



盛京銀行  
SHENGJING BANK

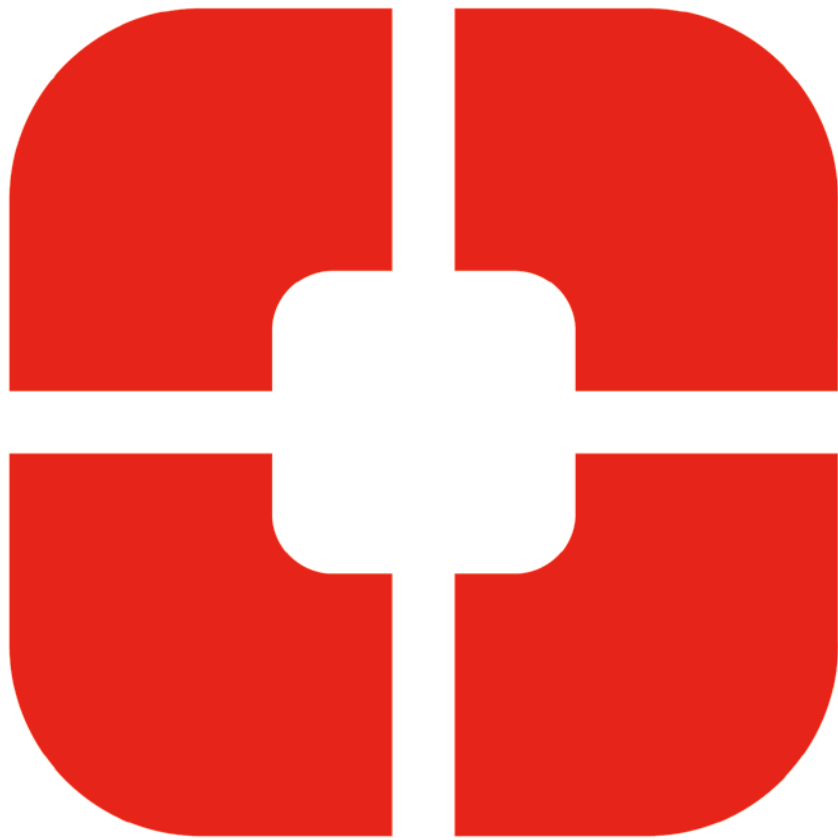
Shengjing Bank Co., Ltd.\*

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

Stock Code: 02066



**2021**  
Interim Report



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

# COMPANY INFORMATION

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|   |   |
|---|---|
| <b>Legal Name in Chinese</b>  | 盛京銀行股份有限公司  |
| <b>Abbreviation in Chinese</b>  | 盛京銀行  |
| <b>Legal Name in English</b>  | Shengjing Bank Co., Ltd.  |
| <b>Abbreviation in English</b>  | SHENGJING BANK  |
| <b>Legal Representative</b>   | QIU Huofa   |
| <b>Authorised Representatives</b>   | QIU Huofa and ZHOU Zhi  |
| <b>Secretary to the Board of Directors</b>  | ZHOU Zhi  |
| <b>Joint Company Secretaries</b>  | ZHOU Zhi and KWONG Yin Ping, Yvonne   |
| <b>Registered and Business Address</b>  | No. 109 Beizhan Road, Shenhe District, Shenyang, Liaoning Province, the PRC         |
| <b>Contact Number</b>   | 86-24-22535633  |
| <b>Website</b>  | <a href="http://www.shengjingbank.com.cn">www.shengjingbank.com.cn</a>              |
| <b>Principal Place of Business in Hong Kong</b>   | Unit 4105, 41/F, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong |
| <b>Website of the Hong Kong Stock Exchange on which the H Share Interim Report is Published</b> | <a href="http://www.hkexnews.hk">www.hkexnews.hk</a>                                |
| <b>Place of Maintenance of the Interim Report</b>   | Office of the Board of Directors of Shengjing Bank                                  |
| <b>Stock Name</b>   | Shengjing Bank  |
| <b>Stock Code</b>   | 02066   |

## COMPANY INFORMATION (CONTINUED)

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|---|--|
| <b>H Share Registrar and its Business Address</b>                 | Computershare Hong Kong Investor Services Limited<br>Shops 1712–1716, 17th Floor, Hopewell Centre<br>183 Queen’s Road East, Wanchai, Hong Kong |
| <b>Legal Advisor as to PRC Laws and its Business Address</b>      | Tian Yuan Law Firm<br>10/F, China Pacific Insurance Plaza<br>28 Fengsheng Hutong Xicheng District<br>Beijing, the PRC                          |
| <b>Legal Advisor as to Hong Kong Law and its Business Address</b> | Freshfields Bruckhaus Deringer<br>55th Floor, One Island East<br>Taikoo Place, Quarry Bay<br>Hong Kong   |
| <b>Auditor and its Business Address</b>                           | KPMG<br>8th Floor<br>Prince’s Building<br>10 Chater Road<br>Hong Kong  |

# FINANCIAL HIGHLIGHTS

| (Expressed in thousands of Renminbi,<br>unless otherwise stated) | January to<br>June 2021 | January to<br>June 2020 | Rate of<br>Change<br>(%) |
|--|-------------------------|-------------------------|--------------------------|
| <b>Operating Results</b>   |                         |                         |                          |
| Interest income  | 21,177,436              | 20,838,858              | 1.6                      |
| Interest expenses  | (14,546,398)            | (13,355,516)            | 8.9                      |
| Net interest income  | 6,631,038               | 7,483,342               | (11.4)                   |
| Net non-interest income  | 1,877,218               | 2,355,390               | (20.3)                   |
| Operating income   | 8,508,256               | 9,838,732               | (13.5)                   |
| Operating expenses   | (2,490,900)             | (2,212,683)             | 12.6                     |
| Impairment losses on assets                                      | (5,102,544)             | (4,372,912)             | 16.7                     |
| Profit before taxation   | 914,812                 | 3,253,137               | (71.9)                   |
| Income tax expenses  | 131,489                 | (407,400)               | N/A                      |
| Net profit   | 1,046,301               | 2,845,737               | (63.2)                   |
| Net profit attributable to equity shareholders<br>of the Bank    | <u>1,030,360</u>        | <u>2,829,393</u>        | <u>(63.6)</u>            |
| <b>Calculated on a per share basis (RMB)</b>                     |                         |                         | <b>Change</b>            |
| Basic and diluted earnings per share                             | <u>0.12</u>             | <u>0.32</u>             | <u>(0.20)</u>            |

## FINANCIAL HIGHLIGHTS (CONTINUED)

| (Expressed in thousands of Renminbi,<br>unless otherwise stated) | 30 June<br>2021         | 31 December<br>2020     | Rate of<br>Change<br>(%) |
|--|-------------------------|-------------------------|--------------------------|
| <b>Major indicators of assets/liabilities</b>                    |                         |                         |                          |
| Total assets   | 1,016,503,498           | 1,037,958,375           | (2.1)                    |
| Of which: total loans and advances to customers <sup>(1)</sup>   | 588,040,455             | 547,062,557             | 7.5                      |
| Total liabilities  | 935,416,121             | 957,911,826             | (2.3)                    |
| Of which: total deposits from customers <sup>(1)</sup>           | 728,962,619             | 681,404,747             | 7.0                      |
| Share capital  | 8,796,680               | 8,796,680               | 0.0                      |
| Equity attributable to equity shareholders of the Bank           | 80,476,819              | 79,451,932              | 1.3                      |
| Total equity   | <u>81,087,377</u>       | <u>80,046,549</u>       | <u>1.3</u>               |
|  | January to<br>June 2021 | January to<br>June 2020 | Change                   |
| <b>Profitability Indicators (%)</b>                              |                         |                         |                          |
| Return on average total assets <sup>(2)</sup>                    | 0.20                    | 0.55                    | (0.35)                   |
| Return on average equity <sup>(3)</sup>                          | 2.60                    | 7.11                    | (4.51)                   |
| Net interest spread <sup>(4)</sup>                               | 1.50                    | 1.69                    | (0.19)                   |
| Net interest margin <sup>(5)</sup>                               | 1.49                    | 1.73                    | (0.24)                   |
| Cost-to-income ratio <sup>(6)</sup>                              | <u>27.88</u>            | <u>21.41</u>            | <u>6.47</u>              |

## FINANCIAL HIGHLIGHTS (CONTINUED)

|  | 30 June<br>2021 | 31 December<br>2020 | Change      |
|--|-----------------|---------------------|-------------|
| <b>Asset quality indicators (%)</b>                  |                 |                     |             |
| Non-performing loan ratio <sup>(7)</sup>             | 3.04            | 3.26                | (0.22)      |
| Provision coverage ratio <sup>(8)</sup>              | 130.93          | 114.05              | 16.88       |
| Allowance to total loans <sup>(9)</sup>              | <u>3.98</u>     | <u>3.72</u>         | <u>0.26</u> |
| <b>Capital adequacy ratio indicators (%)</b>         |                 |                     |             |
| Core Tier-one capital adequacy ratio <sup>(10)</sup> | 10.70           | 11.07               | (0.37)      |
| Tier-one capital adequacy ratio <sup>(10)</sup>      | 10.70           | 11.07               | (0.37)      |
| Capital adequacy ratio <sup>(10)</sup>               | 12.23           | 12.23               | –           |
| Total equity to total assets ratio                   | <u>7.98</u>     | <u>7.71</u>         | <u>0.27</u> |
| <b>Other indicators (%)</b>                          |                 |                     |             |
| Loan-to-deposit ratio <sup>(11)</sup>                | <u>80.67</u>    | <u>80.28</u>        | <u>0.39</u> |



## FINANCIAL HIGHLIGHTS (CONTINUED)

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*Notes:*

- (1) Total loans and advances to customers do not include interest receivable, and total deposits from customers do not include interest payable.
- (2) Calculated by dividing the net profit by the average of total assets at the beginning and at the end of the period.
- (3) Representing the net profit during the period as a percentage of the average balance of total equity at the beginning and the end of the period.
- (4) Calculated by deducting the average interest rate of interest-bearing liabilities from the average return rate of interest-earning assets.
- (5) Calculated by dividing net interest income by the average interest-earning assets.
- (6) Calculated by dividing operating expenses (less tax and surcharges) by operating income.
- (7) Calculated by dividing the balance of non-performing loans by the total amount of loans and advances to customers.
- (8) Calculated by dividing the balance of provision for impairment on loans by the non-performing loans.
- (9) Calculated by dividing the balance of provision for impairment on loans by the total amount of loans and advances to customers.
- (10) Core Tier-one Capital adequacy ratio, Tier-one capital adequacy ratio and capital adequacy ratio were calculated in accordance with the latest guidance promulgated by the former CBRC (effective from 1 January 2013).
- (11) Loan-to-deposit ratio is calculated by dividing the total amount of loans and advances to customers by total deposits from customers.

## CHAIRMAN'S STATEMENT

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In the first half of 2021, in the face of complex and changeable internal and external environment, the Bank closely focused on the strategic vision of “building a sound bank”, adhered to the basic policy of “developing the Bank through deposits, compliance as a key foundation of the Bank, developing the Bank through talents, and developing the Bank through technology”, returned to its origin, focused on its principal business, consolidated the foundation for development, strengthened the establishment of teams, institution and culture, and showed a good momentum of steady progress in business development. As of 30 June 2021, the total assets of the Bank amounted to RMB1,016,503 million, the total amount of loans and advances to customers amounted to RMB588,040 million, the total amount of deposits amounted to RMB728,963 million, the operating income amounted to RMB8,508 million and the net profit amounted to RMB1,046 million.

**Based on local operation, and serve the real economy.** As a bank headquartered and rooted in Shenyang, Liaoning, the Bank has always adhered to the market positioning of “serving the local economy, serving small and medium-sized enterprises, and serving urban and rural residents”. In the first half of the year, the Bank proactively connected with major strategies and decisions of provinces and cities, actively promoted industry integration, allocated credit resources to key areas of economic and social development, and provided effective financial support for local economic development. We focused on the customer experience, embraced the digital transformation, and created a full-product, omni-channel, full-scenario, integrated and digital retail banking development model, with a significant increase in the proportion of retail business. The Bank continued to increase inclusive financial innovation and resource investment, served small and micro enterprises and the general public, made outstanding and actual efforts in inclusive finance, and made an important contribution to the economic transformation and upgrading of in Shenyang, Liaosheng.

**Deepen the reform, and build a solid foundation for development.** In the first half of the year, we focused on our strategic vision, defined the profound connotation of building a “sound bank” with “good development, good quality, good efficiency, good mechanism, good culture, and good reputation”, comprehensively promoted the three major developments of the team, system and culture, improving our core competitiveness. On one hand, we strengthened the leading role of the market-oriented operating mechanism, built a scientific and systematic performance appraisal and incentive distribution system, strengthened appraisal management, strengthened the performance contribution linkage mechanism, implemented target management appraisal for senior managers, revised the performance appraisal methods of the head office and branches, increased the preference for front-desk and front-line employees, and fully stimulated the enthusiasm of the employees of the Bank to work hard in the market and create value. On the other hand, we paid close attention to team building, formed a management team with good professional quality and rich experience, vigorously recruited professionals in key business fields, greatly increased the proportion of marketing personnel, and initially created a financial “iron army” with operational and combat effectiveness.

## CHAIRMAN'S STATEMENT (CONTINUED)

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**Strictly implement compliance, and consolidate risk management.** In the first half of the year, the Bank further improved the development of comprehensive risk management system, improved the management mechanism of unified credit granting, and established a centralized and vertical risk management framework system through the deployment of risk directors to improve the effectiveness of risk management and control. We proactively adapted to the new requirements of supervision, correctly grasped the direction of compliance, further improved the long-term mechanism of internal control and compliance management, improved internal systems and optimized business processes; improved the compliance function system, enforced strict governance, enhanced accountability and responsibility, vigorously promoted the development of compliance culture, ingrained the corporate culture that “violation of rules is shameful, but compliance is glorious” in the hearts of the employees, and built a solid foundation for steady operations.

**Strengthen party building and improve governance efficiency.** In the first half of the year, based on the optimization of corporate governance structure, we continuously improved the development of corporate governance system and mechanism, further defined the responsibility boundaries and performance requirements of the board of directors, the board of supervisors and senior management, improved the authorization management system, and improved decision-making efficiency and the internal governance level. We comprehensively promoted the organic integration of corporate governance and party building to promote development, guided and educated all employees to review the party's history and inherit the red spirit, enabled all party members to keep their original aspirations and undertake missions, and further gave play to the role of the party's political core and leadership core. The party committees at all levels of the Bank fulfilled their function as a bastion and vanguard through the exemplary and leading role of party members, courageously being trailblazers in various aspects such as stabilizing and increasing deposits, customer expansion, non-performing loans collection and value creation, forming a strong executive force and becoming the “red engine” to promote the high-quality development of the Bank.

