherwise stated)

## VIII COLLATERAL INFORMATION

### 1 Assets as collateral

The book value of the Group's secured liabilities related to the assets as collateral on the balance sheet date is presented as borrowing from the central bank, financial assets sold under repurchase agreements and customer deposits. These transactions are conducted on the general standard terms of the relevant business.

	30 June 2020	31 December 2019
Due to central bank	75,306	92,583
Financial assets sold under repurchase agreements	34,602	6,002
Customer deposits	9,598	39,510
<b>Total</b>	<b>119,506</b>	<b>138,095</b>

#### (1) Analyzed by collateral type

	30 June 2020	31 December 2019
Corporate loans	80,701	89,296
Bills	79,890	107,657
Bond investments	8,774	10,083
<b>Total</b>	<b>169,365</b>	<b>207,036</b>

In addition, the Group provides collateral for the bonds borrowed through the bond lending business. As at 30 June 2020, the assets as collateral under the bond lending business of the Group were RMB3,552 million (As at 31 December 2019: RMB1,080 million).

### 2 Collateral received

Details of collateral related information received by the Group in the granting of loans and advances to customers and financial investments that are credit impaired could be referred to in Note X.1(10).

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in million of RMB unless otherwise stated)

## IX RELATED PARTY RELATIONSHIP AND TRANSACTIONS

### 1 Shareholders

As at 30 June 2020 and 31 December 2019, the shareholding of major shareholder units directly or indirectly holding more than 5% of the Bank's shares are as follows:

	<b>Number of shares held (in RMB million)</b>	<b>Shareholding Percentage</b>
Zhejiang Provincial Financial Holdings Co., Ltd.	2,655	12.49%
Zhejiang Provincial Energy Group Co., Ltd. and its group members, Zheneng Capital Holding Co., Ltd. and Zhejiang Energy International Co., Ltd.	1,487	6.99%
Traveller Automobile Group Co., Ltd.	1,347	6.33%
Zhejiang Hengyi Group Co., Ltd. and its group members Zhejiang Hengyi hi tech materials Co., Ltd. and Zhejiang Hengyi Petrochemical Co., Ltd.	1,243	5.84%
Hengdian Group Holdings Limited	1,243	5.84%

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in million of RMB unless otherwise stated)

### IX RELATED PARTY RELATIONSHIP AND TRANSACTIONS (Continued)

#### 2 Related party transactions

The amount of major transactions between the Group and related parties and the balance of major current accounts on the balance sheet date are as follows:

	Zhejiang Provincial Financial Holdings Co., Ltd. and its subsidiaries	Zhejiang Provincial Energy Group Co., Ltd. and its subsidiaries	Traveller Automobile Group Co., Ltd. subsidiaries	Zhejiang Hengyi Group Co., Ltd. and its subsidiaries	Hengqian Group Holdings Limited and its subsidiaries	Others	Total	Proportion in the amount/balance of related similar transactions
The amount of significant transactions from 1 January 2020 to 30 June 2020 is as follows:								
Interest income	68	-	-	-	-	48	116	0.28%
Interest expense	171	10	-	-	3	3	187	0.80%
Fee and commission income	-	-	-	3	-	4	7	0.21%
Net trading gains	53	1	-	-	83	-	137	5.82%
As at 30 June 2020, the balance of major current accounts is as follows:								
Loans and advances to customers	95	-	-	12	-	2,424	2,531	0.22%
Financial investments measured at FVTPL	1,332	235	-	-	2,515	-	4,082	3.06%
Financial investments measured at AC	2,500	-	-	-	-	600	3,100	0.81%
Customer deposits	7,267	132	-	321	35	169	7,924	0.59%
The major off balance sheet items as at 30 June 2020 are as follows:								
Credit commitment	38	-	-	1,878	173	1,508	3,597	0.59%
Loan balance guaranteed by related parties	456	-	-	68	-	4,118	4,642	0.41%



# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in million of RMB unless otherwise stated)

## IX RELATED PARTY RELATIONSHIP AND TRANSACTIONS (Continued)

### 2 Related party transactions (Continued)

	Zhejiang Provincial Financial Holdings Co., Ltd. and its subsidiaries	Zhejiang Provincial Energy Group Co., Ltd. and its subsidiaries	Traveller Automobile Group Co., Ltd.	Zhejiang Hengyi Group Co., Ltd. and its subsidiaries	Hengdian Group Holdings Limited and its subsidiaries	Others	Total	Proportion in the amount/ balance of related similar transactions
The amount of significant transactions from 1 January 2019 to 30 June 2019 is as follows :								
Interest income	135	-	-	-	-	192	327	0.84%
Interest expense	188	3	-	-	1	91	283	1.24%
Net fee and commission income	-	-	-	-	-	2	2	0.08%
Net trading gains	54	-	-	-	118	-	172	5.59%
As at 31 December 2019, the balance of major current accounts is as follows:								
Loans and advances to customers	50	-	-	135	1	3,332	3,518	0.34%
Financial investments measured at FVTPL	1,841	-	-	-	3,547	-	5,388	4.17%
Financial investments measured at AC	2,500	-	-	-	-	2,573	5,073	1.62%
Customer deposits	8,491	685	-	201	26	570	9,973	0.88%
The major off balance sheet items as at 31 December 2019 are as follows:								
Credit commitment	-	-	-	1,100	-	1,370	2,470	0.48%
Loan balance guaranteed by related parties	3,427	-	-	-	-	8,229	11,656	1.14%

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in million of RMB unless otherwise stated)

### IX RELATED PARTY RELATIONSHIP AND TRANSACTIONS *(Continued)*

#### 3 Key management

Key management personnel are those persons who have the authority and responsibility to plan, direct and control the activities of the Group. The Group enters into banking transactions with key management personnel in the normal course of business. For the reporting period, the Group had no material banking transactions with key management personnel.

The remuneration of directors and other members of key management during the period were as follows:

	For the six months ended	
	30 June 2020	30 June 2019
Fees	1	1
Salaries and allowances and benefits	10	10
Discretionary bonuses	19	18
Contribution to pension	1	1
<b>Total</b>	<b>31</b>	<b>30</b>

#### 4 Transactions between the Bank and the subsidiary

The transactions between the Bank and its subsidiary include deposits with banks and other financial institutions, deposits from banks and other financial institutions, placements with banks and other financial institutions, leasing of movable and real estate, bills discounted, financial assets at fair value through other comprehensive income, off-balance sheet items and others. The terms of exchange between the Bank and its subsidiary are similar to those implemented by the Bank in its daily business with enterprises outside the Group. All transactions are based on the market price and carried out in accordance with normal business procedures or in accordance with the contract agreement of the Bank, and shall be approved by the corresponding decision-making authority depending on the type and content of the transaction. As stated in Note 2.4 of the consolidated financial statements for the year ended 31 December 2019, all significant intra-group balances, transactions and unrealised profits are eliminated in the consolidated financial statements.

#### 5 Plan and transaction of annuity

Except for normal contributions, there were no other related party transactions in the enterprise annuity funds established by the Group and the Bank during the reporting period.

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in million of RMB unless otherwise stated)

## X FINANCIAL RISK MANAGEMENT

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

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

The board of directors takes the ultimate responsibility for comprehensive risk management; the Board of supervisors is responsible for supervision of comprehensive risk management; and the senior management is responsible for implementing comprehensive risk management. The Company establishes the position of chief risk officer. The senior management has established special committees including the risk management and internal control committee, asset and liability management committee, credit, investment and transaction review committee, asset risk classification review committee and business continuity management committee.

The risk management department at our head office is the coordination department for comprehensive risk management and the leading executive department for management of the credit risk, market risk (excluding interest rate risk of banking book), country risk and information technology risk. The planning and finance department (the asset and liability management department) at our head office is the leading executive department for management of the interest rate risk of banking book and liquidity risk. The internal control, compliance and legal department at our head office is the leading executive department for operational risk and compliance risk management. The general office at our head office is the leading executive department for reputational risk management. The development and planning department at our head office is the leading executive department for strategic risk management.

The primary financial risks the Group is exposed to are credit risk, market risk (including interest rate risk, foreign exchange risk), and liquidity risk.

### 1 Credit Risk

The Group is exposed to credit risk, which is the risk of loss arising from a counterparty's failure to perform its obligations under a contract. Credit exposures arise principally from interbank transactions, corporate and retail loans, as well as loan commitments arising from lending activities. It can also be derived from credit enhancement provided by the Group, such as credit derivatives (credit default swaps), financial guarantees, letters of credit, endorsements and acceptances. Management carefully manages its exposure to credit risks. The daily credit risk management and control are centralized in the risk management department of head office and reported to management regularly.

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in million of RMB unless otherwise stated)

## X FINANCIAL RISK MANAGEMENT *(Continued)*

### 1 Credit Risk *(Continued)*

#### **(1) Credit risk measurement**

##### *Loans and advances to customers, loan commitments and financial guarantees*

Based on changes in external business environment, internal business conditions and risks, the Group formulated basic policies for credit business, and defined the policy orientation of the customer structure, industry structure, regional structure and key business areas of the Group's credit business. In addition, the Group regularly adjusted the credit policy on the basis of continuous tracking of macro and industry economic development trends. The Group continued to strengthen the credit system, revised the unified credit management system for corporate customers, strengthened the overall management and unified control of the total credits of corporate customers, and improved the standard and standardized credit approval process, authorization system and risk responsibility mechanism, and timely adjust the credit policy and take effective measures to prevent credit risks.