“There is no smooth road for reform, but it is the difficulty that reflects courage and it is persistent practice that makes it precious”, all personnel of the Bank will firm up their original aspirations and missions, concentrate their efforts, forge ahead with courage and perseverance, firmly hold the strategic vision, maintain strategic determination, adhere to fundamental actions and policies, steadily implement various development missions, and unwaveringly build a sound bank with “good development, good quality, good efficiency, good mechanism, good culture and good reputation”.

**QIU Huofa**  
*Chairman*

# MANAGEMENT DISCUSSION AND ANALYSIS

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## 4.1 ANALYSIS OF OVERALL OPERATIONS

In the first half of 2021, facing complex and severe external economic environment, the Bank, focusing on the strategic vision of “building a sound bank”, firmly established a work style of “professionalism, cooperation, pragmatism and efficiency”, thoroughly implemented the operation and management strategy of “Focus on sound operation, focus on customer-centricity, focus on value creation, and focus on capacity improvement”, continuously optimized its development performance, and maintained stable business performance.

**Main business scale continued to expand and development foundation was effectively consolidated.** In the first half of the year, by adhering to the concept of “taking deposits as the key foundation of the Bank”, the Bank steadily increased total deposits and loans and operation scale remained stable. As of 30 June 2021, total assets of the Bank amounted to RMB1,016.503 billion, of which total loans and advances to customers amounted to RMB588.040 billion, representing an increase of RMB40.978 billion or 7.5% as compared with that at the end of the previous year; total liabilities amounted to RMB935.416 billion; total deposits from customers amounted to RMB728.963 billion, representing an increase of RMB47.558 billion or 7.0% as compared with that at the end of the previous year.

**The structure of assets and liabilities continued to optimize and the stability of operation continued to improve.** In the first half of the year, the Bank actively strengthened the liability management, enhanced the deposit absorption ability by various means, including expansion of customer base, channel layout, product innovation and service improvement. The stability of the source of bank liabilities has been further increased. As of 30 June 2021, deposits from customers accounted for approximately 77.9% of the total liabilities, representing an increase of 6.8 percentage points as compared with that at the end of the previous year, of which saving deposits accounted for 52.8% of the total deposits, representing an increase of 0.3 percentage point as compared with that at the end of the previous year. The credit allocation was enhanced with an improving asset structure. As of 30 June 2021, the loans and advances to customers accounted for 57.8% of the total assets, representing an increase of 5.1 percentage points as compared with that at the end of the previous year.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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**The asset quality was improving under stability with steady enhancement of risk compensation ability.** In the first half of the year, the Bank further strengthened the comprehensive credit management. On the one hand, the Bank actively promoted the construction of credit operation platform and risk management system, improved customer risk identification, assessment and early warning capability, and strictly controlled new risks; on the other hand, the Bank actively promoted the collection and disposal of stock non-performing assets, increased the provision for asset impairment, and improved the risk coverage and provision level. As of 30 June 2021, the non-performing loan ratio was 3.04%, representing a decrease of 0.22 percentage point as compared with that at the end of the previous year; the provision coverage ratio was 130.93%, representing an increase of 16.88 percentage points as compared with that at the end of the previous year; the loan provision ratio was 3.98%, representing an increase of 0.26 percentage point as compared with that at the end of the previous year.

**The retail business developed rapidly while the operation transformation was effectively promoted.** In the first half of the year, the Bank continued to implement the “grand retail” strategy, focused on customer experience, built a digital banking platform and created a whole-product, whole-channel, whole-scene, integrated and digital retail banking development model, strengthened the organic driver of long-term growth of business. Retail deposits and loans continued to grow rapidly, and the comprehensive contribution of retail business continued to improve. As of 30 June 2021, the balance of personal deposit of the Bank was RMB385.119 billion, representing an increase of RMB27.214 billion or 7.6% as compared with that at the end of the previous year; the personal loan of the Bank was RMB93.036 billion, representing an increase of RMB15.578 billion or 20.1% as compared with that at the end of the previous year.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### 4.2 ANALYSIS OF FINANCIAL STATEMENTS

#### 4.2.1 Analysis of the Income Statement

In the first half of 2021, the Bank achieved a net profit of RMB1,046 million, representing a year-on-year decrease of RMB1,799 million or 63.2%, principally due to the narrowing of net interest spread and decrease of net interest income as the Bank proactively fulfilled its social responsibility as a finance enterprise by cutting profit in favour of the real economy under the policy background of the decline in social financing costs resulting from release of dividends of reform on loan prime rate (LPR) during the Reporting Period, as well as the increase in the provision for impairment of assets in accordance with the principle of prudence and robustness made by the Bank after taking into account the uncertainty of the business operations caused by the ongoing impacts of the COVID-19 pandemic.

| (Expressed in thousands of Renminbi, unless otherwise stated) | For the six months ended 30 June |                  |                    |                    |
|---|----------------------------------|------------------|--------------------|--------------------|
|   | 2021                             | 2020             | Change in amount   | Rate of change (%) |
| Interest income   | 21,177,436                       | 20,838,858       | 338,578            | 1.6                |
| Interest expense  | (14,546,398)                     | (13,355,516)     | (1,190,882)        | 8.9                |
| <b>Net interest income</b>                                    | <b>6,631,038</b>                 | <b>7,483,342</b> | <b>(852,304)</b>   | <b>(11.4)</b>      |
| Net fee and commission income                                 | 166,084                          | 580,900          | (414,816)          | (71.4)             |
| Net trading losses  | (456,479)                        | (702,754)        | 246,275            | (35.0)             |
| Net gains arising from investments                            | 2,153,465                        | 2,335,148        | (181,683)          | (7.8)              |
| Other operating income  | 14,148                           | 142,096          | (127,948)          | (90.0)             |
| Operating income  | 8,508,256                        | 9,838,732        | (1,330,476)        | (13.5)             |
| Operating expenses  | (2,490,900)                      | (2,212,683)      | (278,217)          | 12.6               |
| Impairment losses on assets                                   | (5,102,544)                      | (4,372,912)      | (729,632)          | 16.7               |
| <b>Profit before taxation</b>                                 | <b>914,812</b>                   | <b>3,253,137</b> | <b>(2,338,325)</b> | <b>(71.9)</b>      |
| Income tax expense  | 131,489                          | (407,400)        | 538,889            | N/A                |
| <b>Net profit</b>   | <b>1,046,301</b>                 | <b>2,845,737</b> | <b>(1,799,436)</b> | <b>(63.2)</b>      |

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### 4.2.1.1 Operating income

In the first half of 2021, the Bank achieved an operating income of RMB8,508 million, representing a year-on-year decrease of RMB1,330 million or 13.5%, mainly due to the fact that the Bank continuously intensified the efforts on financial services and credit support, and took measures such as lowering loan rates, fees reduction and cutting profit to help the recovery and growth of the real economy.

| (Expressed in thousands of Renminbi, unless otherwise stated) | For the six months ended 30 June |                  |                    |                    |
|---|----------------------------------|------------------|--------------------|--------------------|
|   | 2021                             | 2020             | Change in amount   | Rate of change (%) |
| Net interest income   | 6,631,038                        | 7,483,342        | (852,304)          | (11.4)             |
| Net non-interest income                                       | 1,877,218                        | 2,355,390        | (478,172)          | (20.3)             |
| <b>Operating income</b>                                       | <b>8,508,256</b>                 | <b>9,838,732</b> | <b>(1,330,476)</b> | <b>(13.5)</b>      |

### 4.2.1.2 Net interest income

In the first half of 2021, the Bank achieved a net interest income of RMB6,631 million, representing a year-on-year decrease of RMB852 million, or 11.4%, mainly due to the year-on-year increase in interest income by RMB339 million and year-on-year increase in interest expense of the Bank by RMB1,191 million. The following table sets forth the interest income, interest expense and net interest income of the Bank during the period indicated:

| (Expressed in thousands of Renminbi, unless otherwise stated) | For the six months ended 30 June |                  |                  |                    |
|---|----------------------------------|------------------|------------------|--------------------|
|   | 2021                             | 2020             | Change in amount | Rate of change (%) |
| Interest income   | 21,177,436                       | 20,838,858       | 338,578          | 1.6                |
| Interest expense  | (14,546,398)                     | (13,355,516)     | (1,190,882)      | 8.9                |
| <b>Net interest income</b>                                    | <b>6,631,038</b>                 | <b>7,483,342</b> | <b>(852,304)</b> | <b>(11.4)</b>      |

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### 4.2.1.3 Net interest spread and net interest margin

In the first half of 2021, under the background of being guided to further drive down the effective lending rate, as well as the advance of market-oriented interest rate reform and increasing competition for deposits, the Bank insisted on returning to its origins, focused on its main responsibilities and continuously optimised the structure of asset and liability, which resulted in steady growth of personal savings deposits with increasing proportion, continuous improvement in liability stability, while narrowing net interest spread and net interest margin. In the first half of 2021, the Bank's net interest spread was 1.50%, representing a year-on-year decrease of 0.19 percentage point; the net interest margin was 1.49%, representing a year-on-year decrease of 0.24 percentage point.

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

| (Expressed in thousands of Renminbi,<br>unless otherwise stated)       | For the six months ended 30 June 2021 |                                |   | For the six months ended 30 June 2020 |                                |   |
|--|---------------------------------------|--------------------------------|---|---------------------------------------|--------------------------------|---|
|  | Average<br>balance                    | Interest<br>income/<br>expense | Average<br>yield/interest<br>payment<br>(%) | Average<br>balance                    | Interest<br>income/<br>expense | Average<br>yield/interest<br>payment<br>(%) |
| <b>Interest-earning assets</b>   |                                       |                                |   |                                       |                                |   |
| Loans and advances to customers  | 544,795,761                           | 15,489,274                     | 5.73  | 470,267,230                           | 14,017,289                     | 5.99  |
| Financial investments  | 243,402,148                           | 4,873,671                      | 4.04  | 311,775,429                           | 6,185,745                      | 3.99  |
| Deposits with Central Bank   | 82,716,727                            | 599,591                        | 1.46  | 68,777,185                            | 510,047                        | 1.49  |
| Deposits and Placements with banks<br>and other financial institutions | 12,005,382                            | 58,677                         | 0.99  | 5,881,152                             | 52,074                         | 1.78  |
| Financial assets held under resale<br>agreements                       | 16,323,210                            | 156,223                        | 1.93  | 11,217,262                            | 73,703                         | 1.32  |
| <b>Total interest-earning assets</b>                                   | <b>899,243,228</b>                    | <b>21,177,436</b>              | <b>4.75</b>                                 | <b>867,918,258</b>                    | <b>20,838,858</b>              | <b>4.83</b>                                 |



## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

| (Expressed in thousands of Renminbi, unless otherwise stated)       | For the six months ended 30 June 2021 |                         |                                    | For the six months ended 30 June 2020 |                         |                                    |
|---|---------------------------------------|-------------------------|------------------------------------|---------------------------------------|-------------------------|------------------------------------|
|   | Average balance                       | Interest income/expense | Average yield/interest payment (%) | Average balance                       | Interest income/expense | Average yield/interest payment (%) |
| <b>Interest-bearing liabilities</b>                                 |                                       |                         |                                    |                                       |                         |                                    |
| Borrowings from Central Bank  | 3,510,296                             | 50,117                  | 2.88                               | 6,983,285                             | 110,552                 | 3.18                               |
| Deposits from customers   | 704,661,518                           | 11,205,787              | 3.21                               | 571,799,489                           | 8,513,790               | 2.99                               |
| Deposits and Placements from banks and other financial institutions | 72,396,455                            | 1,257,737               | 3.50                               | 109,672,852                           | 2,108,076               | 3.87                               |
| Financial assets sold under repurchase agreements                   | 80,078,141                            | 1,111,168               | 2.80                               | 87,637,093                            | 1,075,447               | 2.47                               |
| Debt securities issued  | 42,830,714                            | 921,589                 | 4.34                               | 80,150,480                            | 1,547,651               | 3.88                               |
| <b>Total interest-bearing liabilities</b>                           | <b>903,477,124</b>                    | <b>14,546,398</b>       | <b>3.25</b>                        | <b>856,243,199</b>                    | <b>13,355,516</b>       | <b>3.14</b>                        |
| Net interest income   |                                       | 6,631,038               |                                    |                                       | 7,483,342               |                                    |
| Net interest spread <sup>(1)</sup>                                  |                                       |                         | 1.50                               |                                       |                         | 1.69                               |
| Net interest margin <sup>(2)</sup>                                  |                                       |                         | 1.49                               |                                       |                         | 1.73                               |

*Notes:*

- (1) Calculated as the difference between the average yield on total interest-earning assets and the average cost on total interest-bearing liabilities.
- (2) Calculated by dividing net interest income by average balance of total interest-earning assets on annualised basis.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

The following table sets forth the changes in the Bank's interest income and interest expense due to changes in volume and rates for the periods indicated. Volume and rate variances have been measured based on movements in average balances over these periods, and changes in interest rates have been measured based on daily average interest-earning assets and interest-bearing liabilities. Variances caused by changes in both volume and interest rate have been allocated to changes in interest rate.

| (Expressed in thousands of Renminbi,<br>unless otherwise stated)    | For the six months ended<br>30 June 2021 compared with 2020 |                               |  |
|---|---|-------------------------------|--|
|   | Increase/<br>(decrease)<br>Volume <sup>(1)</sup>            | Due to<br>Rate <sup>(2)</sup> | Net increase/<br>(decrease) <sup>(3)</sup> |
| <b>Interest-earning assets</b>                                      |   |                               |  |
| Loans and advances to customers                                     | 2,221,477   | (749,492)                     | 1,471,985                                  |
| Financial investments   | (1,356,552)   | 44,478                        | (1,312,074)                                |
| Deposits with Central Bank  | 103,375   | (13,831)                      | 89,544                                     |
| Deposits and Placements with banks and other financial institutions | 54,226  | (47,623)                      | 6,603                                      |
| Financial assets held under resale agreements                       | 33,549  | 48,971                        | 82,520                                     |
| <b>Changes in interest income</b>                                   | <b>1,056,075</b>  | <b>(717,497)</b>              | <b>338,578</b>                             |
| <b>Interest-bearing liabilities</b>                                 |   |                               |  |
| Borrowings from Central Bank  | (54,981)  | (5,454)                       | (60,435)                                   |
| Deposits from customers   | 1,978,245   | 713,752                       | 2,691,997                                  |
| Deposits and Placements from banks and other financial institutions | (716,508)   | (133,831)                     | (850,339)                                  |
| Financial assets sold under repurchase agreements                   | (92,760)  | 128,481                       | 35,721                                     |
| Debt securities issued  | (720,619)   | 94,557                        | (626,062)                                  |
| <b>Changes in interest income expense</b>                           | <b>393,377</b>  | <b>797,505</b>                | <b>1,190,882</b>                           |
| <b>Changes in net interest income</b>                               | <b>662,698</b>  | <b>(1,515,002)</b>            | <b>(852,304)</b>                           |

Notes:

- (1) Representing the average balance for the period minus the average balance for the previous period, multiplied by the average yield or cost for the previous period.
- (2) Representing the average yield or cost for the period minus the average yield or cost for the previous period, multiplied by the average balance for the period.
- (3) Representing interest income or expense for the period minus interest income or expense for the previous period.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### 4.2.1.4 Interest income

In the first half of 2021, the Bank achieved an interest income of RMB21,177 million, representing a year-on-year increase of RMB339 million or 1.6%, mainly due to the steady growth of the volume of interest-earning assets and further optimization of asset structure.

The following table sets forth the breakdown of the interest income of the Bank for the periods indicated:

| (Expressed in thousands of<br>Renminbi, unless otherwise stated)       | For the six months ended 30 June |                 |                   |                 |
|--|----------------------------------|-----------------|-------------------|-----------------|
|  | 2021                             |                 | 2020              |                 |
|  | Amount                           | of total<br>(%) | Amount            | of total<br>(%) |
| Loans and advances to customers  |                                  |                 |                   |                 |
| Corporate loans (including<br>discounted bills)                        | 12,706,640                       | 60.0            | 12,048,231        | 57.8            |
| Personal loans   | 2,782,634                        | 13.2            | 1,969,058         | 9.4             |
| Sub-total  | 15,489,274                       | 73.2            | 14,017,289        | 67.2            |
| Financial investments  | 4,873,671                        | 23.0            | 6,185,745         | 29.8            |
| Deposits with Central Bank   | 599,591                          | 2.8             | 510,047           | 2.4             |
| Deposits and Placements with banks<br>and other financial institutions | 58,677                           | 0.3             | 52,074            | 0.2             |
| Financial assets held under resale<br>agreements                       | 156,223                          | 0.7             | 73,703            | 0.4             |
| <b>Total</b>   | <b>21,177,436</b>                | <b>100.0</b>    | <b>20,838,858</b> | <b>100.0</b>    |

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### 1. Interest Income from Loans and Advances to Customers

Interest income from loans and advances to customers was the essential component of the Bank's interest income. In the first half of 2021, interest income of the Bank from loans and advances to customers amounted to RMB15,489 million, representing a year-on-year increase of RMB1,472 million or 10.5%, and accounted for 73.2% of the total interest income, representing an increase of 6 percentage points, which was mainly due to the fact that the Bank actively rendered services for the recovery of post-pandemic production and real economy development, continued to intensify efforts on corporate loan placement, focused on reformation of retailing businesses, improved the value contribution of retail credit on the premise of effective risk prevention and control, which has driven the steady growth of interest income from loans and advances to customers.

The following table sets forth the average balances of the loans and advances to customers, related interest income and the average yield of the loans and advances to customers of the Bank during the period indicated:

| (Expressed in thousands of<br>Renminbi, unless otherwise stated) | For the six months ended 30 June |                    |                         |                    |                    |                         |
|--|----------------------------------|--------------------|-------------------------|--------------------|--------------------|-------------------------|
|  | 2021                             |                    |                         | 2020               |                    |                         |
|  | Average<br>balance               | Interest<br>income | Average<br>yield<br>(%) | Average<br>balance | Interest<br>income | Average<br>yield<br>(%) |
| Corporate loans (including discounted<br>bills)                  | 460,936,346                      | 12,706,640         | 5.56                    | 404,422,330        | 12,048,231         | 5.99                    |
| Personal loans   | 83,859,415                       | 2,782,634          | 6.69                    | 65,844,900         | 1,969,058          | 6.01                    |
| <b>Total</b>   | <b>544,795,761</b>               | <b>15,489,274</b>  | <b>5.73</b>             | <b>470,267,230</b> | <b>14,017,289</b>  | <b>5.99</b>             |

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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### *2. Interest Income from Financial Investments*

In the first half of 2021, interest income of the Bank from financial investments amounted to RMB4,874 million, representing a year-on-year decrease of RMB1,312 million or 21.2%, which was mainly due to the Bank's optimization of asset structure under the guidance of regulatory policies, and significant year-on-year decline of financial investment scale.

### *3. Interest Income from Deposits with Central Bank*

In the first half of 2021, interest income of the Bank from deposits with central bank amounted to RMB600 million, representing a year-on-year increase of RMB90 million or 17.6%, which was mainly due to the increase in the average balance of the deposits with central bank.

### *4. Interest Income from Deposits and Placements with Banks and Other Financial Institutions*

In the first half of 2021, interest income of the Bank from deposits and placements with banks and other financial institutions amounted to RMB59 million, representing a year-on-year decrease of RMB7 million or 12.7%, which was mainly due to the increase in the average balance of deposits and placements with bank and other financial institutions.

### *5. Interest Income from Financial Assets Held under Resale Agreements*

In the first half of 2021, interest income of the Bank from financial assets held under resale agreements amounted to RMB156 million, representing a year-on-year increase of RMB83 million or 112.0%, which was mainly due to the increase of average balance and average yield of financial assets held under resale agreements.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### 4.2.1.5 Interest expense

In the first half of 2021, interest expense of the Bank amounted to RMB14,546 million, representing a year-on-year increase of RMB1,191 million or 8.9%, which was mainly due to the increase of the average balance and average cost of interest-bearing liabilities.

The following table sets forth the principal components of the interest expense of the Bank for the periods indicated:

| (Expressed in thousands of Renminbi, unless otherwise stated)       | For the six months ended 30 June |              |                   |              |
|---|----------------------------------|--------------|-------------------|--------------|
|   | 2021                             |              | 2020              |              |
|   | Amount                           | of total (%) | Amount            | of total (%) |
| Borrowings from Central Bank  | 50,117                           | 0.3          | 110,552           | 0.8          |
| Deposits from customers   | 11,205,787                       | 77.0         | 8,513,790         | 63.7         |
| Deposits and Placements from banks and other financial institutions | 1,257,737                        | 8.6          | 2,108,076         | 15.8         |
| Financial assets sold under repurchase agreements                   | 1,111,168                        | 7.7          | 1,075,447         | 8.1          |
| Debt securities issued  | 921,589                          | 6.4          | 1,547,651         | 11.6         |
| <b>Total</b>  | <b>14,546,398</b>                | <b>100.0</b> | <b>13,355,516</b> | <b>100.0</b> |

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### 1. Interest Expense on Deposits from customers

In the first half of 2021, interest expense on deposits from customers amounted to RMB11,206 million, representing a year-on-year increase of RMB2,692 million, or 31.6%, which was mainly due to the steady growth of average balance of deposits from customers as the Bank combined its own resources and regional characteristics, deeply cultivated customer management, innovated marketing service models, continuously enriched its product shelves, and actively expanded and maintained customer base, as well as the year-on-year increase of deposit cost resulting from intensified competition for deposits.

The following table sets forth the average balance, interest expense and average cost for each of the components of the Bank's deposits from customers:

| (Expressed in thousands of Renminbi, unless otherwise stated) | For the six months ended 30 June 2021 |                   |                  | For the six months ended 30 June 2020 |                  |                  |
|---|---------------------------------------|-------------------|------------------|---------------------------------------|------------------|------------------|
|   | Average balance                       | Interest expense  | Average cost (%) | Average balance                       | Interest expense | Average cost (%) |
| <b>Corporate deposits</b>                                     |                                       |                   |                  |                                       |                  |                  |
| Demand  | 146,451,431                           | 883,148           | 1.22             | 133,635,814                           | 644,587          | 0.97             |
| Time  | 187,893,180                           | 3,207,690         | 3.44             | 197,496,005                           | 3,408,493        | 3.47             |
| Sub-total   | 334,344,611                           | 4,090,838         | 2.47             | 331,131,819                           | 4,053,080        | 2.46             |
| <b>Personal deposits</b>                                      |                                       |                   |                  |                                       |                  |                  |
| Demand  | 28,441,962                            | 56,169            | 0.40             | 24,120,844                            | 47,698           | 0.40             |
| Time  | 341,874,945                           | 7,058,780         | 4.16             | 216,546,826                           | 4,413,012        | 4.10             |
| Sub-total   | 370,316,907                           | 7,114,949         | 3.87             | 240,667,670                           | 4,460,710        | 3.73             |
| <b>Total deposits from customers</b>                          | <b>704,661,518</b>                    | <b>11,205,787</b> | <b>3.21</b>      | <b>571,799,489</b>                    | <b>8,513,790</b> | <b>2.99</b>      |

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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### *2. Interest Expense on Deposits and Placements from Banks and Other Financial Institutions*

In the first half of 2021, interest expense of the Bank on deposits and placements from banks and other financial institutions amounted to RMB1,258 million, representing a year-on-year decrease of RMB850 million or 40.3%, which was mainly due to the Bank's continuous optimization the structure of liabilities, and the decrease of average balance and average cost of deposits and placements with banks and other financial institutions.

### *3. Interest Expense on Financial Assets Sold under Repurchase Agreements*

In the first half of 2021, interest expense of the Bank on financial assets sold under repurchase agreements amounted to RMB1,111 million, representing a year-on-year increase of RMB36 million or 3.3%, which was mainly due to the increase in the average cost of financial assets sold under repurchase agreements of the Bank.

### *4. Interest Expense on Debt Securities Issued*

In the first half of 2021, interest expense of the Bank on debt securities issued amounted to RMB922 million, representing a year-on-year decrease of RMB626 million or 40.5%, which was mainly due to the decrease in the average balance of the debt securities issued of the Bank.



## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### 4.2.1.6 Net Non-interest Income

#### 1. Net Fee and Commission Income

In the first half of 2021, the Bank achieved net fee and commission income of RMB166 million, representing a year-on-year decrease of RMB415 million, or 71.4%, mainly due to the year-on-year decrease in net fee and commission income as the Bank implemented the policy of fee reduction and profit concessions, appropriately reduced intermediate business fees and charges, and actual reduced the burden for market participants. At the same time, the Bank actively promoted its business transformation and enhanced its business development, resulting in a year-on-year increase in net fee and commission expenses.

| (Expressed in thousands of Renminbi, unless otherwise stated) | For the six months ended 30 June |                |                  |                    |
|---|----------------------------------|----------------|------------------|--------------------|
|   | 2021                             | 2020           | Change in amount | Rate of change (%) |
| Fee and commission income                                     |                                  |                |                  |                    |
| Agency and custody services fees                              | 593,660                          | 699,374        | (105,714)        | (15.1)             |
| Settlement and clearing services fees                         | 54,342                           | 48,930         | 5,412            | 11.1               |
| Bank card services fees                                       | 85,637                           | 138,454        | (52,817)         | (38.1)             |
| Fee and commission expense                                    | (567,555)                        | (305,858)      | (261,697)        | 85.6               |
| <b>Net fee and commission income</b>                          | <b>166,084</b>                   | <b>580,900</b> | <b>(414,816)</b> | <b>(71.4)</b>      |

#### 2. Net Trading Losses

In the first half of 2021, the Bank's net trading losses amounted to RMB456 million, representing a year-on-year decrease of RMB246 million, mainly due to the decrease of net foreign exchange losses during the Reporting Period.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### 3. Net Gains Arising from Investments

In the first half of 2021, the net gains arising from financial investments of the Bank amounted to RMB2,153 million, representing a year-on-year decrease of RMB182 million or 7.8%, mainly due to the decrease in the Bank's net gain on financial assets measured at fair value through profit or loss during the Reporting Period.

| (Expressed in thousands of Renminbi,<br>unless otherwise stated)                               | For the six months ended 30 June |                  |                     |                          |
|--|----------------------------------|------------------|---------------------|--------------------------|
|  | 2021                             | 2020             | Change<br>in amount | Rate of<br>change<br>(%) |
| Net gains on financial assets at fair value through profit or loss                             | 322,052                          | 1,809,494        | (1,487,442)         | (82.2)                   |
| Net gains on disposal of financial assets at fair value through other comprehensive income     | 100,993                          | 451,829          | (350,836)           | (77.6)                   |
| Dividends from designated as financial assets at fair value through other comprehensive income | 55,920                           | -                | 55,920              | N/A                      |
| Net gains on disposal of financial assets measured at amortised cost                           | 1,674,500                        | 73,825           | 1,600,675           | 2,168.2                  |
| <b>Total</b>   | <b>2,153,465</b>                 | <b>2,335,148</b> | <b>(181,683)</b>    | <b>(7.8)</b>             |

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### 4.2.1.7 Operating expenses

In the first half of 2021, the operating expenses of the Bank amounted to RMB2,491 million, representing a year-on-year increase of RMB278 million or 12.6%, and the cost-to-income ratio was 27.88%, representing a year-on-year increase of 6.47 percentage points, which was mainly due to the fact that during the Reporting Period, the basic pension insurance and other social insurance costs increased due to withdrawal of the social insurance premium waiver policy during the pandemic in 2020.

| (Expressed in thousands of Renminbi, unless otherwise stated) | For the six months ended 30 June |                  |                  |                    |
|---|----------------------------------|------------------|------------------|--------------------|
|   | 2021                             | 2020             | Change in amount | Rate of change (%) |
| Staff costs   | 1,457,440                        | 1,263,516        | 193,924          | 15.3               |
| Tax and surcharges  | 118,871                          | 106,186          | 12,685           | 11.9               |
| Depreciation and amortization                                 | 307,814                          | 308,073          | (259)            | (0.1)              |
| Rental and property management expenses                       | 51,486                           | 40,907           | 10,579           | 25.9               |
| Office expenses   | 125,608                          | 148,022          | (22,414)         | (15.1)             |
| Other general and administrative expenses                     | 429,681                          | 345,979          | 83,702           | 24.2               |
| <b>Total operating expenses</b>                               | <b>2,490,900</b>                 | <b>2,212,683</b> | <b>278,217</b>   | <b>12.6</b>        |

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### 1. Staff Costs

In the first half of 2021, staff costs of the Bank amounted to RMB1,457 million, representing a year-on-year increase of RMB194 million or 15.3%, which was mainly due to the fact that the basic pension insurance and other social insurance costs increased due to withdrawal of the social insurance premium waiver policy during the pandemic in 2020.