The Group has established a credit risk limit framework system, formulated credit risk limit management plans and methods, and defined management mechanisms such as setting, adjusting, monitoring and processing quota indicators to effectively transmit risk preferences. When the Group has performed all necessary procedures and still believes that it is not expected to recover the whole or part of the financial assets, it will be written off. Signs indicating that the recoverable amount cannot be reasonably expected include: (1) the enforcement has been terminated, and (2) the recovery method of the Group is to confiscate and dispose of the collateral, but it is still expected that the value of the collateral cannot cover the entire principal and interest.

##### *Bonds*

The Group managed investment in bonds and other instruments based on the internal credit rating and credit rating of external rating agencies. Except for financial instruments that have direct credit rating such as government debt, central bank bills and policy bank financial bonds, the acquisition requirements of other bonds are required to meet credit rating access system to invest in. At the same time, the Group continues to pay attention to the credit rating, business development and changes in the industry of the issuers, and also continuously evaluates and manages the credit risk.

##### *Non-bond debt investment*

Non-bond debt investment includes interbank wealth management products, trust schemes and asset management plans. The Group implemented rating access system for cooperative trust companies and securities companies, and set credit lines for the trust underlying parties, inter-bank wealth management product issuers, and the ultimate financing party of the targeted asset management plans, and conducted risk management review on a regular basis.



# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in million of RMB unless otherwise stated)

## X FINANCIAL RISK MANAGEMENT *(Continued)*

### 1 Credit Risk *(Continued)*

#### (1) Credit risk measurement *(Continued)*

##### *Interbank business*

The Group conducted regular review and management of the credit risk of individual financial institutions. The Group also set credit lines for individual banks or other financial institutions that have financial transactions with the Group.

#### (2) Risk limit control and mitigation policies

The Group built up credit risk limit management policies and procedures. The Group set credit risk limits based on customers credit-worthiness, industrial credit exposure, asset quality and etc. to establish mechanisms to manage credit limit such its setting, adjustment, monitoring, reporting and processing.

The Group mitigates or transfers its credit risk exposure by guarantee, collateral (pledge), net settlement and credit derivatives. Other specific management and mitigation measures include:

##### *Collateral and pledge*

The Group has formulated a series of policies and adopted various measures to mitigate credit risks. The acquisition of collateral and margins and obtaining company or individual guarantees is one of the important means for the Group to control credit risk. The Group implements guidelines on the acceptability of specific classes of collateral. The principal types of collateral are as follows:

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



# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in million of RMB unless otherwise stated)

## X FINANCIAL RISK MANAGEMENT *(Continued)*

### 1 Credit Risk *(Continued)*

#### *(2) Risk limit control and mitigation policies (Continued)*

##### *Collateral and pledge (Continued)*

The fair value of collaterals and pledges should be assessed by professional valuation firms appointed by the Group. The Group has set maximum loan-to-value ratio (ratio of loan balances against fair value of collateral and pledge) for different collaterals and pledges. The principal types of collateral and pledge and maximum loan-to-value ratio for corporate and personal loans and advances are as follows:

<b>Collaterals and pledge assets</b>	<b>Maximum loan to value rate</b>
Time deposits (RMB)	100%
Time deposits (Foreign currency)	90%
PRC treasury bonds	90%
Financial institution bonds	80%
Residential property and commercial property	70%
Land use rights	70%
Special equipment	70%
Vehicles	60%
General equipment	50%

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

##### *Derivative financial instruments*

The Group imposed strict restrictions on the trading of derivative financial instruments. The Group controlled the credit risks associated with derivative financial instruments by collecting margins or grant credits from/to counterparties.

##### *Credit commitment*

The main purpose of the credit commitments is to ensure that customers can receive the funds they need. The letter of guarantee and the letter of credit is an irrevocable undertaking of the Group, that is, the Group will perform its payment obligations on behalf of its customers when they are unable to perform their payment obligations to third parties, and the Group bears the same credit risk as the loan. In the event that the credit commitments amount requested by the customer exceeds its original credit limit, the Group will collect deposit to reduce the credit risk of providing the service.

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in million of RMB unless otherwise stated)

## X FINANCIAL RISK MANAGEMENT *(Continued)*

### 1 Credit Risk *(Continued)*

#### **(3) Measurement of Expected Credit Loss (“ECLs”)**

In accordance with IFRS 9, the Group divided the financial instruments into three stages. The ECLs model is used for the measurement of the provision on financial assets at AC, financial assets at FVOCI and credit commitment.

The Group developed the impairment model according to the new standard to calculate ECLs. The top-down development method was used to establish a logistic regression model of risk parameters and macroeconomic indicators such as GDP and etc. A model that uses the forecast results of macro indicators to drive impairment calculations, enabling “forward-looking” calculations of impairment reserves.

#### *The risk stage classification of financial instruments*

The Group classifies financial instruments into three stages and makes provisions for expected credit losses accordingly, depending on whether credit risk on that financial instrument has increased significantly since initial recognition. The three risk stages are defined as follows:

Stage 1: Financial instruments of which the credit risk has not significantly increase since initial recognition. The amount equal to 12-month expected credit losses is recognized as loss allowance.

Stage 2: Financial instruments with a significant increase in credit risk since initial recognition but is not considered to be credit-impaired. The amount equal to lifetime expected credit losses is recognized as loss allowance.

Stage 3: Financial instruments is considered to be credit-impaired as at the end of the reporting period. The amount equal to lifetime expected credit losses is recognized as loss allowance.

The detailed classification criteria has been set up, and take into consideration probability of default, overdue days, credit rating, etc.

#### *Definition of significant increase in credit risk*

The Group assesses at each financial reporting date whether the credit risk of the relevant financial instruments has increased significantly since the initial recognition. The Group fully considers all reasonable information with solid evidence, including forward-looking information that reflects significant changes in its credit risk. The main considerations are regulatory and operating environment, internal and external credit rating, solvency, operating capacity, loan contract terms, and repayment behavior. Based on a single financial instrument or a combination of financial instruments with similar credit risk characteristics, the Group determines the risk of default of financial instruments on the financial reporting date and the risk of default on the initial recognition date to determine changes in the risk of default in the expected duration of financial instruments.

The Group determines whether the credit risk of financial instruments has changed significantly since the initial confirmation by setting quantitative and qualitative criteria. The judgment criteria mainly include overdue days exceeding 30 days, changes in default probability, changes in credit risk classification and others indicate a significant change in credit risk.

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in million of RMB unless otherwise stated)

## X FINANCIAL RISK MANAGEMENT *(Continued)*

### 1 Credit Risk *(Continued)*

#### **(3) Measurement of Expected Credit Loss (“ECLs”) *(Continued)***

##### *Definition of credit-impaired financial assets*

Generally, financial assets are considered to be credit-impaired if:

- The principal or interest of the contract is overdue for more than 90 days;
- For economic or contractual reasons related to the financial difficulties of the borrower, the borrower's lender gives the borrower a reluctance to make concessions;
- Borrower has significant financial difficulties;
- The borrower is likely to go bankrupt or other financial restructuring; and
- The active market for financial assets disappears.

The ECLs of financial assets may be caused by the joint action of multiple events, and may not be caused by separately identifiable events.

The above standards apply to all financial instruments of the Group; the definition of credit impairment incurred is consistently applied to the calculation of ECLs of the Group, including default probability (PD), exposure at default (EAD) and loss given default (LGD) modeling.

##### *Measurement of expected credit loss: explanation of parameters, assumptions and estimation techniques*

Except for the financial assets with credit-impaired, depending on whether there is a significant increase in credit risk and whether the assets have been impaired, the Bank will measure the loss provision for different assets by expected credit losses for 12 months or entire life of the asset. Expected credit loss allowance is the product of probability of default (PD), exposure at default (EAD) and loss given default (LGD) after discount. Related definitions are as follows:

- Probability of default (PD) refers to the possibility that the borrower will not be able to fulfil his obligations in the next 12 months or throughout the remaining period of existence. The Group builds the migration matrix to calculate the 12-month probability of default, and derives the default probability of the entire duration from the 12-month probability of default through the Markov chain model;
- Loss given default (LGD) is the percentage of risk exposure loss at the time of default. The default loss rate varies depending on the type of counterparty, the way of recourse and priority and the availability of collateral or other credit support. The LGD of different product types is also different; and

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in million of RMB unless otherwise stated)

## X FINANCIAL RISK MANAGEMENT *(Continued)*

### 1 Credit Risk *(Continued)*

#### **(3) Measurement of Expected Credit Loss (“ECLs”) *(Continued)***

*Measurement of expected credit loss: explanation of parameters, assumptions and estimation techniques (Continued)*

- Exposure at default (EAD) refers to the amount that the Group should pay when the default occurs in the next 12 months or throughout the remaining life. The Group’s exposure at default is determined by the expected repayment arrangements, and different types of products will vary. For installments and one-time repayments, the Group determines the exposure at default according to the repayment plan stipulated in the contract.