The following table sets forth the principal components of the staff costs of the Bank for the periods indicated:

| (Expressed in thousands of Renminbi, unless otherwise stated) | For the six months ended 30 June |                  |                  |                    |
|---|----------------------------------|------------------|------------------|--------------------|
|   | 2021                             | 2020             | Change in amount | Rate of change (%) |
| Salaries, bonuses and allowances                              | 1,056,184                        | 1,036,518        | 19,666           | 1.9                |
| Pension and annuity   | 163,779                          | 64,945           | 98,834           | 152.2              |
| Other social insurance  | 76,101                           | 48,078           | 28,023           | 58.3               |
| Housing allowances  | 71,342                           | 57,434           | 13,908           | 24.2               |
| Supplementary retirement benefits                             | 3,277                            | 3,172            | 105              | 3.3                |
| Others  | 86,757                           | 53,369           | 33,388           | 62.6               |
| <b>Staff costs</b>  | <b>1,457,440</b>                 | <b>1,263,516</b> | <b>193,924</b>   | <b>15.3</b>        |

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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### *2. Office Expenses, Rental and Property Management Expenses*

In the first half of 2021, office expenses, rental and property management expenses of the Bank amounted to RMB177 million, representing a year-on-year decrease of RMB12 million or 6.3%, which is mainly due to the Bank's tighter control of cost and administrative expenses. Office expenses, rental and property management expenses mainly include office supplies, property rents, and maintenance fees for electronic devices, security fees, conference fees and postal, telecom and printing fees.

### *3. Depreciation and Amortization*

In the first half of 2021, depreciation and amortization expenses of the Bank amounted to RMB308 million, representing a year-on-year decrease of RMB0.259 million or 0.1%.

### *4. Other General and Administrative Expenses*

In the first half of 2021, other general and administrative expenses of the Bank amounted to RMB430 million, representing a year-on-year increase of RMB84 million or 24.2%, primarily due to the increase in data service expenses, business expansion expenses and deposits insurance costs of the Bank.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### 4.2.1.8 Impairment losses on assets

In the first half of 2021, the Bank recorded impairment losses on assets of RMB5,103 million, representing a year-on-year increase of RMB730 million or 16.7%, mainly due to intensified efforts to increase provision for impairment losses on assets to further enhance its risk-absorbing capacity made by the Bank in accordance with prudent operating principles and taking into account the impact of the uncertainties from the pandemic and the economic environment on the business operation. The following table sets forth the principal components of the impairment losses on assets of the Bank for the periods indicated:

| (Expressed in thousands of Renminbi, unless otherwise stated)      | For the six months ended 30 June |                  |                  |                    |
|--|----------------------------------|------------------|------------------|--------------------|
|  | 2021                             | 2020             | Change in amount | Rate of change (%) |
| Deposits and placements with bank and other financial institutions | (375)                            | (334)            | (41)             | N/A                |
| Financial assets held under resale agreements                      | (2,285)                          | (2,427)          | 142              | N/A                |
| Loans and advances to customers                                    | 4,863,288                        | 4,116,855        | 746,433          | 18.1               |
| Financial investments  | 199,341                          | 165,697          | 33,644           | 20.3               |
| Credit commitment  | 42,859                           | 92,390           | (49,531)         | (53.6)             |
| Others   | (284)                            | 731              | (1,015)          | (138.9)            |
| <b>Total</b>   | <b>5,102,544</b>                 | <b>4,372,912</b> | <b>729,632</b>   | <b>16.7</b>        |

### 4.2.1.9 Income tax expense

In the first half of 2021, the Bank's income tax expense amounted to RMB-131 million, which was mainly due to the recognition of deferred income tax assets on deductible temporary differences formed of the Bank during the Reporting Period and the tax effect of tax-free income.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### 4.2.2 Analysis of the Statement of Financial Position

#### 4.2.2.1 Assets

As of 30 June 2021, total assets of the Bank were RMB1,016,503 million, representing a decrease of RMB21,455 million or 2.1% as compared with that at the end of the previous year, as a result of the Bank's strategic adjustments and optimization of its business structure in response to changes in the internal and external environment. The principal components of our assets are (i) net loans and advances to customers, (ii) financial investments, (iii) cash and deposits with Central Bank and (iv) Deposits with banks and other financial institutions, which accounted for 56.9%, 29.9%, 9.5% and 0.8%, respectively, of total assets of the Bank as of 30 June 2021. The following table sets forth the principal components of assets of the Bank as at the dates indicated:

| (Expressed in thousands of Renminbi,<br>unless otherwise stated) | As at 30 June 2021   |                 | As at 31 December 2020 |                   |
|--|----------------------|-----------------|------------------------|-------------------|
|  | Amount               | of total<br>(%) | Amount                 | of total %<br>(%) |
| <b>Assets</b>  |                      |                 |                        |                   |
| Total loans and advances to customers                            | 588,040,455          | 57.8            | 547,062,557            | 52.7              |
| Interest receivable  | 13,788,304           | 1.4             | 7,960,458              | 0.8               |
| Provision for impairment losses                                  | (23,381,941)         | (2.3)           | (20,335,788)           | (2.0)             |
| Net loans and advances to customers                              | 578,446,818          | 56.9            | 534,687,227            | 51.5              |
| Financial investments <sup>(1)</sup>                             | 303,790,174          | 29.9            | 358,044,952            | 34.5              |
| Deposits with banks and other financial institutions             | 7,797,592            | 0.8             | 15,194,344             | 1.5               |
| Cash and deposits with Central Bank                              | 96,549,708           | 9.5             | 78,505,916             | 7.6               |
| Financial assets held under resale agreements                    | 3,599,555            | 0.4             | 22,119,345             | 2.1               |
| Placements with banks and other financial institutions           | 7,250,107            | 0.7             | 4,350,087              | 0.4               |
| Derivative financial assets                                      | 459,224              | 0.0             | 1,104,872              | 0.1               |
| Other assets <sup>(2)</sup>                                      | 18,610,320           | 1.8             | 23,951,632             | 2.3               |
| <b>Total assets</b>  | <b>1,016,503,498</b> | <b>100.0</b>    | <b>1,037,958,375</b>   | <b>100.0</b>      |

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Notes:

- (1) Financial investments include financial assets at fair value through other comprehensive income, financial assets at amortised cost and other financial investments at fair value through profit or loss.
- (2) Includes property and equipment, deferred income tax assets and other assets.

### 1. Loans and Advances to Customers

The total loans and advances to customers made by the Bank as at 30 June 2021 amounted to RMB588,040 million with an increase of RMB40,978 million or 7.5% as compared with that at the end of last year, and accounted for 57.8% of the total assets, representing an increase of 5.1 percentage points as compared with that at the end of last year, which was mainly due to the fact that the Bank focused on the real economy development, took the initiative to implement the regional development strategy, intensified efforts in allocation of credit resources, and continuously optimized credit allocation and structure. The loans and advances to customers made by the Bank consisted mainly of corporate loans (including discounted bills) and personal loans.

| (Expressed in thousands of Renminbi, unless otherwise stated) | As at 30 June 2021 |              | As at 31 December 2020 |              |
|---|--------------------|--------------|------------------------|--------------|
|   | Amount             | of total (%) | Amount                 | of total (%) |
| Corporate loans   |                    |              |                        |              |
| – Corporate loans   | 441,352,014        | 75.0         | 431,200,966            | 78.8         |
| – Discounted bills  | 53,652,352         | 9.1          | 38,403,424             | 7.0          |
| Personal loans  |                    |              |                        |              |
| – Residential mortgage  | 53,446,494         | 9.1          | 48,276,811             | 8.8          |
| – Personal consumption loans                                  | 26,254,414         | 4.5          | 20,672,637             | 3.8          |
| – Credit cards  | 7,056,570          | 1.2          | 6,572,422              | 1.2          |
| – Personal business loans                                     | 6,269,851          | 1.1          | 1,920,977              | 0.4          |
| – Others  | 8,760              | 0.0          | 15,320                 | 0.0          |
| <b>Total loans and advances to customers</b>                  | <b>588,040,455</b> | <b>100.0</b> | <b>547,062,557</b>     | <b>100.0</b> |



## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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Corporate loans constituted the largest component of the Bank's loan portfolio. As at 30 June 2021, the corporate loans (including discounted bills) of the Bank amounted to RMB495.004 billion, representing an increase of RMB25.4 billion or 5.4% as compared to the end of last year and accounting for 84.1% of the total loans and advances to customers. This was mainly due to the fact that the Bank continued to deepen the construction of operation system based on client classification, focused on preferred industries and strategic customers base, accelerated product innovation, and leveraged on the commercial aggregation effect of business circle, industrial chains and cluster markets to form a bulk, high-quality acquisition customer model around the upstream and downstream of core enterprises, which facilitated the quality development of corporate loans.

Personal loans offered by the Bank mainly include residential mortgage loans, personal consumption loans, credit cards and personal business loans. As at 30 June 2021, personal loans of the Bank amounted to RMB93,036 million, representing an increase of RMB15,578 million or 20.1% as compared to the end of last year, and accounted for 15.9% of total loans and advances to customers, representing an increase of 1.7 percentage points as compared to the end of last year. This was mainly due to the fact that during the Reporting Period, the Bank took digital transformation as an entry point, accelerated integration of the retail and inclusive finance sectors, implemented a strategy driven by consumer loans and operating loans, deeply cultivated customer operations, innovated the product system, built a full-scene marketing service to promote the synergistic development of retail credit in terms of scale, efficiency and quality.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### 1) Loans by type of guarantee

The structure of collaterals of the Bank's loans and advances to customers was stable and the Bank's capability of mitigating risks was relatively solid. As at 30 June 2021, the balance of loans guaranteed or secured by mortgages and pledges was RMB526,135 million, representing an increase of RMB26,052 million or 5.2% as compared with that at the end of the previous year, and accounted for 89.5% of the total loans and advances to customers. If a loan is secured by more than one form of collateral, the entire amount of such a loan is allocated to the category representing the primary form of collateral.

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

| (Expressed in thousands of Renminbi, unless otherwise stated) | As at 30 June 2021 |              | As at 31 December 2020 |              |
|---|--------------------|--------------|------------------------|--------------|
|   | Amount             | of total (%) | Amount                 | of total (%) |
| Loans secured by mortgages                                    | 221,687,912        | 37.8         | 215,899,526            | 39.4         |
| Loans secured by pledges                                      | 101,417,318        | 17.2         | 80,836,779             | 14.8         |
| Guaranteed loans  | 203,029,713        | 34.5         | 203,346,408            | 37.2         |
| Unsecured loans   | 61,905,512         | 10.5         | 46,979,844             | 8.6          |
| <b>Total loans and advances to customers</b>                  | <b>588,040,455</b> | <b>100.0</b> | <b>547,062,557</b>     | <b>100.0</b> |

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### 2) Changes in provision for impairment on loans and advances to customers

As at 30 June 2021, the balance of provision for impairment on loans and advances to customers of the Bank was RMB23,382 million, representing an increase of RMB3,046 million or 15.0% as compared with that at the end of the previous year, mainly due to the fact that taking full account of the impact of the pandemic and in accordance with the circumstance of credit allocation and expected credit risks, the Bank continued to increase provision to further enhance the capability of risk compensation and absorption. As at 30 June 2021, loan provision ratio of the Bank was 3.98%, representing an increase of 0.26 percentage point as compared with that at the end of the previous year.

The following table sets forth the provision for impairment losses on loans and advances issued by the Bank on the dates indicated:

| (Expressed in thousands of Renminbi, unless otherwise stated)    | Six months ended 30 June 2021              |  |   |             | 2020                                       |  |   |            |
|--|--|--|---|-------------|--|--|---|------------|
|  | Expected credit loss in the next 12 months | A lifetime expected credit loss – loans without credit impairment loss | A lifetime expected credit loss – loans with credit impairment loss | Total       | Expected credit loss in the next 12 months | A lifetime expected credit loss – loans without credit impairment loss | A lifetime expected credit loss – loans with credit impairment loss | Total      |
|  |  | impairment loss  | impairment loss   |             |  | impairment loss  | impairment loss   |            |
| Balance as at the beginning of the period                        | 7,337,769                                  | 6,987,110  | 6,010,909   | 20,335,788  | 5,480,833                                  | 1,429,810  | 5,968,527   | 12,879,170 |
| Transferred to:  |  |  |   |             |  |  |   |            |
| - to expected credit loss over the next 12 months                | 1,952,681                                  | (1,517,310)  | (435,371)   | -           | 799,080                                    | (224,525)  | (574,555)   | -          |
| - to lifetime expected credit losses – not credit-impaired loans | (162,310)                                  | 166,529  | (4,219)   | -           | (145,603)                                  | 147,993  | (2,390)   | -          |
| - to lifetime expected credit losses – credit-impaired loans     | (25,762)                                   | (605,922)  | 631,684   | -           | (41,354)                                   | (284,438)  | 325,792   | -          |
| Net (release)/charge for the period                              | (913,911)                                  | 2,210,086  | 3,495,013   | 4,791,188   | 1,244,813                                  | 5,918,270  | 956,425   | 8,119,508  |
| Transfer out   | -  | -  | (1,747,742)   | (1,747,742) | -  | -  | (293,502)   | (293,502)  |
| Write-offs   | -  | -  | -   | -           | -  | -  | (427,236)   | (427,236)  |
| Recoveries   | -  | -  | 2,707   | 2,707       | -  | -  | 57,848  | 57,848     |
| Balance as at the end of the period                              | 8,188,467                                  | 7,240,493  | 7,952,981   | 23,381,941  | 7,337,769                                  | 6,987,110  | 6,010,909   | 20,335,788 |

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### 2. Financial Investments

As of 30 June 2021, the financial investments (including financial assets at fair value through other comprehensive income, financial assets measured at amortised cost, financial assets at fair value through profit or loss) of the Bank amounted to RMB303,790 million, representing a decrease of RMB54,255 million or 15.2% as compared with those of the end of the previous year, and accounted for 29.9% of the total assets, representing a decrease of 4.6 percentage points as compared with that at the end of the previous year. The following table set forth the main components of the Bank's financial investments (exclusive of interest receivable) as of the dates indicated:

| (Expressed in thousands of Renminbi,<br>unless otherwise stated)         | As at 30 June 2021 |                 | As at 31 December 2020 |                 |
|--|--------------------|-----------------|------------------------|-----------------|
|  | Amount             | of total<br>(%) | Amount                 | of total<br>(%) |
| <b>Financial assets at fair value through profit or loss</b>             | 79,182,938         | 26.4            | 100,939,472            | 28.6            |
| – Bonds issued by policy banks   | –                  | –               | 588,420                | 0.2             |
| – Bonds issued by banks and other financial institutions                 | 17,341,827         | 5.8             | 38,256,944             | 10.8            |
| – Corporate entity bonds   | 1,030,961          | 0.3             | 1,030,961              | 0.3             |
| – Investment management products managed by securities companies         | 60,705,848         | 20.3            | 60,710,215             | 17.2            |
| – Investment management products under the trust scheme                  | –                  | –               | 293,596                | 0.1             |
| – Equity investments   | 104,302            | 0.0             | 59,336                 | 0.0             |
| <b>Financial assets at fair value through other comprehensive income</b> | 29,871,141         | 9.9             | 27,401,326             | 7.7             |
| – Government bonds   | 12,784,036         | 4.3             | 12,029,935             | 3.4             |
| – Bonds issued by policy banks   | 6,336,766          | 2.1             | 7,428,435              | 2.1             |
| – Bonds issued by banks and other financial institutions                 | 1,544,341          | 0.5             | 1,849,715              | 0.5             |
| – Corporate entity bonds   | 1,832,963          | 0.6             | 1,837,108              | 0.5             |
| – Capital bonds with no fixed terms issued by commercial banks           | 949,396            | 0.3             | –                      | –               |
| – Equity investments   | 6,423,639          | 2.1             | 4,256,133              | 1.2             |
| <b>Financial investment measured at amortised cost</b>                   | 190,689,306        | 63.7            | 225,501,568            | 63.7            |
| – Government bonds   | 65,428,150         | 21.8            | 66,643,142             | 18.8            |
| – Bonds issued by policy banks   | 40,642,543         | 13.6            | 77,422,643             | 21.9            |
| – Bonds issued by banks and other financial institutions                 | 200,000            | 0.1             | 200,000                | 0.1             |
| – Corporate entity bonds   | 4,574,869          | 1.5             | 1,821,623              | 0.5             |
| – Investment management products managed by securities companies         | 2,427,973          | 0.8             | 4,558,243              | 1.3             |
| – Investment management products under the trust scheme                  | 81,028,332         | 27.1            | 78,269,005             | 22.1            |
| Less: provisions for financial assets at amortised cost                  | (3,612,561)        | (1.2)           | (3,413,088)            | (1.0)           |
| <b>Total</b>   | <b>299,743,385</b> | <b>100.0</b>    | <b>353,842,366</b>     | <b>100.0</b>    |

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

- 1) Changes in the provision for financial assets at fair value through other comprehensive income

|  | Six months ended 30 June 2021                |   |  |                | 2020   |   |  |                |
|--|--|---|--|----------------|--|---|--|----------------|
|  | Expected credit loss over the next 12 months | Lifetime expected credit loss –no credit impairment | Lifetime expected credit loss –credit impairment | Total          | Expected credit loss over the next 12 months | Lifetime expected credit loss –no credit impairment | Lifetime expected credit loss –credit impairment | Total          |
| Balance as at the beginning of the period  | 1,019  | –   | 641,840  | 642,859        | 2,336  | –   | –  | 2,336          |
| Net release for the period                 | (132)  | –   | –  | (132)          | (1,317)                                      | –   | 641,840  | 640,523        |
| <b>Balance as at the end of the period</b> | <b>887</b>                                   | <b>–</b>  | <b>641,840</b>                                   | <b>642,727</b> | <b>1,019</b>                                 | <b>–</b>  | <b>641,840</b>                                   | <b>642,859</b> |

- 2) Changes in the provision for financial assets at amortised cost

|   | Six months ended 30 June 2021                |  |  |                  | 2020   |  |  |                  |
|---|--|--|--|------------------|--|--|--|------------------|
|   | Expected credit loss over the next 12 months | Lifetime expected credit loss –not credit impaired | Lifetime expected credit loss –credit impaired | Total            | Expected credit loss over the next 12 months | Lifetime expected credit loss –not credit impaired | Lifetime expected credit loss –credit impaired | Total            |
| Balance as at the beginning of the period           | 1,640,198                                    | 151,576  | 1,621,314                                      | 3,413,088        | 828,138                                      | 165,454  | 1,030,953                                      | 2,024,545        |
| Transferred to:                                     |  |  |  |                  |  |  |  |                  |
| – to expected credit losses over the next 12 months | –  | –  | –  | –                | –  | –  | –  | –                |
| – to lifetime expected credit losses                | (616,262)                                    | 616,262  | –  | –                | –  | –  | –  | –                |
| – credit impaired Investments                       | (437)  | –  | 437  | –                | (27,132)                                     | –  | 27,132   | –                |
| Net (release)/charge for the period                 | (311,955)                                    | (22,655)   | 534,083  | 199,473          | 839,192                                      | (13,878)   | 563,229  | 1,388,543        |
| <b>Balance as at the end of the period</b>          | <b>711,544</b>                               | <b>745,183</b>                                     | <b>2,155,834</b>                               | <b>3,612,561</b> | <b>1,640,198</b>                             | <b>151,576</b>                                     | <b>1,621,314</b>                               | <b>3,413,088</b> |

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### 4.2.2.2 Liabilities

As of 30 June 2021, total liabilities of the Bank amounted to RMB935.416 billion, representing a decrease of RMB22.496 billion or 2.3% as compared with that at the end of the previous year. The Bank's liabilities mainly consisted of (i) deposits from customers, (ii) financial assets sold under repurchase agreements and (iii) deposits from banks and other financial institutions, accounting for 79.7%, 6.6% and 5.6%, respectively, with respect to the total liabilities.

The following table sets forth the components of the Bank's total liabilities as at the dates indicated:

| (Expressed in thousands of Renminbi,<br>unless otherwise stated) | As at 30 June 2021 |               | As at 31 December 2020 |               |
|--|--------------------|---------------|------------------------|---------------|
|  | Amount             | of total<br>% | Amount                 | of total<br>% |
| Borrowings from Central Bank                                     | 5,779,501          | 0.6           | 2,815,363              | 0.3           |
| Deposits from customers  | 745,785,495        | 79.7          | 697,363,902            | 72.8          |
| Deposits from banks and other financial<br>institutions          | 52,604,910         | 5.6           | 90,792,706             | 9.5           |
| Placements from banks and other<br>financial institutions        | 3,579,640          | 0.4           | 4,984,505              | 0.5           |
| Financial liabilities at fair value through<br>profit or loss    | 18,526,981         | 2.0           | 20,959,959             | 2.2           |
| Derivative financial liabilities                                 | 1,615,885          | 0.2           | 768,469                | 0.1           |
| Financial assets sold under repurchase<br>agreements             | 61,889,126         | 6.6           | 89,672,253             | 9.4           |
| Debt securities issued   | 41,429,731         | 4.4           | 45,262,637             | 4.7           |
| Other liabilities <sup>(1)</sup>                                 | 4,204,852          | 0.5           | 5,292,032              | 0.5           |
| <b>Total</b>   | <b>935,416,121</b> | <b>100.0</b>  | <b>957,911,826</b>     | <b>100.0</b>  |

Note:

- (1) Including payment and collection clearance accounts, staff remuneration payable, deferred income, taxes payable, dormant accounts and other liabilities.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### 1. Deposits from Customers

As of 30 June 2021, the Bank's total deposits from customers (exclusive of interest payable) amounted to RMB728.963 billion, with an increase of RMB47.558 billion or 7.0% as compared with the number recorded at the end of the previous year. Among them, corporate deposits and individual deposits increased by RMB10.936 billion and RMB27.214 billion, respectively, as compared with that at the end of the previous year. The main reason is that during the Reporting Period, the Bank adhered to "customer-centric", continued to focus on customer operation, relied on regional advantages, built a differentiated and professional customer operation system, improved online and offline channels, expanded the ecological scene of financial services, and created open product shelves and asset management ecosystem. The basic customer base and high net worth high-quality customer base are growing, and the sustainability and stability of deposit growth are increasing. The following table sets forth the Bank's deposits from customers (exclusive of interest payable) and product types as of the dates indicated:

| (Expressed in thousands of Renminbi, unless otherwise stated) | As at 30 June 2021 |              | As at 31 December 2020 |              |
|---|--------------------|--------------|------------------------|--------------|
|   | Amount             | of total (%) | Amount                 | of total (%) |
| <b>Corporate deposits</b>                                     |                    |              |                        |              |
| Demand deposits   | 135,482,470        | 18.6         | 141,808,350            | 20.8         |
| Time deposits   | 166,241,830        | 22.8         | 148,980,109            | 21.9         |
| Sub-total   | 301,724,300        | 41.4         | 290,788,459            | 42.7         |
| <b>Personal deposits</b>                                      |                    |              |                        |              |
| Demand deposits   | 34,749,432         | 4.8          | 24,304,387             | 3.6          |
| Time deposits   | 350,369,321        | 48.0         | 333,600,481            | 48.9         |
| Sub-total   | 385,118,753        | 52.8         | 357,904,868            | 52.5         |
| Other deposits <sup>(1)</sup>                                 | 42,119,566         | 5.8          | 32,711,420             | 4.8          |
| <b>Total</b>  | <b>728,962,619</b> | <b>100.0</b> | <b>681,404,747</b>     | <b>100.0</b> |

Note:

(1) Mainly including pledged deposits.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### 2. Debt Securities Issued

The following table sets forth the components of the Bank's debt securities issued (exclusive of interest payable) as at the dates indicated:

| (Expressed in thousands of Renminbi,<br>unless otherwise stated) | As at<br>30 June<br>2021<br>Amount | As at<br>31 December<br>2020<br>Amount |
|--|------------------------------------|--|
| Tier-two capital bond with fixed rate maturing in December 2027  | 6,000,000                          | 6,000,000                              |
| Financial fixed rate bonds maturing in August 2021               | 2,000,000                          | 2,000,000                              |
| Financial fixed rate bonds maturing in August 2021               | 12,000,000                         | 12,000,000                             |
| Financial fixed rate bonds maturing in October 2021              | 8,000,000                          | 8,000,000                              |
| Financial fixed rate bonds maturing in November 2021             | 6,900,000                          | 6,900,000                              |
| Interbank certificates of deposits issued                        | 5,456,545                          | 10,022,558                             |
| <b>Total</b>   | <b>40,356,545</b>                  | <b>44,922,558</b>                      |

The Bank issued tier-two capital bonds of commercial banks in the aggregate of RMB6.0 billion in the national inter-bank bond market on 18 December 2017. The term of maturity of such bonds is 10 years. The interest rate is calculated based on fixed interest rate per annum. The coupon rate is interest-bearing fixed rate of 4.90%. Interest on such bonds shall be paid once per year. Upon approval by the CBIRC, the Bank could choose to redeem the current bond in a lump sum at a whole or at a portion per the face value on the last day of the fifth interest calculating year for such bonds.



## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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The Bank issued 2016 financial fixed rate bonds in the aggregate of RMB2.0 billion on 26 August 2016 with a term of maturity of 5 years and an annual coupon rate of 3.10%.

The Bank issued the first tranche of 2018 fixed-rate financial bonds in the aggregate of RMB12 billion on 15 August 2018 with a term of maturity of 3 years and an annual coupon rate of 4.35%.

The Bank issued the second tranche of 2018 fixed-rate financial bonds in the aggregate of RMB8 billion on 25 October 2018 with a term of maturity of 3 years and an annual coupon rate of 4.10%.

The Bank issued the third tranche of 2018 fixed-rate financial bonds in the aggregate of RMB6.9 billion on 26 November 2018 with a term of maturity of 3 years and an annual coupon rate of 3.98%.

As at 30 June 2021, the balance of certificates of interbank deposit issued by the Bank was RMB5.457 billion.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### 4.2.2.3 Equity

As of 30 June 2021, the equity balance of the Bank amounted to RMB81.087 billion, representing an increase of RMB1.041 billion or 1.3% as compared with that at the end of the previous year. The following table sets forth the components of the equity of the Bank as of the dates indicated:

| (Expressed in thousands of Renminbi, unless otherwise stated) | As at 30 June 2021 |              | As at 31 December 2020 |              |
|---|--------------------|--------------|------------------------|--------------|
|   | Amount             | of total (%) | Amount                 | of total (%) |
| Share capital   | 8,796,680          | 10.8         | 8,796,680              | 11.0         |
| Capital reserve   | 26,931,360         | 33.2         | 26,931,360             | 33.6         |
| Surplus reserve   | 7,383,979          | 9.1          | 7,283,589              | 9.1          |
| General reserve   | 14,013,554         | 17.3         | 13,676,444             | 17.1         |
| Investment revaluation reserve                                | (690,446)          | (0.9)        | (633,509)              | (0.8)        |
| Provision reserve   | 699,408            | 0.9          | 645,432                | 0.8          |
| Reserve on remeasurement of defined benefit liability         | (19,160)           | (0.0)        | (16,648)               | (0.0)        |
| Retained earnings   | 23,361,444         | 28.8         | 22,768,584             | 28.5         |
| Non-controlling interests                                     | 610,558            | 0.8          | 594,617                | 0.7          |
| <b>Total equity</b>   | <b>81,087,377</b>  | <b>100.0</b> | <b>80,046,549</b>      | <b>100.0</b> |

### 4.2.3 Loan quality analysis

In the first half of 2021, the Bank continued to strengthen credit risk management, focused on improving the construction of vertical management and intelligent risk control system, enriched the dimensions of customer risk judgment, strengthened risk monitoring and process management, continuously consolidated the basis of risk management, and effectively prevented and controlled new credit risks by using financial technology means, such as big data and cloud computing; At the same time, on the basis of strict asset risk classification, the Bank continuously stepped up efforts to dispose of the non-performing loans, and achieved a steady decrease in the non-performing loan ratio. The overall asset

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

quality improved, and the risk offset ability improved steadily. As of 30 June 2021, the Bank's non-performing loan ratio was 3.04%, representing a decrease of 0.22 percentage point as compared with the end of the previous year. The provision coverage ratio was 130.93%, representing an increase of 16.88 percentage points as compared with the end of the previous year.