The Group determines the ECLs by forecasting the probability of default, loss given default and exposure at default of single debt. The Group multiplies the three parameters which can effectively calculate the expected credit losses for future periods, and then discount the results of each period to the report date in lump sum. The discount rate used in the calculation of expected credit loss is the real interest rate or its approximate value.

*Forward-looking information and management overlay included in the credit impairment model*

The Group has established macro-economic forecast model, along with adjustments from external economy experts. The Group conduct forecasts regularly to establish three economic scenario, optimistic, neutral and pessimistic to ensure coverage of non-linear features for the main expected credit loss model. Basic scenario is defined as the most probable situation, which will become benchmark for other scenarios. Optimistic and pessimistic scenarios are possible scenarios which are better and worse than neutral scenario respectively. It can also be used as one of the sources of sensitivity testing.

The impairment model is established through a top down approach. The Group has developed regression models for different macro-economic indicators such as GDP, PPI, M2, etc. The Group uses forecasting results of macro-indicators to achieve “forward-looking” calculation of provision.

The management of the Group has considered external economic situation that have not been reflected by the model and increased the provision to enhance the risk compensation capability.



## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in million of RMB unless otherwise stated)

### X FINANCIAL RISK MANAGEMENT *(Continued)*

#### 1 Credit Risk *(Continued)*

##### (4) Maximum credit risk exposure

The following table provides an analysis of the credit risk exposure of financial instruments applicable to the expected credit loss measurement. The carrying amount of the following financial assets is the maximum credit risk exposure faced by the Group:

	30 June 2020	31 December 2019
Balances with central bank	153,589	130,501
Deposits with banks and other financial institutions	27,008	17,725
Placements with banks and other financial institutions	3,669	9,184
Financial assets purchased under resale agreements	18,433	28,950
Loans and advances to customers		
– Measured at AC	939,500	903,873
– Measured at FVOCI	157,910	95,060
Financial investments		
– Measured at AC	374,858	305,160
– Measured at FVOCI	92,560	82,922
Other financial assets	29,179	30,761
<b>Total</b>	<b>1,796,706</b>	<b>1,604,136</b>

As at the end of the reporting period, the maximum credit risk exposure of the Group's off-balance-sheet credit commitments and financial guarantee contracts has been disclosed in Note VI. 1.

##### (5) Risk concentration

The credit risk usually increase if the counterparties are concentrated in a certain industry, region or beared on certain economic characteristics. Meanwhile, the economic development is differentiated by the unique characteristics of industries and regions, so the credit risk is exposed in variety.

##### *Geographical segments*

The gross amount of loans and advances to customers (excluding accrued interest) granted by the Group are listed as follows by region:

	30 June 2020		31 December 2019	
	Gross amount	Proportion (%)	Gross amount	Proportion (%)
Yangtze River Delta Region	646,867	57.42%	571,942	55.70%
Midwestern China	216,439	19.22%	198,548	19.33%
Bohai Rim Region	155,192	13.78%	165,623	16.13%
Pearl River Delta Region	107,870	9.58%	90,806	8.84%
<b>Total</b>	<b>1,126,368</b>	<b>100.00%</b>	<b>1,026,919</b>	<b>100.00%</b>



## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in million of RMB unless otherwise stated)

### X FINANCIAL RISK MANAGEMENT *(Continued)*

#### 1 Credit Risk *(Continued)*

##### (5) Risk concentration *(Continued)*

###### Industry segments

The gross amount of loans and advances to customers (excluding accrued interest) granted by the Group are listed as follows by industry:

	30 June 2020		31 December 2019	
	Gross amount	Proportion (%)	Gross amount	Proportion (%)
Corporate loans and advances				
Leasing and commercial services	164,301	14.59%	150,011	14.60%
Real estate	161,165	14.31%	148,341	14.45%
Manufacturing	120,608	10.71%	114,722	11.17%
Wholesale and retail trade	104,197	9.25%	82,824	8.07%
Administration of water conservancy, environment and public facilities	56,300	5.00%	53,253	5.19%
Construction	49,153	4.36%	45,432	4.42%
Financing	17,960	1.59%	19,785	1.93%
Information transmission, computer services and software industry	11,773	1.05%	9,719	0.95%
Accommodation and catering	11,087	0.98%	8,857	0.86%
Production and supply of electricity, gas and water	9,550	0.85%	9,562	0.93%
Transportation, storage and postal service	9,039	0.80%	10,580	1.03%
Mining	8,555	0.76%	6,722	0.65%
Scientific research, technology services and geological exploration	6,566	0.58%	5,633	0.55%
Culture, sports and entertainment	4,709	0.42%	5,519	0.54%
Agriculture, forestry, animal husbandry and fishery	3,005	0.27%	3,917	0.38%
Health, social security and social welfare	2,052	0.18%	1,900	0.18%
Education	1,403	0.12%	1,175	0.11%
Household services and other services	1,228	0.11%	1,648	0.16%
Public administration and social organization	509	0.05%	10	0.00%
Corporate loans and advances	743,160	65.98%	679,610	66.17%
Personal loans and advances	287,846	25.56%	275,677	26.85%
Discounted bills	95,362	8.46%	71,632	6.98%
<b>Total</b>	<b>1,126,368</b>	<b>100.00%</b>	<b>1,026,919</b>	<b>100.00%</b>

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in million of RMB unless otherwise stated)

### X FINANCIAL RISK MANAGEMENT *(Continued)*

#### 1 Credit Risk *(Continued)*

##### (6) Credit risk analysis of loans and advances

The overdue information and ECLs of loans and advances to customers are listed as follows:

	30 June 2020	31 December 2019
Credit-impaired	16,939	14,391
Less: Allowance for impairment losses	(10,382)	(9,450)
Subtotal	6,557	4,941
Overdue without credit impairment	4,779	9,113
Less: Allowance for impairment losses	(456)	(2,123)
Subtotal	4,323	6,990
Neither overdue nor credit-impaired	1,104,453	1,003,627
Accrued interest	3,589	3,040
Less: Allowance for impairment losses	(21,512)	(19,665)
Subtotal	1,086,530	987,002
<b>Total</b>	<b>1,097,410</b>	<b>998,933</b>

##### (7) Credit risk analysis of due from banks and other financial institutions

Due from banks and other financial institutions include deposits with banks and other financial institutions, placements with banks and other financial institutions and financial assets purchased under resale agreement. As at the end of the reporting period, the carrying amount of the Group's due from banks and other financial institutions classified by stage and counterparties are analyzed as follows:

	30 June 2020	31 December 2019
Credit-impaired	345	737
Accrued interest	–	5
Less: Allowance for impairment losses	(112)	(84)
Subtotal	233	658
Neither overdue nor credit-impaired		
– Commercial banks	27,760	32,479
– Policy banks	–	2,917
– Other financial institutions	21,098	19,754
Accrued interest	23	53
Less: Allowance for impairment losses	(4)	(2)
Subtotal	48,877	55,201
<b>Total</b>	<b>49,110</b>	<b>55,859</b>

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in million of RMB unless otherwise stated)

## X FINANCIAL RISK MANAGEMENT *(Continued)*

### 1 Credit Risk *(Continued)*

#### (8) Credit risk analysis of debt instrument investment

The Group continuously monitors the credit risk of the debt instrument portfolios. As at the end of reporting period, the carrying amount of the debt instruments which are exposed to credit losses is listed as follows:

	<b>30 June 2020</b>	<b>31 December 2019</b>
Credit-impaired	13,546	13,143
Less: Allowance for impairment losses	(9,010)	(8,248)
<b>Subtotal</b>	<b>4,536</b>	<b>4,895</b>
Overdue but not credit-impaired	–	4,337
Less: Allowance for impairment losses	–	(1,296)
<b>Subtotal</b>	<b>–</b>	<b>3,041</b>
Neither overdue nor credit-impaired		
– Government	143,572	142,741
– Policy banks	78,924	51,791
– Commercial banks	72,925	32,152
– Other financial institutions	1,899	689
– Other enterprises	163,066	150,946
Accrued interest	6,422	5,449
Less: Allowance for impairment losses	(3,926)	(3,622)
<b>Subtotal</b>	<b>462,882</b>	<b>380,146</b>
<b>Total</b>	<b>467,418</b>	<b>388,082</b>

As at 30 June 2020, the impairment amounting to RMB17 million (31 December 2019: RMB9 million) and RMB448 million (31 December 2019: RMB197 million) of the above investments in debt instruments that have credit impairment occurred and that are neither overdue nor credit-impaired measured at FVOCI, were recognized in other comprehensive income, respectively, without deducting the book value of financial assets.

#### (9) Rescheduled loans and advances

Rescheduled loans are those loans that have revised repayment terms of loan contracts because of deterioration in the financial position of the borrower or of the inability to repay. As at 30 June 2020, the Group's loans and advances with book value of RMB308 million (31 December 2019: RMB240 million) incurred credit impairment and the relevant contract terms were rescheduled.