### 4.2.3.1 Breakdown of loans by the five-category classification system

The non-performing loans of the Bank are classified into loans and advances to customers that are substandard, doubtful and loss. As of 30 June 2021, the non-performing loans of the Bank amounted to RMB17.859 billion, the provision for impairment on loans and advances to customers amounted to RMB23.382 billion, and the non-performing loan ratio was 3.04%, representing a decrease of 0.22 percentage point as compared with that at the end of the previous year. The following table sets forth the distribution of the Bank's loans and advances to customers by the five-category loan classification system as of the dates indicated:

| (Expressed in thousands of Renminbi, unless otherwise stated) | As at 30 June 2021 |              | As at 31 December 2020 |              |
|---|--------------------|--------------|------------------------|--------------|
|   | Amount             | of total (%) | Amount                 | of total (%) |
| Normal  | 551,727,465        | 93.8         | 511,694,918            | 93.6         |
| Special mention   | 18,454,162         | 3.1          | 17,537,699             | 3.2          |
| Substandard   | 16,811,530         | 2.9          | 17,021,410             | 3.1          |
| Doubtful  | 670,919            | 0.1          | 612,091                | 0.1          |
| Loss  | 376,379            | 0.1          | 196,439                | 0.0          |
| <b>Total loans and advances to customers</b>                  | <b>588,040,455</b> | <b>100.0</b> | <b>547,062,557</b>     | <b>100.0</b> |
| <b>Non-performing loan</b>                                    | <b>17,858,828</b>  | <b>3.04</b>  | <b>17,829,940</b>      | <b>3.26</b>  |

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### 4.2.3.2 Concentration of loans

#### 1. Concentration in terms of Industry and Distribution of Non-performing Loans

In the first half of 2021, focusing on the national regional development strategy and the policy orientation of economic transformation and upgrade, the Bank strengthened the credit supply in key fields and key industries, orderly reduced the real estate loans, and further optimized the credit structure. The following table sets forth the breakdown of loans and non-performing loans by industry as of the dates indicated:

| (Expressed in thousands of Renminbi, unless otherwise stated) | As at 30 June 2021 |                             |                            |                               | As at 31 December 2020 |                             |                            |                               |
|---|--------------------|-----------------------------|----------------------------|-------------------------------|------------------------|-----------------------------|----------------------------|-------------------------------|
|   | Loan amount        | Non-performing of total (%) | Non-performing loan amount | Non-performing loan ratio (%) | Loan amount            | Non-performing of total (%) | Non-performing loan amount | Non-performing loan ratio (%) |
| Wholesale and retail  | 168,659,041        | 28.7                        | 10,026,241                 | 5.94                          | 165,528,276            | 30.2                        | 8,760,106                  | 5.29                          |
| Renting and business activities                               | 83,010,762         | 14.1                        | 1,059,114                  | 1.28                          | 84,023,237             | 15.4                        | 1,189,288                  | 1.42                          |
| Real estate   | 65,652,571         | 11.2                        | 579,848                    | 0.88                          | 70,050,003             | 12.8                        | 1,422,318                  | 2.03                          |
| Manufacturing   | 40,818,014         | 6.9                         | 2,105,186                  | 5.16                          | 35,479,768             | 6.5                         | 2,517,291                  | 7.10                          |
| Construction  | 31,226,704         | 5.3                         | 1,031,913                  | 3.30                          | 29,663,065             | 5.4                         | 1,002,830                  | 3.38                          |
| Culture, sports and entertainment                             | 15,472,688         | 2.6                         | 446,000                    | 2.88                          | 12,595,154             | 2.3                         | 46,000                     | 0.37                          |
| Transportation, storage and postal services                   | 6,337,931          | 1.1                         | 376,860                    | 5.95                          | 6,244,752              | 1.1                         | 973,055                    | 15.58                         |
| Production and supply of electric power, heat, gas and water  | 2,091,027          | 0.4                         | 47,438                     | 2.27                          | 2,401,189              | 0.4                         | 47,458                     | 1.98                          |
| Accommodation and catering                                    | 2,537,414          | 0.4                         | 58,692                     | 2.31                          | 2,555,827              | 0.5                         | 383,823                    | 15.02                         |
| Mining  | 2,964,175          | 0.5                         | 77,290                     | 2.61                          | 1,975,967              | 0.4                         | 77,290                     | 3.91                          |
| Household and other services                                  | 2,103,139          | 0.4                         | 2,420                      | 0.12                          | 2,132,870              | 0.4                         | 2,620                      | 0.12                          |
| Agriculture, forestry, animal husbandry and fishery           | 914,949            | 0.2                         | 60,669                     | 6.63                          | 865,359                | 0.2                         | 64,329                     | 7.43                          |
| Others  | 19,563,599         | 3.3                         | 760,592                    | 3.89                          | 17,685,499             | 3.2                         | 539,352                    | 3.05                          |
| Discounted bills  | 53,652,352         | 9.1                         | –                          | –                             | 38,403,424             | 7.0                         | –                          | –                             |
| Personal loans and advances                                   | 93,036,089         | 15.8                        | 1,226,565                  | 1.32                          | 77,458,167             | 14.2                        | 804,180                    | 1.04                          |
| <b>Total</b>  | <b>588,040,455</b> | <b>100.0</b>                | <b>17,858,828</b>          | <b>3.04</b>                   | <b>547,062,557</b>     | <b>100.0</b>                | <b>17,829,940</b>          | <b>3.26</b>                   |

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

*Note:* Non-performing loan ratio of an industry is calculated by dividing the balance of non-performing loans of the industry by the balance of loans granted to the industry.

As at 30 June 2021, loans provided to customers of (i) wholesale and retail, (ii) renting and business activities sectors (iii) real estate and (iv) manufacturing represented the largest components of the Bank's corporate loans. As at 30 June 2021 and 31 December 2020, the balance of loans provided to the corporate customers in the four industries mentioned above were RMB358.140 billion and RMB355.081 billion, respectively, accounting for 60.9% and 64.9%, respectively, with respect to the Bank's total loans and advances to customers.

### 2. Concentration in terms of Borrowers

Loans to the ten largest single borrowers

The following table sets forth the borrowing amounts of the ten largest single borrowers as at 30 June 2021. As of the same date, all such loans were classified as normal loans:

| (Expressed in thousands of Renminbi, unless otherwise stated) | 30 June 2021                      |           |              |
|---|-----------------------------------|-----------|--------------|
|   | Industry involved                 | Amount    | of total (%) |
| Customer A  | Renting and business activities   | 8,500,700 | 1.45         |
| Customer B  | Real estate                       | 8,360,000 | 1.42         |
| Customer C  | Culture, sports and entertainment | 8,000,000 | 1.36         |
| Customer D  | Renting and business activities   | 7,601,000 | 1.29         |
| Customer E  | Wholesale and retail              | 7,100,000 | 1.21         |
| Customer F  | Real estate                       | 6,139,900 | 1.04         |
| Customer G  | Renting and business activities   | 5,543,730 | 0.94         |
| Customer H  | Manufacturing                     | 5,541,900 | 0.94         |
| Customer I  | Real estate                       | 5,285,000 | 0.90         |
| Customer J  | Real estate                       | 5,130,000 | 0.87         |

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### 3. Distribution of Non-performing Loans by Product Type

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

| (Expressed in thousands of Renminbi, unless otherwise stated) | As at 30 June 2021 |                            |                               | As at 31 December 2020 |                            |                               |
|---|--------------------|----------------------------|-------------------------------|------------------------|----------------------------|-------------------------------|
|   | Loan amount        | Non-performing loan amount | Non-performing loan ratio (%) | Loan amount            | Non-performing loan amount | Non-performing loan ratio (%) |
| <b>Corporate loans</b>  | 495,004,366        | 16,632,261                 | 3.36                          | 469,604,390            | 17,025,758                 | 3.63                          |
| Short-term loans  | 148,540,138        | 12,956,371                 | 8.72                          | 182,093,054            | 12,660,451                 | 6.95                          |
| Medium and long term loans                                    | 292,811,876        | 3,675,890                  | 1.26                          | 249,107,912            | 4,365,307                  | 1.75                          |
| Discounted bills  | 53,652,352         | –                          | –                             | 38,403,424             | –                          | –                             |
| <b>Retail loans</b>   | 93,036,089         | 1,226,567                  | 1.32                          | 77,458,167             | 804,182                    | 1.04                          |
| Retail loans  | 53,446,494         | 440,785                    | 0.82                          | 48,276,811             | 271,016                    | 0.56                          |
| Personal business loans                                       | 6,269,851          | 145,103                    | 2.31                          | 1,920,977              | 121,224                    | 6.31                          |
| Personal consumption loans                                    | 26,254,414         | 195,014                    | 0.74                          | 20,672,637             | 139,179                    | 0.67                          |
| Credit card overdrawn   | 7,056,570          | 445,665                    | 6.32                          | 6,572,422              | 272,763                    | 4.15                          |
| Other   | 8,760              | –                          | –                             | 15,320                 | –                          | –                             |
| <b>Total</b>  | <b>588,040,455</b> | <b>17,858,828</b>          | <b>3.04</b>                   | <b>547,062,557</b>     | <b>17,829,940</b>          | <b>3.26</b>                   |

As at 30 June 2021 and 31 December 2020, the non-performing loan ratio of the Bank, defined as non-performing loans divided by the Bank's total loans and advances to customers, was 3.04% and 3.26%, respectively.

As at 30 June 2021 and 31 December 2020, the non-performing loan ratio of the Bank's corporate loans (including discounted bills) 3.36% and 3.63%, respectively.

As at 30 June 2021 and 31 December 2020, the non-performing loan ratio of the Bank's retail loans was 1.32% and 1.04%, respectively.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### 4.2.4 Analysis on Capital Adequacy Ratio

The Bank calculated and disclosed capital adequacy ratios in accordance with the relevant provisions of the Regulation Governing Capital of Commercial Banks (Provisional) (商業銀行資本管理辦法(試行)) (effective since 1 January 2013) promulgated by former CBRC. As at 30 June 2021, the Bank's core Tier-one Capital adequacy ratio and Tier-one Capital adequacy ratio were both 10.70%, with a decrease of 0.37 percentage point as compared with the end of the previous year; The capital adequacy ratio was 12.23%, the same as compared with that at the end of the previous year, and the capital adequacy ratios at all levels met the regulatory requirements.

The following table sets forth the relevant information of the Bank's capital adequacy ratio as of the dates indicated:

| (Expressed in thousands of Renminbi, unless otherwise stated) | As at<br>30 June<br>2021 | As at<br>31 December<br>2020 |
|---|--------------------------|------------------------------|
| <b>Core capital</b>   |                          |                              |
| –Share capital  | 8,796,680                | 8,796,680                    |
| –Qualifying portion of capital reserve                        | 26,931,360               | 26,931,360                   |
| –Surplus reserve  | 7,383,979                | 7,283,589                    |
| –General reserve  | 14,013,554               | 13,676,444                   |
| –Investment revaluation reserve                               | (690,446)                | (633,509)                    |
| –Provision reserve  | 699,408                  | 645,432                      |
| –Retained earnings  | 23,361,444               | 22,768,584                   |
| –Qualifying portions of non-controlling interests             | 142,549                  | 95,423                       |
| –Others   | (19,160)                 | (16,648)                     |
| <b>Core Tier-one Capital</b>                                  | 80,619,368               | 79,547,355                   |
| Core Tier-one capital deductions                              | (232,262)                | (254,841)                    |
| <b>Net Core Tier-one Capital</b>                              | 80,387,106               | 79,292,514                   |
| <b>Net Tier-one Capital</b>                                   | 80,387,106               | 79,292,514                   |
| <b>Tier-two Capital</b>                                       |                          |                              |
| –Qualifying portions of tier-two capital instruments issued   | 6,000,000                | 6,000,000                    |
| – Surplus provision for loan impairment                       | 5,523,113                | 2,325,846                    |
| <b>Net tier-two Capital</b>                                   | 11,523,113               | 8,325,846                    |
| <b>Total net Capital</b>                                      | 91,910,219               | 87,618,360                   |
| <b>Total risk weighted assets</b>                             | 751,479,725              | 716,353,323                  |
| <b>Core Tier-one Capital adequacy ratio</b>                   | 10.70%                   | 11.07%                       |
| <b>Tier-one Capital adequacy ratio</b>                        | 10.70%                   | 11.07%                       |
| <b>Capital adequacy ratio</b>                                 | 12.23%                   | 12.23%                       |

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### 4.2.5 Segment information

#### 4.2.5.1 Summary of regional branches

The Bank is mainly operating within China. 18 branches are located in five provinces and municipalities directly under the Central Government. It also established seven subsidiaries in Liaoning Province, Shanghai and Zhejiang Province.

| (Expressed in thousands of Renminbi, unless otherwise stated) | Operating income             |                |                  |                | Non-current assets <sup>(1)</sup> |                |                  |                |
|---|------------------------------|----------------|------------------|----------------|-----------------------------------|----------------|------------------|----------------|
|   | For the period ended 30 June |                |                  |                |                                   |                |                  |                |
|   | 2021                         |                | 2020             |                | 30 June 2021                      |                | 31 December 2020 |                |
|   | Amount                       | Percentage (%) | Amount           | Percentage (%) | Amount                            | Percentage (%) | Amount           | Percentage (%) |
| Northeast China Region  | 8,294,367                    | 97.5           | 9,344,776        | 95.0           | 6,091,072                         | 95.8           | 6,314,658        | 95.7           |
| North China Region  | 165,766                      | 1.9            | 308,727          | 3.1            | 232,460                           | 3.7            | 246,040          | 3.7            |
| Others  | 48,123                       | 0.6            | 185,229          | 1.9            | 35,542                            | 0.5            | 42,421           | 0.6            |
| <b>Total</b>  | <b>8,508,256</b>             | <b>100.0</b>   | <b>9,838,732</b> | <b>100.0</b>   | <b>6,359,074</b>                  | <b>100.0</b>   | <b>6,603,119</b> | <b>100.0</b>   |

Note:

- (1) Non-current assets include property and equipment, intangible assets, right-of-use assets and land use rights.



## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### 4.2.5.2 Summary of business segments

Since this year, the Bank has continuously improved the quality and efficiency of serving the real economy and promoted the development of characteristic and light business of the company; actively promoted the transformation of retail strategy and built an all products, channels, settings, digital and integrated retail bank development model; strengthened the capacities of investment trading and agency services in the financial market. In the first half of 2021, the operating income of corporate banking amounted to RMB5.583 billion, accounting for 65.6% of the total operating income. The operating income of retail banking business amounted to RMB0.945 billion, accounting for 11.1% of the total operating income. The operating income of treasury business amounted to RMB1.915 billion, accounting for 22.5% of the total operating income.