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in million of RMB unless otherwise stated)

### X FINANCIAL RISK MANAGEMENT *(Continued)*

#### 1 Credit Risk *(Continued)*

##### *(10) Collateral and other credit enhancement*

The Group closely monitors the collateral corresponding to financial assets with credit impairment, as compared with other collateral, the Group is more likely to confiscate these collateral to reduce potential credit losses. As at the end of the reporting period, the Group's credit-impaired loans and advances and financial investments and the value of collateral held to reduce its potential loss are listed as follows:

	30 June 2020			
	Gross amount	Allowance for impairment losses	Carrying amount	Fair value of collateral
Loans and advances to customers				
– Corporate loans and advances	13,378	(8,156)	5,222	8,556
– Personal loans and advances	3,561	(2,226)	1,335	1,637
Financial investment				
– Financial investments measured at amortized cost	13,514	(9,010)	4,504	5,473
<b>Total</b>	<b>30,453</b>	<b>(19,392)</b>	<b>11,061</b>	<b>15,666</b>

	31 December 2019			
	Gross amount	Allowance for impairment losses	Carrying amount	Fair value of collateral
Loans and advances to customers				
– Corporate loans and advances	11,906	(7,677)	4,229	7,673
– Personal loans and advances	2,485	(1,773)	712	1,015
Financial investment				
– Financial investments measured at amortized cost	13,121	(8,248)	4,873	4,830
<b>Total</b>	<b>27,512</b>	<b>(17,698)</b>	<b>9,814</b>	<b>13,518</b>

The fair value of the above collateral is determined by the Group on the basis of the latest available external evaluation value according to the collateral disposal experience and market conditions.



# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in million of RMB unless otherwise stated)

## X FINANCIAL RISK MANAGEMENT *(Continued)*

### 2 Market Risk

Market risk refers to the risk of losses of on-balance sheet and off-balance sheet business arising from unfavorable changes in market prices including interest rates, exchange rates, stock prices and commodity prices. The Group's exposures to market risk occurs in the trading and non-trading businesses.

The Group's market risk management system consists of the board of directors, the board of supervisors, senior management, risk management and internal control committee, risk management department, financial market department, financial technology department, audit department, other departments, as well as branches, subbranches and subsidiaries. The Senior Management is responsible for implementing and organizing the market risk management, overseeing the implementation of market risk appetite, as well as formulating and carrying out relevant systems and policies for market risk management and establishing market risk management information system, so as to ensure the Group can effectively identify, measure, monitor and control a series of market risks borne by various businesses.

The market risk measurement methods adopted by the Group include duration analysis, foreign exchange exposure analysis, scenario analysis, sensitivity analysis, Value at Risk (VaR) measurement etc., and the measures taken by the Group to control market risks include, among others, limit management, hedging, reducing risk exposures etc. The Group has established a market risk management system pursuant to the relevant measures and guidelines of CBIRC. The Group has formulated market risk management policies and procedures applicable to the nature, scale, complexity and risk features of its business and aligned such policies and procedures with its overall business development strategy, management capabilities, capital strength and overall risk level that can be borne by the Group.

The Group update its market risk preferences and limit management system on a regular basis, further improved the market risk management systems and market risk measurement systems. The Group conducts market risk measurement, monitoring and routine management by using the independent market risk management system. The Group values positions of our trading book on a daily basis, continuously monitors trading limits, stop-loss limits and risk limits, and regularly evaluates market risks through stress testing and other methods.



# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in million of RMB unless otherwise stated)

## X FINANCIAL RISK MANAGEMENT *(Continued)*

### 2 Market Risk *(Continued)*

#### *(1) Interest rate risk*

Interest rate risk in the banking book refers to the risk of losses in the economic value and overall gain of the banking book arising from adverse changes in interest rate levels and term structure etc., mainly including gap risk, benchmark risk and option risk.

The Group's interest rate risk management system of banking book consists of the board of directors, the board of supervisors, senior management, risk management and internal control committee, asset and liability management committee, risk management department, planning and finance department (the asset and liability management department), financial market department, financial technology department, audit department and other operation and management departments of the head office, as well as branches, sub-branches and subsidiaries. The senior management is responsible for implementing the interest rate risk management of banking book, establishing the framework for interest rate risk management and the system for measurement of interest rate risk of banking book, and promoting the effective implementation of relevant systems and policies for interest rate risk management of banking book.

The Group measures and evaluates our interest rate risk of banking book mainly through price-resetting gap analysis, sensitivity analysis, scenario simulation analysis, stress test etc. During the reporting period, the Group gradually improved the management framework and measurement framework for interest rate risk of banking book and improved interest rate risk management skills in banking book in accordance with the requirements in the Guidelines for the Management of Interest Rate Risk in the Banking Book of Commercial Banks (Revision) issued by the CBIRC.

Due to fluctuations in market interest rates, the Group's interest margin may increase, or may decrease or even incur losses due to unexpected changes. The Group operates its business in accordance with the deposit and loan interest rate policies set by the PBOC. The PBOC issued the People's Bank of China Announcement [2019] No. 15 on 16 August 2019, deciding to reform and improve the loan market quote rate (LPR) formation mechanism, requiring banks to mainly refer to loan market quotes in newly issued loans Interest rate pricing, and use the loan market quoted interest rate as the pricing benchmark in the floating interest rate loan contract.

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in million of RMB unless otherwise stated)

### X FINANCIAL RISK MANAGEMENT (Continued)

#### 2 Market Risk (Continued)

##### (1) Interest rate risk (Continued)

The following tables indicate the financial assets and financial liabilities as at the end of the reporting period by the expected next repricing dates or by maturity dates, dependent on earlier ones.

	As at 30 June 2020					Total
	Non-interest bearing	Within 3 months	Between 3 months and 1 year	Between 1 year and 5 years	More than 5 years	
<b>Financial assets</b>						
Cash and balances with central bank	594	153,530	–	–	–	154,124
Deposits with banks and other financial institutions	15	26,560	433	–	–	27,008
Placements with banks and other financial institutions	7	1,340	2,322	–	–	3,669
Derivative financial assets	15,135	–	–	–	–	15,135
Financial assets purchased under resale agreements	1	18,432	–	–	–	18,433
Loans and advances to customers	3,589	195,567	528,421	244,392	125,441	1,097,410
Financial investments						
– measured at FVTPL	87,836	2,709	12,780	22,254	7,833	133,412
– measured at AC	5,759	86,807	37,666	210,632	33,994	374,858
– measured at FVOCI	1,603	7,419	21,279	43,234	19,965	93,500
Other financial assets	2,104	2,743	6,795	15,930	1,607	29,179
<b>Total financial assets</b>	<b>116,643</b>	<b>495,107</b>	<b>609,696</b>	<b>536,442</b>	<b>188,840</b>	<b>1,946,728</b>
<b>Financial liabilities</b>						
Due to central bank	(1,261)	(24,004)	(51,303)	–	–	(76,568)
Deposits from banks and other financial institutions	(609)	(40,813)	(46,301)	(1,000)	–	(88,723)
Placements from banks and other financial institutions	(166)	(21,967)	(15,882)	(740)	–	(38,755)
Financial liabilities at fair value through profit or loss	(16,623)	–	(100)	(2,987)	(2,141)	(21,851)
Derivative financial liabilities	(15,979)	–	–	–	–	(15,979)
Financial assets sold under repurchase agreements	(2)	(34,602)	–	–	–	(34,604)
Customer deposits	(14,861)	(677,164)	(236,257)	(426,008)	–	(1,354,290)
Lease liabilities	–	(49)	(395)	(2,098)	(476)	(3,018)
Debt securities issued	(1,515)	(53,302)	(68,685)	(50,000)	(25,000)	(198,502)
Other financial liabilities	(8,116)	–	–	–	–	(8,116)
<b>Total financial liabilities</b>	<b>(59,132)</b>	<b>(851,901)</b>	<b>(418,923)</b>	<b>(482,833)</b>	<b>(27,617)</b>	<b>(1,840,406)</b>
Interest rate mismatch	57,511	(356,794)	190,773	53,609	161,223	106,322

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in million of RMB unless otherwise stated)

## X FINANCIAL RISK MANAGEMENT *(Continued)*

### 2 Market Risk *(Continued)*

#### (1) Interest rate risk *(Continued)*

	As at 31 December 2019					Total
	Non-interest bearing	Within 3 months	Between 3 months and 1 year	Between 1 year and 5 years	More than 5 years	
<b>Financial assets</b>						
Cash and balances with central bank	585	130,444	-	-	-	131,029
Deposits with banks and other financial institutions	32	16,293	1,400	-	-	17,725
Placements with banks and other financial institutions	17	9,067	100	-	-	9,184
Derivative financial assets	13,892	-	-	-	-	13,892
Financial assets purchased under resale agreements	9	28,739	202	-	-	28,950
Loans and advances to customers	3,040	180,244	485,529	219,665	110,455	998,933
Financial investments						
- measured at FVTPL	87,843	4,693	12,085	18,866	5,779	129,266
- measured at AC	4,812	38,896	62,071	167,781	31,600	305,160
- measured at FVOCI	1,327	10,712	28,301	37,214	6,058	83,612
Other financial assets	5,528	22,277	2,672	284	-	30,761
<b>Total financial assets</b>	<b>117,085</b>	<b>441,365</b>	<b>592,360</b>	<b>443,810</b>	<b>153,892</b>	<b>1,748,512</b>
<b>Financial liabilities</b>						
Due to central bank	(1,482)	(29,821)	(62,762)	-	-	(94,065)
Deposits from banks and other financial institutions	(1,331)	(80,333)	(51,286)	-	-	(132,950)
Placements from banks and other financial institutions	(259)	(13,838)	(18,956)	(800)	-	(33,853)
Financial liabilities at fair value through profit or loss	(9,451)	-	-	-	(5,692)	(15,143)
Derivative financial liabilities	(14,911)	-	-	-	-	(14,911)
Financial assets sold under repurchase agreements	-	(6,002)	-	-	-	(6,002)
Customer deposits	(12,446)	(601,426)	(189,176)	(340,523)	(170)	(1,143,741)
Lease liabilities	-	(165)	(376)	(1,846)	(721)	(3,108)
Debt securities issued	(1,092)	(53,073)	(92,076)	(35,000)	(25,000)	(206,241)
Other financial liabilities	(7,225)	-	-	-	-	(7,225)
<b>Total financial liabilities</b>	<b>(48,197)</b>	<b>(784,658)</b>	<b>(414,632)</b>	<b>(378,169)</b>	<b>(31,583)</b>	<b>(1,657,239)</b>
Interest rate mismatch	68,888	(343,293)	177,728	65,641	122,309	91,273

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in million of RMB unless otherwise stated)

## X FINANCIAL RISK MANAGEMENT *(Continued)*

### 2 Market Risk *(Continued)*

#### (1) Interest rate risk *(Continued)*

The Group measures the potential effect of changes in interest rates on the Group's net interest income with sensitivity analysis method. The following table sets forth the effect on the Group's net interest income from possible and reasonable interest rate fluctuations with an assumption that all other variables held constant. The effect on net interest income refers to the effect of certain interest rate changes on the net interest income generated by financial assets and liabilities that are held at the end of the year and whose interest rate are expected to reprice within one year.

	Sensitivity of interest rate	
	30 June 2020 Increase/ (decrease)	31 December 2019 Increase/ (decrease)
Change in interest rate (basis points)		
Increased by 100 basis points	(1,805)	(1,753)
Decreased by 100 basis points	1,805	1,753

For the purpose of the sensitivity analysis, the Group adopts the following assumptions in determining business conditions and financial inputs:

- (i) the analysis is based on the static position at the end of the reporting period, regardless of subsequent changes;
- (ii) all assets and liabilities that reprice or are due within one year will reprice or are due at the beginning of the respective periods;
- (iii) the fluctuations in interest rates of different interest-earning assets and interest-bearing liabilities are the same;
- (iv) there is a parallel shift in the yield curve due to change in interest rates;
- (v) there are no other changes to the assets or liabilities portfolio;
- (vi) no consideration of impact on market price, customers' behavior and off-balance sheet business resulting from interest rate changes; and
- (vii) no consideration of actions taken by the Group with regard to interest rate changes.

Therefore, the actual results on net interest income due to changes in interest rates may differ from the analysis above.



## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in million of RMB unless otherwise stated)

### X FINANCIAL RISK MANAGEMENT *(Continued)*

#### 2 Market Risk *(Continued)*

##### (2) Foreign exchange risk

The Group's business is mainly operated in China and settled in RMB. The tables below show the Group's exposure to currency risk as at the end of the reporting period with the book values of various financial assets and liabilities converted into RMB.

	As at 30 June 2020				Total
	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	
<b>Financial assets</b>					
Cash and balances with central bank	151,833	2,209	76	6	154,124
Deposits with banks and other financial institutions	12,344	13,787	153	724	27,008
Placement with banks and other financial institutions	262	3,407	–	–	3,669
Derivative financial assets	14,581	545	8	1	15,135
Financial assets purchased under resale agreements	18,433	–	–	–	18,433
Loans and advances to customers	1,067,676	24,413	3,508	1,813	1,097,410
Financial investments					
– measured at FVTPL	120,267	13,145	–	–	133,412
– measured at AC	374,858	–	–	–	374,858
– measured at FVOCI	79,763	10,200	3,499	38	93,500
Other financial assets	28,551	628	–	–	29,179
<b>Total financial assets</b>	<b>1,868,568</b>	<b>68,334</b>	<b>7,244</b>	<b>2,582</b>	<b>1,946,728</b>
<b>Financial liabilities</b>					
Due to central bank	(76,568)	–	–	–	(76,568)
Deposits from banks and other financial institutions	(82,816)	(5,861)	(46)	–	(88,723)
Placements from banks and other financial institutions	(25,430)	(13,325)	–	–	(38,755)
Financial liabilities at fair value through profit or loss	(21,851)	–	–	–	(21,851)
Derivative financial liabilities	(14,844)	(1,109)	(24)	(2)	(15,979)
Financial assets sold under repurchase agreements	(34,604)	–	–	–	(34,604)
Customer deposits	(1,328,591)	(22,746)	(1,456)	(1,497)	(1,354,290)
Lease liabilities	(2,921)	–	(97)	–	(3,018)
Debt securities issued	(197,584)	(918)	–	–	(198,502)
Other financial liabilities	(8,090)	(11)	(15)	–	(8,116)
<b>Total financial liabilities</b>	<b>(1,793,299)</b>	<b>(43,970)</b>	<b>(1,638)</b>	<b>(1,499)</b>	<b>(1,840,406)</b>
<b>Net position</b>	<b>75,269</b>	<b>24,364</b>	<b>5,606</b>	<b>1,083</b>	<b>106,322</b>
<b>Credit commitments</b>	<b>592,470</b>	<b>32,380</b>	<b>201</b>	<b>2,937</b>	<b>627,988</b>



## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in million of RMB unless otherwise stated)

### X FINANCIAL RISK MANAGEMENT *(Continued)*

#### 2 Market Risk *(Continued)*

##### (2) Foreign exchange risk *(Continued)*

	As at 31 December 2019				Total
	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	
Financial assets					
Cash and balances with central bank	128,319	2,699	4	7	131,029
Deposits with banks and other financial institutions	14,395	2,504	203	623	17,725
Placements with banks and other financial institutions	1,194	7,531	402	57	9,184
Derivative financial assets	13,450	433	8	1	13,892
Financial assets purchased under resale agreements	28,950	–	–	–	28,950
Loans and advances to customers	974,449	20,096	3,626	762	998,933
Financial investments					
– measured at FVTPL	126,305	2,961	–	–	129,266
– measured at AC	305,160	–	–	–	305,160
– measured at FVOCI	70,919	9,669	3,024	–	83,612
Other financial assets	30,173	484	104	–	30,761
<b>Total financial assets</b>	<b>1,693,314</b>	<b>46,377</b>	<b>7,371</b>	<b>1,450</b>	<b>1,748,512</b>
Financial liabilities					
Due to central bank	(94,065)	–	–	–	(94,065)
Deposits from banks and other financial institutions	(125,896)	(7,047)	–	(7)	(132,950)
Placements from banks and other financial institutions	(16,552)	(17,111)	(179)	(11)	(33,853)
Financial liabilities at fair value through profit or loss	(15,143)	–	–	–	(15,143)
Derivative financial liabilities	(14,534)	(363)	(12)	(2)	(14,911)
Financial assets sold under repurchase agreements	(6,002)	–	–	–	(6,002)
Customer deposits	(1,117,190)	(23,772)	(1,703)	(1,076)	(1,143,741)
Lease liabilities	(3,006)	–	(102)	–	(3,108)
Debt securities issued	(205,893)	(348)	–	–	(206,241)
Other financial liabilities	(4,109)	(480)	(1,991)	(645)	(7,225)
<b>Total financial liabilities</b>	<b>(1,602,390)</b>	<b>(49,121)</b>	<b>(3,987)</b>	<b>(1,741)</b>	<b>(1,657,239)</b>
Net position	90,924	(2,744)	3,384	(291)	91,273
Credit commitments	490,512	29,392	4,293	1,918	526,115

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in million of RMB unless otherwise stated)

### X FINANCIAL RISK MANAGEMENT *(Continued)*

#### 2 Market Risk *(Continued)*

##### *(2) Foreign exchange risk (Continued)*

The Group measures the potential effect of changes in foreign currency exchange rates on the Group's net profit and equity with sensitivity analysis method. The following table sets forth the effect on the Group's net profit and equity from possible foreign exchange rate fluctuations with an assumption that all other variables held constant.

	Sensitivity of net profit and equity	
	30 June 2020 Increase/ (Decrease)	31 December 2019 Increase/ (Decrease)
Change in USD exchange rate		
Appreciation against RMB by 100 bps	183	(21)
Depreciation against RMB by 100 bps	(183)	21
Change in HKD exchange rate		
Appreciation against RMB by 100 bps	42	25
Depreciation against RMB by 100 bps	(42)	(25)

The sensitivity analysis is based on the following assumptions:

- (i) the analysis is based on the static position at the end of the reporting period, regardless of subsequent changes;
- (ii) the foreign currency sensitivity is the gains or losses recognized as a result of a 100-basis point fluctuation in foreign currency exchange rates against RMB as at the end of the reporting period (middle price);
- (iii) the fluctuation of exchange rates by 100 basis points is based on the assumption of exchange rates movement over the next 12 months;
- (iv) when calculating the foreign exchange exposures, exposures from foreign currency spot, forward and swap transactions are included;
- (v) other variables (including interest rates) remain unchanged; and
- (vi) no consideration of impact on customers' behavior and market price resulting from exchange rate changes.