The Bank manages its business by dividing its business into several business segments based on business lines and geographical areas. The business segments have been reported in the same way as such information is reported internally, which is provided to the Bank's management for allocating resources to and evaluating results of the business segments. The Bank identified the following segments to be reported based on the business segments:

| (Expressed in thousands of Renminbi, unless otherwise stated) | For the six months ended 30 June |              |                  |              |
|---|----------------------------------|--------------|------------------|--------------|
|   | 2021                             |              | 2020             |              |
|   | Amount                           | of total (%) | Amount           | of total (%) |
| <b>Operating income</b>                                       |                                  |              |                  |              |
| Corporate banking   | 5,582,814                        | 65.6         | 6,258,274        | 63.6         |
| Retail banking  | 944,778                          | 11.1         | 787,665          | 8.0          |
| Treasury business   | 1,914,909                        | 22.5         | 2,653,064        | 27.0         |
| Others  | 65,755                           | 0.8          | 139,729          | 1.4          |
| <b>Total</b>  | <b>8,508,256</b>                 | <b>100.0</b> | <b>9,838,732</b> | <b>100.0</b> |

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### 4.2.6 Commitments of Off-balance Sheet Items

The following table sets forth the Bank's credit commitments as at the dates indicated:

| (Expressed in thousands of Renminbi, unless otherwise stated) | As at<br>30 June<br>2021 | As at<br>31 December<br>2020 |
|---|--------------------------|------------------------------|
| Bank acceptances  | 126,047,108              | 112,713,060                  |
| Letters of guarantees   | 19,294,553               | 15,383,277                   |
| Unused credit card commitments                                | 16,135,596               | 14,610,528                   |
| Letters of credit   | 13,017,120               | 13,872,503                   |
| <b>Total</b>  | <b>174,494,377</b>       | <b>156,579,368</b>           |

*Note:* For details of commitments of off-balance sheet items, please refer to "credit commitments" of Commitments and Contingent Liabilities in Note 38 to the Financial Report in the section "Review Report of the Independent Auditors" of this report.

### 4.3 BUSINESS OVERVIEW

#### 4.3.1 Corporate Banking Business

Closely focusing on the strategic vision of “building a sound bank”, the Bank, led by the service model centred around financing, resource integration, capital operation and asset management, created the strategic positioning of characteristic and lightweight corporate bank, comprehensively promoted the industrial financial strategies, focused on preferred industries and strategic customers base, made full use of product services such as investment banking, transaction banking, financial market and financial asset management, gave full play to the linkage effect of the corporate financial sector, provided customers with comprehensive financial services, created comprehensive value, effectively achieved customer acquisition and performance improvement, enhanced the Bank’s market influence and service competitiveness, and promoted the healthy and sustainable development of corporate banking business management and system construction.

##### *4.3.1.1 Corporate deposits*

By adhering to the basic policy of taking deposits as the key foundation, the Bank focused on preferred industries, focused on high-quality projects and mainstream customers base, deeply cultivated regional customer resources, extended marketing core enterprises and their upstream and downstream customers, and promoted the sustained and stable growth of the Bank’s basic customer base. The Bank made overall planning, took multiple measures simultaneously, built a professional team, continuously optimized and innovated products and services with support from professional operations, comprehensively used financial technology and digital means to build an industry-finance cooperation ecosystem, built a hierarchical and classified customer marketing system, continuously consolidated the customer base, scientifically optimized the customer structure, and promoted the steady growth of corporate deposits. As of 30 June 2021, the balance of corporate deposits of the Bank amounted to RMB301,724 million, representing an increase of RMB10,936 million or 3.8% as compared with the end of the previous year.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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### **4.3.1.2 Corporate loans**

The Bank strictly follows the national policy guidance. With the support of key projects and development plans of China, the Bank focused on preferred industries and strategic customers base, ensured that credit resources could effectively assist key national areas through the service model centred around financing, resource integration, capital operation and asset management, focused on building an industry financial system based on ten major industries, provided comprehensive financial services around selected industries, and vigorously supported private enterprises, technologically innovative enterprises, green and low-carbon industries and inclusive small and micro enterprises. The Bank continuously optimized resource allocation, adjusted the customer structure, improved the quality of credit assets, increased the effective management of credit assets, and effectively improved the profit contribution while efficiently serving customers. As of 30 June 2021, the balance of the Bank's corporate loans (excluding discounted bills) amounted to RMB441,352 million, representing an increase of RMB10,151 million or 2.4% as compared with the end of the previous year.

### **4.3.1.3 Transaction banking**

Under the new development pattern of “taking the domestic cycle as the main body and the domestic and international dual cycle promoting each other”, the Bank focused on industry finance, took customer demand and value creation as the core, and continued to deepen service level and expand scene coverage driven by digital transformation, so as to realize the transformation from trade finance to transaction banking. As of 30 June 2021, the balance of the Bank's on/off balance assets of transaction banking was RMB59,925 million, an increase of 19% compared with that of the end of previous year, realized the clearance volume of the transaction banking of USD28,312 million, and the revenue from the transaction banking intermediary business amounted to RMB138 million.

### 4.3.2 Retail Banking

The Bank is committed to building a high-quality retail banking operating system that is customer-centric and developing simultaneously in scale, quality, efficiency and brand. The first is to deepen customer marketing, expand market share, and comprehensively enhance the contribution of retail banking operations. By advancing basic retail projects, to implement diversified retail credit operations, improve the wealth management operating system, build a self-operated digital banking platform, steadily improve the operating capabilities of the credit card center, and enhance the comprehensive contribution of retail business. The second is to focus on customer experience and create a full-product, omni-channel, full-scenario, integrated and digital retail banking development model. Build a differentiated and specialized retail customer management system, a full product innovation system, an omni-channel customer acquisition system, a full-scenario marketing system an intelligent risk control system, a market-based team system, a digital technology system, and an integrated customer management system to create a long-term self-driving force for the sustained growth of retail banks.

#### 4.3.2.1 *Personal deposits*

The Bank firmly implemented the basic policy of taking deposits as the key foundation of the Bank, and promoted the steady development of basic retail from two aspects of management and marketing. Firstly, taking strong executive power as the culture, improve the collaborative work ability of retail lines, give full play to the advantages of integrated retail operation, provide support in products, strategies, data, manpower and other aspects, and form the operation ability of retail line group. Secondly, carry out digital distribution marketing, launching “Shengxintong” (盛薪通) brand-new digital products, distribution platform, mobile banking application and customized products, so as to create a core basic customer base. Thirdly, promote product innovation, launch a variety of structured deposits, and improve the competitiveness of the front-line market. Fourthly, deepen the hierarchical management of wealth, public, long-tail and credit customers, and promote the cluster operation of agency, veterans and elderly care customers, so as to inject inexhaustible power into sustainable development. Fifthly, carry out standardized services, and systematically improve the production capacity of outlets in combination with the outbound call service of remote banking center, the nine principles of high-efficiency hall, “4321” (four communities, three different industry alliances, two business supermarket cooperation, and one street docking) and

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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other standardized marketing actions. Sixthly, carry out thematic and characteristic activities such as “benefiting people’s livelihood and promoting consumption”, to fulfill the responsibilities of citizen banks and government banks. As of 30 June 2021, the Bank’s personal deposit balance was RMB385,119 million, an increase of RMB27,214 million or 7.6% over the end of the previous year.

### **4.3.2.2 Personal loans**

The Bank continued to promote the development of retail credit business. Firstly, continuously optimize the business structure, promote the diversified development of retail credit, improve the consumer credit operation system, and realize the efficient linkage development of business online and offline; promote the marketing of personal business loans and improve inclusive business ability; carry out high-quality mortgage loan marketing, and strengthen long-term customer value and tap potential. Secondly, accelerate product innovation and upgrading, improve market competitiveness, and optimize and improve the system of 18 retail credit products in four series: housing finance, consumer finance, inclusive finance and auto finance. Continuously strengthen the ability of data operation and professional service of personal loan products. Thirdly, continuously improve and upgrade the full coverage, panoramic, whole process and all-weather intelligent approval system of retail credit business and the risk monitoring system of early identification, early warning, early detection and early disposal, so as to comprehensively improve the risk management ability. As of 30 June 2021, the personal loans amounted to RMB93,036 million, representing an increase of RMB15,578 million, or 20.1% over the end of the previous year.

### **4.3.2.3 Bank cards**

The Bank proactively promoted the business innovation of bank card products, focused on customer experience, continued to strengthen the establishment of a customer-centric service system, launched high-end customer group systems such as the layered “rose diamond card”, “rose platinum card” “rose gold card”, and “salary platinum card” (薪金鉑金卡), “salary gold card” (薪金金卡) and “salary general card” (薪金普卡) payroll card system, enriched the rights and interests of card use, reduced fees to render profits, further enhanced customer service capabilities and service experience, and promoted the steady development of bank card business. As of 30 June 2021, the Bank issued 17,982,700 debit cards in total, representing an increase of 1,271,800 cards as compared with that of the beginning of the year, with a total consumption amount of RMB32,321 million.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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### **4.3.2.4 Assets management**

The Bank adhered to the development orientation of “focusing on one main line, improving two capabilities and strengthening three services” in wealth management business, and continuously improved the brand value of “good bank and good wealth management”. Focusing on the main line of asset management transformation, the Bank strengthened operation and detailed management, enriched fixed income enhanced product line, diversified product varieties and functions, iterated the new page of mobile banking finance, comprehensively improved customer experience at all levels, and practised the transformation of service concept from “product as the core” to “customer as the core”; deepened multi-asset and multi-strategy portfolio management, established a technological and digital investment and research system, strengthened timing and opportunity trading, and continuously improved asset management and revenue management ability. As of 30 June 2021, the current balance of the Bank’s wealth management amounted to RMB53,221 million with a realized revenue of RMB343 million, and the net value ratio was 71.2%, representing an increase of 19.1 percentage points compared with that of the beginning of the year.

### **4.3.3 Capital and Investment Banking Business**

#### **4.3.3.1 Capital business**

The Bank deepened its capital business model, focused on improving its core competence of “serving liquidity management, serving customer comprehensive operation and serving revenue growth”, built a financial industry ecosystem, improved its investment and trading ability, strengthened the service support of agency business, and achieved steady development of all businesses.

The Bank focused on customer base construction, implemented hierarchical and classified marketing for interbank customers, and built a financial interbank ecosystem. The Bank promoted diversified business cooperation with state-owned banks and joint-equity banks with custody business, trade finance business and digital RMB business; promoted the establishment of regional strategic alliances of small and medium-sized banks in the three northeastern provinces, improved the cooperation platform of small and medium-sized banks, promoted mutual trust, interconnection and mutual benefit, and strengthened resource sharing and in-depth

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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business cooperation; expanded the non-bank customer base, make full use of the business and qualification advantages in the non-bank field, and improved profit opportunities and business cooperation. The Bank continued to improve the investment and operation ability of financial assets, accurately grasped the band market of interest rate bond market at the beginning of the year and in June, carried out bond trading operations, and effectively increased the bond premium income. The Bank focused on improving the service capacity of capital business, made full use of financial market products, cooperated with basic customers, and carried out credit bond investment and operation; actively invested in local government bonds to support local economic development, and accumulatively bid for local government bonds of RMB2,800 million in the first half of the year.

### **4.3.3.2 Investment bank business**

The Bank's investment bank business adhered to the direction of "returning to the mainstream and developing with double light", actively adjusted the proportion of non-standard businesses, focused on syndicated loans, M&A loans, debt asset underwriting and loan investment linkage business, further strengthened front-end participation and active marketing in market expansion, and efficiently and quickly met the diversified needs of customers through the deep involvement into differentiated and customized products, as well as flexible and rapid market response and organization and coordination ability. In the first half of the year, the Bank successfully implemented the first green syndicated loan business, which improved our regional influence and brand influence; successfully realized the full underwriting and issuance of the Bank's first debt financing plan, providing valuable experience for the transformation of the Bank's investment banking business to asset light and market-oriented; successfully achieved the Bank's breakthrough in the first government affordable housing asset securitization project, established a win-win and stable cooperative relationship with the government, consolidated the cooperation foundation, and expanded the cooperation space.



### 4.3.4 Specialised Institutions and Subsidiaries

#### 4.3.4.1 *Financial service center for small businesses*

The financial service center for small businesses of the Bank actively implemented the concept of inclusive finance, earnestly implemented the national decision-making and deployment and the work requirements of regulatory authorities, firmly grasped the fundamental purpose of financial services for the real economy, always adhered to the market positioning of “serving the local economy, small and medium-sized enterprises and urban and rural residents”, and was committed to improving the coverage of inclusive financial services, the availability and satisfaction, so as to enhance the market participants’ sense of access to financial services.

The Bank incorporated inclusive finance into corporate governance and medium- and long-term development planning, constructed and implemented effective systems and mechanisms from the strategic level, formed a regional, characteristic and differentiated business model, created efficient operation processes, implemented refined risk control, and promoted the transformation and upgrading of inclusive finance business throughout the Bank. Firstly, take digital transformation as the starting point, focus on the upstream and downstream of core enterprises, form a mass customer acquisition model with the help of the business agglomeration effect of business circle, industrial chain and cluster market, and create a professional, standardized, large-scale and efficient business system. Secondly, strengthen the extension of principal and interest repayment of inclusive loans, conduct the extension of principal repayment business for small and micro enterprises with good operation and difficult short-term capital turnover, reduce the burden on enterprises, realize the seamless connection of financing turnover, and effectively implement the work of “six stabilities” and “six guarantees”. Thirdly, comprehensively implement policies focusing on the “pain points, blocking points and difficulties” of small and micro enterprises in financing, build a product system of more than 20 characteristic products covering four categories of basic products, innovative products, supplying chain products and scenario products, continuously enhance the financial service capacity, and provide solid financial support for the development of the real economy.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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### **4.3.4.2 Credit card center**

The credit card center of the Bank firmly implemented the integrated digital development model covering all products, all channels and all scenarios of retail banking, focused on customer experience, strengthened the guidance of party construction, improved the science and technology system, strengthened risk control and standardized internal management. Firstly, improve the whole-process risk control system, optimize the approval strategy, optimize the customer group structure, strictly control new risks, strengthen loan management and control, and strengthen the resolution of stock distressed assets; secondly, build a “four in one” three-dimensional marketing, deepen loan collaboration, strengthen the construction of the direct sales team, and expand the active scale of target customers and high-quality interest bearing assets; thirdly, improve the customer management system and product equity system, focusing on customer experience, build key credit card products, clarify market positioning and brand image, plan and improve the merchant system, and create an ecosystem for customer acquisition and operation; fourthly, deepen the construction of remote banking center, continue to improve service capabilities, marketing value and intelligence level, build customer online layered services and marketing models, and strengthen long-tail customer marketing; fifthly, improve the level of internal management, establish a market-oriented assessment mechanism, improve system construction and operating procedures, strengthen internal and external training and the construction of internal trainer team, and continuously improve the overall effectiveness of the team.