The above sensitivity analysis is based on the static structure of the assets and liabilities in respect of foreign exchange risk. The potential efforts from the Group to mitigate the negative effects on net profit and equity from foreign currency positions has not been taken into account. Therefore, the estimation of the above may be different with the actual situation.

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in million of RMB unless otherwise stated)

## X FINANCIAL RISK MANAGEMENT *(Continued)*

### 3 Liquidity Risk

Liquidity risk refers to the risk of failure to obtain adequate funds in time at reasonable costs to repay debts when they are due, perform other payment obligations and meet other capital needs in the ordinary course of business. Factors affecting liquidity risks are divided into external factors and internal factors. The external factors include domestic and foreign financial conditions, macroeconomic regulation policies, depth and width of developments of financial markets and the competition status of the banking industry. The internal factors include maturities of assets and liabilities, business structures, stability of deposits, and ability to obtain financing in the market and various unexpected events, etc.

The Group's liquidity risk management system consists of the board of directors, the board of supervisors, senior management, risk management and internal control committee, asset and liability management committee, risk management department, planning and finance department (the asset and liability management department), financial market department, financial technology department, audit department, other operation and management departments of the head office, as well as branches, subbranches and subsidiaries. The senior management is responsible for implementing and organizing the liquidity risk management as well as the formulation and implementation of relevant systems and policies for liquidity risk management.

The Group managed the liquidity risk in a centralized manner. By establishing a scientific and complete liquidity risk management system, the Group can effectively identify, measure, monitor, control and report its liquidity risk. Specific measures for liquidity risk management include: continuously improving systems related to liquidity risk management, paying close attention to both domestic and foreign macroeconomic situations and market liquidity changes, as well as adjusting our asset and liability management strategy in a timely manner; strengthening debt management, making flexible use of active debt instruments, broadening long-term sources of fund, and continuously increasing the proportion of stable liabilities; promoting the diversification of financing channels construction and actively expanding financing channels while maintaining good relations with major financing counterparts; strengthening the early-warning monitoring and management of liquidity, optimizing our emergency response program for liquidity risk and conducting emergency drills on a regular basis; conducting stress tests for liquidity risk on a regular basis, identifying weak links in the Group's liquidity risk management based on results of such tests, adjusting liquidity risk management strategies and size and structure of high quality liquid assets if necessary, and modifying our liquidity risk management measures in a timely manner to improve our liquidity risk management mechanism.

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in million of RMB unless otherwise stated)

### X FINANCIAL RISK MANAGEMENT (Continued)

#### 3 Liquidity Risk (Continued)

##### (1) Analysis of undiscounted contract cash flow of non derivative financial assets and financial liabilities

The tables below present the contractual undiscounted cash flows of non-derivative financial assets and financial liabilities by remaining contractual maturities at the end of each reporting period:

	As at 30 June 2020					Total
	Overdue	On Demand/ indefinite	Up to 3 months to 1 year	1 – 5 Years	Over 5 years	
Financial assets						
Cash and balances with central bank	–	154,124	–	–	–	154,124
Deposits with banks and other financial institutions	–	20,959	5,623	440	–	27,022
Placements with banks and other financial institutions	–	–	1,345	2,410	–	3,755
Financial assets purchased under resale agreements	–	–	18,440	–	–	18,440
Loans and advances to customers	9,961	–	206,894	552,879	275,480	1,193,618
Financial investments						
– measured at FVTPL	–	87,836	3,439	13,637	25,633	143,269
– measured at AC	3,809	–	89,876	47,131	235,736	414,745
– measured at FVOCI	32	940	5,554	24,089	51,126	106,895
Other financial assets	508	2,104	2,387	7,875	17,969	32,803
<b>Total financial assets</b>	<b>14,310</b>	<b>265,963</b>	<b>333,558</b>	<b>648,461</b>	<b>605,944</b>	<b>2,094,671</b>



# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in million of RMB unless otherwise stated)

## X FINANCIAL RISK MANAGEMENT (Continued)

### 3 Liquidity Risk (Continued)

#### (1) Analysis of undiscounted contract cash flow of non derivative financial assets and financial liabilities (Continued)

	As at 30 June 2020					Total
	Overdue	On Demand/ indefinite	Up to 3 months to 1 year	1 – 5 years	Over 5 years	
Financial liabilities	-	-	(24,529)	(52,116)	-	(76,645)
Due to central bank	-	-	(20,856)	(47,404)	(1,244)	(90,069)
Deposits from banks and other financial institutions	-	-	(22,290)	(16,534)	(809)	(39,633)
Placements from banks and other financial institutions	-	(38)	(9,681)	(12,187)	-	(21,906)
Financial liabilities at fair value through profit or loss	-	-	(34,604)	-	-	(34,604)
Financial assets sold under repurchase agreements	-	(585,632)	(94,682)	(237,020)	(489,904)	(1,407,238)
Customer deposits	-	-	(56)	(452)	(2,402)	(3,455)
Lease liabilities	-	-	(55,189)	(71,104)	(56,880)	(211,053)
Debt securities issued	-	(7,386)	(146)	(584)	-	(8,116)
Other financial liabilities	-	-	-	-	-	-
<b>Total financial liabilities</b>	-	<b>(613,912)</b>	<b>(261,742)</b>	<b>(437,401)</b>	<b>(551,239)</b>	<b>(28,425)</b>
Net liquidity gap	14,310	(347,949)	71,816	211,060	54,705	198,010
						201,952



## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in million of RMB unless otherwise stated)

### X FINANCIAL RISK MANAGEMENT (Continued)

#### 3 Liquidity Risk (Continued)

(1) Analysis of undiscounted contract cash flow of non derivative financial assets and financial liabilities (Continued)

	As at 31 December 2019					Total
	Overdue	On demand/ indefinite	Up to 3 months to 1 year	1 – 5 years	Over 5 years	
Financial assets						
Cash and balances with central bank	-	131,029	-	-	-	131,029
Deposits with banks and other financial institutions	-	12,572	3,761	1,419	-	17,752
Placements with banks and other financial institutions	-	-	9,105	105	-	9,210
Financial assets purchased under resale agreements	-	-	28,753	205	-	28,958
Loans and advances to customers	11,059	-	191,869	509,746	246,437	1,080,572
Financial investments						
- measured at FVTPL	-	87,843	4,696	12,214	20,879	134,371
- measured at AC	7,872	-	35,842	62,738	183,417	327,573
- measured at FVOCI	22	690	12,070	26,998	43,702	91,419
Other financial assets	297	5,528	2,482	6,936	17,196	34,130
<b>Total financial assets</b>	<b>19,250</b>	<b>237,662</b>	<b>288,578</b>	<b>620,361</b>	<b>511,631</b>	<b>1,855,014</b>

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in million of RMB unless otherwise stated)

## X FINANCIAL RISK MANAGEMENT (Continued)

### 3 Liquidity Risk (Continued)

#### (1) Analysis of undiscounted contract cash flow of non derivative financial assets and financial liabilities (Continued)

	As at 31 December 2019					Total
	Overdue	On demand/ indefinite	Up to 3 months to 1 year	1 – 5 years	Over 5 years	
Financial liabilities						
Due to central bank	-	-	(30,594)	(63,974)	-	(94,568)
Deposits from banks and other financial institutions	-	(27,731)	(54,455)	(53,084)	-	(135,270)
Placements from banks and other financial institutions	-	-	(14,074)	(19,658)	(869)	(34,601)
Financial liabilities at fair value through profit or loss	-	(44)	(8,412)	(6,756)	-	(15,212)
Financial assets sold under repurchase agreements	-	-	(6,003)	-	-	(6,003)
Customer deposits	-	(496,910)	(107,509)	(195,994)	(378,917)	(215)(1,179,545)
Lease liabilities	-	-	(190)	(433)	(2,128)	(831)(3,582)
Debt securities issued	-	-	(54,120)	(95,521)	(41,980)	(27,520)(219,141)
Other financial liabilities	-	(4,762)	(517)	(267)	(1,396)	(283)(7,225)
<b>Total financial liabilities</b>	-	<b>(529,447)</b>	<b>(275,874)</b>	<b>(435,687)</b>	<b>(425,290)</b>	<b>(28,849)(1,695,147)</b>
Net liquidity gap	19,250	(291,785)	12,704	184,674	86,341	148,683)(159,867)

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in million of RMB unless otherwise stated)

### X FINANCIAL RISK MANAGEMENT *(Continued)*

#### 3 Liquidity Risk *(Continued)*

##### (2) Derivative financial instruments cash flow

The Group's derivative financial instruments are either settled on a net basis or a gross basis.

The Group's derivative that will be settled on a net basis mainly include interest rate swaps. The table below analyzes the Group's derivative financial instruments that will be settled on a net basis into relevant maturity groups based on the remaining period as at the end of the reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	As at 30 June 2020					
	Up to 1 month	1-3 months	3 months to 1 year	1-5 years	Over 5 years	Total
Inflow/(outflow)	4	7	(113)	(22)	1	(123)

	As at 31 December 2019					
	Up to 1 month	1-3 months	3 months to 1 year	1-5 years	Over 5 years	Total
(Outflow)/inflow	(1)	(1)	8	(86)	1	(79)

The Group's derivative that will be settled on a gross basis mainly include foreign exchange derivatives. The following table analyzes the Group's undiscounted cash flows from the balance sheet date to the contractual maturity date classified by residual maturity and settled on a gross basis:

	As at 30 June 2020					
	Up to 1 month	1-3 months	3 months to 1 year	1-5 years	Over 5 years	Total
Outflow	(171,528)	(259,456)	(510,804)	(3,649)	–	(945,437)
Inflow	171,790	259,230	510,050	3,678	–	944,748
<b>Total</b>	<b>262</b>	<b>(226)</b>	<b>(754)</b>	<b>29</b>	<b>–</b>	<b>(689)</b>

	As at 31 December 2019					
	Up to 1 month	1-3 months	3 months to 1 year	1-5 years	Over 5 years	Total
Outflow	(127,842)	(299,686)	(659,100)	(11,892)	–	(1,098,520)
Inflow	127,895	299,613	657,441	11,798	–	1,096,747
<b>Total</b>	<b>53</b>	<b>(73)</b>	<b>(1,659)</b>	<b>(94)</b>	<b>–</b>	<b>(1,773)</b>

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in million of RMB unless otherwise stated)

### X FINANCIAL RISK MANAGEMENT *(Continued)*

#### 3 Liquidity Risk *(Continued)*

##### (3) Liquidity risk analysis of off-balance sheet items

The Group's off-balance sheet items include bank acceptances, letters of credit, letters of guarantee, block chain receivables confirmation, loan commitments and undrawn credit card limit. The table below shows the liquidity analysis of the Group's off-balance sheet items.

	As at 30 June 2020			
	Within 1 year	1-5 years	Over 5 years	Total
Bank acceptances	327,736	–	–	327,736
Block chain receivables confirmation	139,199	2,930	–	142,129
Letters of credit issued	118,386	154	–	118,540
Letters of guarantee issued	18,586	5,803	53	24,442
Corporate loan commitments	246	217	–	463
Undrawn credit card limit	14,678	–	–	14,678
<b>Total</b>	<b>618,831</b>	<b>9,104</b>	<b>53</b>	<b>627,988</b>

	As at 31 December 2019			
	Within 1 year	1-5 years	Over 5 years	Total
Bank acceptances	283,047	–	–	283,047
Block chain receivables confirmation	94,991	1,117	–	96,108
Letters of credit issued	106,723	138	–	106,861
Letters of guarantee issued	20,330	4,331	57	24,718
Corporate loan commitments	803	–	–	803
Undrawn credit card limit	14,578	–	–	14,578
<b>Total</b>	<b>520,472</b>	<b>5,586</b>	<b>57</b>	<b>526,115</b>

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in million of RMB unless otherwise stated)

### XI CAPITAL MANAGEMENT

The core of the Group's Capital Management is capital adequacy ratio and return on capital. The objective of capital management is to meet external regulatory requirements and shareholders' return, protect the interests of creditors to the best effort, stimulate expansion of assets and improve risk management. The Group prudently determines the objective of capital adequacy ratio which meets the regulatory requirements and coincides with its own risk exposure. By taking a variety of actions such as limit management, the Group ensures the realization of the management objectives.

The Group has maintained a stable business development in recent years. As the consumption of capital by assets is increasing, the Group actively expands external capital replenishment channels, and meanwhile continues to strengthen the self-generating function of capital to replenish capital internally by increasing the capital profit rate, in order to provide shareholders with maximum returns in prerequisite of risk controlling and ensure capital adequacy ratio meeting regulatory requirements.

Since 1 January 2013, the Group calculated and disclosed capital adequacy ratio in accordance with the *<Administrative Measures for the Capital of Commercial Banks (Trial Implementation)>* issued by the CBIRC on 7 June 2012 and other relevant regulations.

Core tier-one capital includes paid-in capital, capital reserve, surplus reserve, general risk preparation, undistributed retained earnings, and non-controlling shareholders' capital that could be included in core tier-one capital. Other tier-one capital includes other tier-one capital instruments and their premiums, and non-controlling shareholders' capital that could be included in other tier-one capital. Tier-two capital includes tier-two capital instruments and their premiums, the allowable portion of excessive allowance for loan losses, and non-controlling shareholders' capital that could be included in tier-two capital. The primary regulatory deduction item in the calculation of the capital adequacy ratio is other intangible assets (excluding land use rights).

The Group calculates the capital adequacy ratio in accordance with *<Administrative Measures on the Capital of Commercial Banks (Trial Implementation)>* and relevant requirements is listed as below:

	30 June 2020	31 December 2019
Net core tier-one capital	112,775	112,239
Net tier-one capital	127,877	127,337
Net capital	167,321	165,753
Risk-weighted assets	1,246,329	1,164,197
Core tier-one capital adequacy ratio	9.05%	9.64%
Tier-one capital adequacy ratio	10.26%	10.94%
Capital adequacy ratio	13.43%	14.24%



## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in million of RMB unless otherwise stated)

### XII FAIR VALUE OF FINANCIAL INSTRUMENT

#### 1 Fair values of financial assets and liabilities

##### (1) Fair value hierarchy

The following table presents the fair value information and the fair value hierarchy, at the end of the current reporting period, of the Group's assets and liabilities which are measured at fair value on each balance sheet date on a recurring basis. The level in which fair value measurement is categorised is determined by the level of the fair value hierarchy of the lowest level input that is significant to the entire fair value measurement. The levels are defined as follows:

Level 1 inputs: unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date;

Level 2 inputs: 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 inputs: fair value measured using significant unobservable inputs.

The tables below analyzes financial instruments, measured at fair value as at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised:

	30 June 2020			Total
	Level 1 fair value measurement	Level 2 fair value measurement	Level 3 fair value measurement	
Derivative financial assets	-	15,135	-	15,135
Loans and advances to customers	-	157,910	-	157,910
Financial investments				
- measured at FVTPL	16,793	112,964	3,655	133,412
- measured at FVOCI	-	92,560	940	93,500
<b>Total assets measured at fair value on a recurring basis</b>	<b>16,793</b>	<b>378,569</b>	<b>4,595</b>	<b>399,957</b>
Financial liabilities at fair value through profit or loss	-	(21,851)	-	(21,851)
Derivative financial liabilities	-	(15,979)	-	(15,979)
<b>Total liabilities measured at fair value on a recurring basis</b>	<b>-</b>	<b>(37,830)</b>	<b>-</b>	<b>(37,830)</b>

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in million of RMB unless otherwise stated)

### XII FAIR VALUE OF FINANCIAL INSTRUMENT (Continued)

#### 1 Fair values of financial assets and liabilities (Continued)

##### (1) Fair value hierarchy (Continued)

	31 December 2019			Total
	Level 1 fair value measurement	Level 2 fair value measurement	Level 3 fair value measurement	
Derivative financial assets	-	13,892	-	13,892
Loans and advances to customers	-	95,060	-	95,060
Financial investments				
– measured at FVTPL	14,155	111,549	3,562	129,266
– measured at FVOCI	-	82,922	690	83,612
<b>Total assets measured at fair value on a recurring basis</b>	<b>14,155</b>	<b>303,423</b>	<b>4,252</b>	<b>321,830</b>
Financial liabilities at fair value through profit or loss	-	(15,143)	-	(15,143)
Derivative financial liabilities	-	(14,911)	-	(14,911)
<b>Total liabilities measured at fair value on a recurring basis</b>	<b>-</b>	<b>(30,054)</b>	<b>-</b>	<b>(30,054)</b>

##### (2) Level 1 fair value measurement

For financial instruments that could obtain the unadjusted price of the same assets or liabilities in the active market, the Group takes the unadjusted price as fair value. The financial instruments defined as level 1 by the Group include public funds listed on the stock exchange.

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in million of RMB unless otherwise stated)

## XII FAIR VALUE OF FINANCIAL INSTRUMENT *(Continued)*

### 1 Fair values of financial assets and liabilities *(Continued)*

#### **(3) Level 2 fair value measurement**

If the main parameters used in the valuation are observable and available from the active open market, the relevant financial instruments are defined as level 2 fair value measurement. The Group's level 2 financial instruments mainly include bond investment, bill discounted, trade finance, foreign exchange forwards and swaps, interest rate swaps, foreign exchange options, and precious metal contracts.

For the fair value of RMB bonds, the Group adopts the valuation results issued by China Central Depository & Clearing Co., Ltd. or China Securities Depository and Clearing Co., Ltd. according to the differentiation of bond market. For the fair value of foreign currency bonds, the Group adopts Bloomberg results. For bill discounted and trade finance, the Group adopts discounted cash flow analysis. Based on SHIBOR, the Group constructs the interest rate curve by adjusting in accordance with credit and liquidity risk.

For non-derivative financial instruments and some derivative financial instruments including interest rate swaps, foreign exchange forwards and etc. that could not be quoted from the active market, the Group adopts discounted cash flow analysis. The main parameters used include the recent transaction price, relevant yield curve, exchange rate and counterparty risk. For the valuation of option derivatives, the Group adopts Black-Scholes model with main parameters of relevant yield curve, exchange rate, volatility, and counterparty risk.

During the reporting period, the valuation techniques mentioned above of level 2 fair value measurement of the Group remained unchanged.

#### **(4) Level 3 fair value measurement**

The Group has developed relevant procedures to determine the appropriate valuation techniques and inputs for level 3 fair value measurement on a recurring basis, and regularly reviews the appropriateness of the relevant procedures and determination of the fair value.

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in million of RMB unless otherwise stated)

### XII FAIR VALUE OF FINANCIAL INSTRUMENT (Continued)

#### 1 Fair values of financial assets and liabilities (Continued)

##### (4) Level 3 fair value measurement (Continued)

Financial instruments of level 3 fair value adopt discounted cash flow model. Based on the interest rate curve issued by China Central Depository & Clearing Co., Ltd., the Group constructs an interest rate curve by adjusting in accordance with credit risk. The valuation model of level 3 fair value mentioned above involves both observable and unobservable parameters. Observable parameters include the application of market interest rates. Unobservable parameters include credit spreads. Quantitative information of level 3 fair value measurement is as follows:

	Fair value as at 30 June 2020	Valuation technique	Unobservable inputs
Financial investments measured at FVTPL			
– Trust schemes and asset management plans	1,813	Discounted cash flow analysis	Risk-adjusted discount rate
– Bonds and asset-backed securities	570	Discounted cash flow analysis	Risk-adjusted discount rate
– Equity investments	1,272	Net assets analysis	Net assets
Financial investments measured at FVOCI			
– Equity investments	940	Net assets analysis	Net assets

	Fair value as at 31 December 2019	Valuation technique	Unobservable inputs
Financial investments measured at FVTPL			
– Trust schemes and asset management plans	1,721	Discounted cash flow analysis	Risk-adjusted discount rate
– Bonds and asset-backed securities	602	Discounted cash flow analysis	Risk-adjusted discount rate
– Equity investments	1,239	Net assets analysis	Net assets
Financial investments measured at FVOCI			
– Equity investments	690	Net assets analysis	Net assets

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in million of RMB unless otherwise stated)

### XII FAIR VALUE OF FINANCIAL INSTRUMENT (Continued)

#### 1 Fair values of financial assets and liabilities (Continued)

##### (4) Level 3 fair value measurement (Continued)

As at the end of the reporting period, replacing the original unobservable assumptions with other reasonable unobservable assumptions has no significant impact on the measurement results of fair value. The above assumptions and methods provide a unified basis for the calculation of the fair value of the Group's assets and liabilities. However, due to the different methods and assumptions that may be used by other institutions, the fair values disclosed by financial institutions may not be completely comparable. Reconciliation of the opening and closing balance for assets of level 3 fair value on a recurring basis is as follows:

	Financial investments measured at FVTPL	Financial investments measured at FVOCI	Total
As at 1 January 2020	3,562	690	4,252
Total gains recorded in profit or loss	33	–	33
Additions	431	250	681
Disposals and settlements	(371)	–	(371)
<b>As at 30 June 2020</b>	<b>3,655</b>	<b>940</b>	<b>4,595</b>

	Financial investments measured at FVTPL	Financial investments measured at FVOCI	Total
As at 1 January 2019	4,351	275	4,626
Total gains recorded in profit or loss	93	2	95
Total gains recorded in other comprehensive income	–	165	165
Additions	1,788	250	2,038
<b>As at 31 December 2019</b>	<b>3,562</b>	<b>690</b>	<b>4,252</b>

#### 2 Change of items measured at fair value between different levels

For six months ended 30 June 2020, the Group's assets and liabilities measured at fair value have not been changed significantly between different levels.



## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in million of RMB unless otherwise stated)

### XII FAIR VALUE OF FINANCIAL INSTRUMENT (Continued)

#### 3 Change of valuation techniques and the reasons

For six months ended 30 June 2020, valuation techniques used by the Group for fair value measurement were not changed significantly.

#### 4 Fair value of financial assets and liabilities not measured at fair value

In addition to the following items, there was no significant difference between the carrying amount and the fair value of the Group's other financial assets and liabilities as at the end of reporting date.

	30 June 2020				
	Level 1	Level 2	Level 3	Fair Value	Book Value
Financial assets					
Financial investments measured at AC	–	181,837	198,009	379,846	374,858
Financial liabilities					
Debt securities issued	–	199,516	–	199,516	198,502
	31 December 2019				
	Level 1	Level 2	Level 3	Fair Value	Book Value
Financial assets					
Financial investments measured at AC	–	193,681	121,909	315,590	305,160
Financial liabilities					
Debt securities issued	–	204,921	–	204,921	206,241

For the above financial assets and liabilities not measured at fair value, the Group used the following methods to determine their fair value:

The fair value of financial investments at AC and debt securities issued is quoted in the valuation system of relevant registration and settlement institutions that employs observable inputs that reflect the market in the formation of quotations. For those fail to quote in relevant institutions, the fair value shall be estimated by discounted cash flow method.

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in million of RMB unless otherwise stated)

### XIII 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 fully implement the guidelines on financial service support the real economy. 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 implementing various financial rescue policies, evaluating credit qualities of loans and advances to customers and financial investments, negotiating repayment schedule with borrowers, etc. The Group will keep the contingency measures under review as the situation evolves.

### XIV COMPARATIVE FIGURES

For the purpose of the presentation of these financial statements, the Group reclassified certain comparative figures.

## UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

(Expressed in millions of RMB unless otherwise stated)

### I ILLUSTRATION OF DIFFERENCES BETWEEN THE FINANCIAL STATEMENTS PREPARED UNDER IFRSS AND THOSE PREPARED IN ACCORDANCE WITH PRC GAAP

There are no differences between the profit attributable to equity holders of the Bank under IFRSs and PRC GAAP for the six months ended 30 June 2020 (for the six months ended 30 June 2019: no differences). There are no differences between the equity attributable to equity holders of the Bank under IFRSs and PRC GAAP as at 30 June 2020 (31 December 2019: no differences).

### II LIQUIDITY RATIOS

	30 June 2020	31 December 2019
RMB current assets to RMB current liabilities	53.55%	54.56%
Foreign currency current assets to foreign currency current liabilities	95.56%	110.58%

The liquidity ratios are calculated in accordance with the relevant provisions of the PBOC and CBIRC.

### III INTERNATIONAL CLAIMS

The Group is principally engaged in business operations within Mainland China. International claims are local claims in foreign currencies and the sum of cross-border claims in local claims in foreign currencies and all currencies.

International claims include balances with central banks, due from banks and other financial institutions, financial assets at fair value through profit or loss, loans and advances to customers, financial assets at fair value through other comprehensive income, financial assets measured at amortized cost.

## UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

(Expressed in millions of RMB unless otherwise stated)

### III INTERNATIONAL CLAIMS *(Continued)*

International claims are disclosed based on different countries or regions. A country or region is reported where it constitutes 10% or more of the aggregate amount of international claims, after taking into account any risk transfers. Risk transfer is 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.

		Official	Non-bank private	
	Bank	sector	sector	Total
<b>As at 30 June 2020</b>				
Local claims in foreign currencies	14,265	2,662	25,519	42,446
Asia Pacific excluding Mainland China	8,520	204	19,507	28,231
– of which attributed to Hong Kong	7,435	204	19,507	27,146
Europe	607	–	71	678
North America	5,374	212	–	5,586
Oceania	32	–	–	32
<b>Total</b>	<b>28,798</b>	<b>3,078</b>	<b>45,097</b>	<b>76,973</b>

		Official	Non-bank private	
	Bank	sector	sector	Total
<b>As at 31 December 2019</b>				
Local claims in foreign currencies	12,262	–	19,208	31,470
Asia Pacific excluding Mainland China	5,496	–	11,250	16,746
– of which attributed to Hong Kong	5,483	–	11,250	16,733
Europe	1,088	–	2,664	3,752
North America	1,837	–	139	1,976
Oceania	734	–	–	734
<b>Total</b>	<b>21,417</b>	<b>–</b>	<b>33,261</b>	<b>54,678</b>

## UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

(Expressed in millions of RMB unless otherwise stated)

### IV CURRENCY CONCENTRATIONS

	Equivalent in RMB			Total
	US Dollars	HK Dollars	Others	
<b>As at 30 June 2020</b>				
Spot assets	68,334	7,244	2,582	78,160
Spot liabilities	(43,970)	(1,638)	(1,499)	(47,107)
Forward purchases	499,355	–	15,409	514,764
Forward sales	(516,154)	–	(22,458)	(538,612)
Net options position	4,355	–	62	4,417
Net long/(short) position	11,920	5,606	(5,904)	11,622

	Equivalent in RMB			Total
	US Dollars	HK Dollars	Others	
<b>As at 31 December 2019</b>				
Spot assets	46,377	7,371	1,450	55,198
Spot liabilities	(49,121)	(3,987)	(1,741)	(54,849)
Forward purchases	599,613	–	14,976	614,589
Forward sales	(572,200)	–	(17,120)	(589,320)
Net options position	1,112	–	(1,473)	(361)
Net long/(short) position	25,781	3,384	(3,908)	25,257

### V NON-BANK MAINLAND CHINA EXPOSURE

The Bank is a commercial bank incorporated in Mainland China with its banking business conducted in Mainland China. As at 30 June 2020, the substantial amounts of the Group's non-bank exposures arise from businesses with Mainland China corporated and individuals.



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