As of 30 June 2021, there were in aggregate 1,710,700 credit cards issued by the Bank, representing an increase of 125,700 cards from the beginning of the year; the transaction amount reached RMB19,681 million, representing an increase of 32.1% over the same period of previous year, and trading volume in a single month exceeded RMB3,400 million; the balance of existing credit card loans amounted to RMB7,057 million, representing an increase of RMB485 million from the beginning of the year.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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### **4.3.4.3 Shengjing Bank Consumer Finance Co., Ltd.**

Shengjing Bank Consumer Finance Co., Ltd. was the first consumer financial company established by the Bank as its major contributor and was approved to start business in February 2016. In the first half of 2021, the company closely focused on the strategic vision of “building a high-quality consumer finance company with long-term sustainable development”, continued to promote business transformation, actively explore financial innovation, adhere to the principles of small, decentralized and inclusive finance, and deeply cultivate Shenyang in Liaoning province based on the local presence with the main goal of “continuously improving customer operation ability, making actual and detailed efforts in risk management, and striving to build core competitiveness”. It radiated the whole country and provided high-quality consumer financial services for more individual customers. It steadily improved the level of corporate governance, continuously improved the ability of risk control, and significantly enhanced the supporting and leading role of science and technology.

As at 30 June 2021, Shengjing Bank Consumer Finance Co., Ltd. had the total assets of RMB4,135 million, the loan balance of RMB3,748 million and an aggregate of 4,196,900 customers to whom the company provide services for. During the Reporting Period, Shengjing Bank Consumer Finance Co., Ltd. achieved an operating income of RMB402 million, a profit before provision of RMB110 million and a non-performing loan ratio of 0.76%.

### **4.3.4.4 Village banks**

As of 30 June 2021, the Bank was the principal contributor to jointly establish six village banks, four of which are located in Shenyang City in Liaoning Province, being Shenyang Shenbei Fumin Village Bank, Shenyang Xinmin Fumin Village Bank, Shenyang Faku Fumin Village Bank, Shenyang and Liaozhong Fumin Village Bank, the other two being Ningbo Jiangbei Fumin Village Bank in Ningbo, Zhejiang Province and Shanghai Baoshan Fumin Village Bank in Shanghai. All six village banks are independent legal entities.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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The village banks established by the Bank actively implemented the Bank's overall development strategy, faithfully fulfilled their social responsibilities, adhered to the business philosophy of "supporting agriculture, rural areas and farmers", positioned itself in the market "based on villages and towns, serving agriculture, rural areas and farmers, and supporting small and micro enterprises", and serviced customers that are small and micro enterprises in counties and the market-oriented rural households. In the principle of granting credit in small-amount and diversified way, it provided financial services to customers in the form of small-amount credit products, and effectively promoted the operation and development of village banks. During the Reporting Period, the Bank continued to strengthen the high-quality supervision and guidance of village banks, vigorously supported the construction of village banks' system and mechanism, effectively promoted village banks to optimize corporate governance mechanism, stabilized business development, improve internal control and compliance system, strengthened whole process risk management, and further consolidated the effectiveness of village banks' reform and development.

### 4.3.5 Distribution Channels

#### 4.3.5.1 *Physical outlets*

As of 30 June 2021, the Bank operated businesses through its head office, 18 branches, 3 branch-level specialised institutions and 181 traditional sub-branches and 5 small and micro sub-branches, together with 6 village banks and Shengjing Bank Consumer Finance Co., Ltd., which are located in 18 cities including Shenyang, Beijing, Shanghai, Tianjin, Changchun, Dalian and other cities in Liaoning Province. Most of the operating institutions are located in developed regions such as Northeast China Region, the Bohai Rim and the Yangtze River Delta Economic Zones, which enjoy distinctive advantageous policies and huge market opportunities. According to the Bank's 2021 branch construction plan, in the first half of the year, 7 traditional branches have been established in Liaoning Province and Changchun area, deepening the northeast and the regional markets in Shenyang, Liaoning, facilitating regional economic development, and further expanding the service coverage of institutional branches.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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### **4.3.5.2 Self-service banking**

The Bank accelerated the construction of intelligent service outlets, continued to improve customer service experience, and gradually built an intelligent, platform-like, collaborative and mobile network intelligent service system. Through the popularization and application of intelligent devices such as intelligent counters and mobile teller machines, and active intelligent transformation of outlets by the use of technologies such as artificial intelligence, biometric and other technologies, the Bank further improved the customer experience and inclusive financing service level; carried out collaboration between intelligent machines and counter services, continued to promote the upgrading of more than 20 service functions such as account opening and printing service with ID certificates, and further created a warm customer experience while providing convenient services. As of 30 June 2021, the Bank owned 1,814 self-service intelligent service terminals, including cash recycling systems, intelligent counters, mobile teller machines, VTMs, intelligent experience machines, high-speed cash recycling systems and other intelligent self-service machines.

### **4.3.5.3 Electronic banking**

#### **1. Online Banking**

The Bank accelerated the digital transformation of the corporate business and continuously enriched its corporate online products and functions. In terms of corporate online banking, the Bank continued to optimize certain products and functions such as time deposits, call deposits, transfer of unit certificates of deposit and current account receipts, so as to improve online operation and service capabilities. As at 30 June 2021, the Bank had a total of 46,800 online banking corporate customers, representing an increase of 12% compared with that of the end of the previous year, the number of corporate online banking transactions reached 2,736,900, and the transaction amount was accumulated at RMB1,132,365 million.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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The Bank attached great importance to customer transaction security, optimized the verification methods of personal online banking transactions, continued to improve personal online banking transfer, deposit and other service functions, and improved the security and convenience of services. As of 30 June 2021, there were a total of 662,900 personal online banking, the number of individual online banking transactions reached 216,100 customers and the transaction amount was accumulated at RMB79,078 million.

### *2. Mobile Banking*

The Bank paid special attention on the improvement of online channel services focusing on mobile banking, adhered to customer-centric, continued to improve online channel experience, and continuously optimized and upgraded service functions; reshaped the “wealth management” function module, gave full play to the online channel marketing ability, and realized the rapid growth of product sales; strengthened risk prevention and control of mobile banking, and took multiple measures to improve the level of security protection; deepened scene services, expanded life service functions such as tuition payment and property payment, and improved service affinity. As of 30 June 2021, there were a total of 3,162,300 mobile banking customers, an increase of 15.7% compared with the beginning of the year; In the first half of the year, the number of mobile banking transactions reached 6,629,300, representing an increase of 40.5% over the same period of the previous year, the accumulated transaction amount was RMB131,227 million, representing an increase of 11.8% over the same period of the previous year.

### 4.3.6 Information Technology and R&D

In the first half of 2021, the Bank adhered to the operational concept of “developing the Bank through technology”, launched the process of promoting digital transformation, built an enterprise level science and technology management organization system, reconstructed the underlying system architecture, upgraded and optimized service channels, and actively integrated into the new development pattern of the 14th five year plan. Firstly, comprehensively promote the Bank-wide digital transformation planning and information technology governance planning. We formulated a medium- and long-term strategic plan for information technology, comprehensively coordinated the basic work of data governance, consolidated the foundation of digital transformation, carried out the construction of enterprise level science and technology organization system, and steadily promoted the construction of supporting systems. Secondly, continue to promote the capacity-building of financial science and technology infrastructure. We accelerated the transformation of core business system architecture, carried out the construction of Internet core system, enterprise-level general ledger system, enterprise-level customer management system and new comprehensive front-end system, and effectively supported the development of Internet finance, interest rate marketization and asset securitization. Thirdly, enable the business transformation of all sectors to speed up. We completed the construction of centralized operation management system, realized the Bank’s operation mode of “comprehensive business acceptance and centralized processing”, improved quality and efficiency management, and achieved the objectives of service optimization, effective risk control and cost saving; built an intelligent account system and an Internet account system of “real at the top and virtual at the bottom”, so as to lay a foundation for the subsequent output and scenario empowerment with accounts; completed the construction of payroll system and provided payroll customers with a package of financial service solutions such as “payroll, employee financial services and enterprise value-added services”; complete the construction of mobile banking deposit zone, efficiently attracted Internet customers, and improved the Bank’s operation ability of own channels. During the Reporting Period, the information technology department completed 486 business needs and put them into operation, with a year-on-year increase of 15.99%.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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### 4.4 RISK MANAGEMENT

In the first half of 2021, the Bank continued to implement a prudent risk management strategy. Under the guidance of the strategic vision of “building a sound bank”, we firmly established the risk culture of “rationality, professionalism, responsibility and responsibility”, continued to promote the construction of a comprehensive risk management system suitable for the development strategy, business scale, business scope and risk characteristics. Firstly, the Bank established a centralized and vertical risk management framework system through the deployment of risk directors, and significantly enhanced the independence and effectiveness of risk management. Secondly, the Bank continued to improve its risk management system and process covering credit risk, market risk, liquidity risk, operational risk and other risks, effectively strengthened the internal control mechanism of prevention in advance, control in process, supervision and correction afterwards, gave full play to the responsibilities of the three lines of defense of risk management, significantly enhanced the ability of comprehensive risk control, and effectively controlled liquidity risk, credit risk, operational risk, market risk and other risks. Thirdly, the Bank focused on strengthening the whole process of credit risk management and control, through the establishment and improvement of the all assets quality management and control system, optimization of portfolio management, prudent customer selection, effective consolidation of basic work of credit risk management including system construction, process construction, cultural construction and team construction, to lay a solid foundation for the operation and steady development of the Bank.

#### 4.4.1 Credit Risk Management

Credit risk occurs when customers or counterparties are unable or unwilling to perform their obligations to the Bank. The credit risk exposure of the Bank mainly exists in the credit business and treasury business.

During the Reporting Period, the Bank adhered to the basic policy of “building a bank in compliance”, based on the guidance of industrial financial business, focused on the improvement of credit review mechanism and system, and effectively improved the specialization level of credit management; focused on high-quality industries and customers, continuously optimized the asset structure and customer structure, and steadily operated the asset business. Firstly, establish an industry review and approval mechanism. In line with the bank’s strategic development needs, we adhered to the industry financial orientation, focused on key customer service in the direction of modern service industry and advanced manufacturing industry, implemented the industry review and approval mechanism system, and continuously enhanced the professionalism and standardization of credit review. Secondly, led by the industry finance, we continuously optimized the asset structure, focused on advantageous industries and mainstream customers, deeply cultivated regional high-quality resources, gave full play to the parallel operation mechanism, pre-risk demonstration, implement appropriate and gradual credit grant, reasonably-designed cooperation mode, implemented the comprehensive financial service scheme, and improved the comprehensive contribution under the condition of controllable risk. Thirdly, orderly transform existing business. Based on the maximum protection of rights and interests, we objectively evaluated the enterprise’s risk status, reasonably set repayment arrangements, took multiple measures and implemented classified policies to promote the reinforcement and reduction of existing business, so as to realize the effective consolidation of asset quality.



### 4.4.2 Operational Risk Management

Operational risk refers to the risk of loss caused by inadequate or problematic internal procedures, personnel and information technology systems as well as external events.

Under the framework of comprehensive risk management, the Bank's operational risk governance structure was established in accordance with the principle of "three lines of defense". Under the leadership of the board of directors, the senior management shall coordinate and solve major operational risk management matters through the risk management committee, and all relevant departments shall bear the responsibilities of "three lines of defense" of operational risk management according to their management functions. During the Reporting Period, the bank continued to identify high-risk areas, took corresponding risk control and mitigation measures through continuous improvement of the system and mechanism construction, so as to resolve various potential operational risks and improve the level of operational risk management. Firstly, consolidate the foundation of internal control and compliance. Pay attention to the new regulations and policies of the regulatory authorities, timely internalize the external regulations, verify the soundness and coordination of the internal control system, constantly strengthen the institutional infrastructure, and give full play to the means of internal control management. Secondly, strengthen process control management. Strengthen the management and control of the process, analyze the rationality of the business process in combination with the Bank's management philosophy and system, reshape the risk management process, optimize the authorization management system, improve the risk control mechanism, and make all links real, detailed, complete and practical, so as to ensure that all lines of defense balance each other, supervise each other and develop the business in compliance. Thirdly, strengthen supervision and inspection as well as assessment and guidance. Combined with the focus of operational risk management, we increased the inspection and control of important businesses and important risk links, focused on the phenomena of intentional information leakage, effectively used the internal control assessment indicators properly, strictly punished the behavior of violation and weak compliance awareness, and gave full play to the role of deviation correction system.

### 4.4.3 Market Risk Management

Market risk refers to the risk of losses in the Bank's on-balance sheet and off-balance sheet business due to adverse changes of market prices (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 market risk mentioned in this section refers to the market risk other than the interest rate risk of the bank account book.

During the Reporting Period, the Bank continued to improve the market risk management structure, established a market risk management system with clear division of labor and clear responsibilities, continuously strengthened the measurement and monitoring of market risk of trading accounts, made statistics and analysis of market risk by comprehensively using measurement tools such as sensitivity analysis, duration and value at risk (VaR), and continuously evaluated risk limit indicators such as risk limit and stop loss limit. On the other hand, the Bank regularly carried out stress tests, which carried out market risk stress tests for different hypothetical scenarios, and evaluated the possible losses caused by different market risks faced by the Bank's trading accounts. At the same time, the Bank regularly carried out post inspection on the stress test, and evaluated and improved the market risk measurement model according to the re-inspection results. The Bank carried out market value revaluation and index monitoring on a daily basis, evaluated the implementation of market risk limits on a monthly basis, and regularly carried out market risk stress tests. All market risk indicators operated stably and did not exceed the limits.

### 4.4.4 Bank Account Book Interest Rate Risk Management

Bank account book interest rate risk refers to the adverse changes in the level of interest rate, term structure and other factors which lead to loss on the economic value and overall revenue of bank account books, including gap risk, benchmark risk and optional risk. Among which, gap risk is the main interest rate risk faced by the Bank. The Bank mainly adopted various methods such as gap analysis, scenario simulation and stress testing to measure, monitor and analyze interest rate risk in bank accounts.

During the Reporting Period, the global COVID-19 pandemic has not been effectively controlled, the world economic recovery remains unstable and unbalanced, the international economic situation is still perplexing with increasing external uncertainties. The prudent monetary policy in the domestic market has adhered to the principle of stability with more flexibility, accuracy and reasonability, and maintained reasonable and abundant market liquidity. With the promotion of the reform of deposit interest rate pricing mechanism, the market-oriented reform has been further deepened, and the monetary policy transmission mechanism has been further improved. In order to effectively reduce the negative impact of interest rate changes on the Bank's current profit and loss and economic value, the Bank paid close attention to the changes in the external market interest rate environment, continuously strengthened the monitoring and analysis of interest rate risk in bank account books, strictly implemented the interest rate risk limit management mechanism of bank account books, and controlled the interest rate risk in bank account books within an acceptable range; Strengthen stress test and post inspection, enrich simulation analysis scenarios in combination with market changes and historical data analysis, formulate targeted management measures according to stress test results, and implement forward-looking and preventive management of interest rate risk in bank account books; focused on the changes in the Bank's repricing cycle and gap during the interest rate marketization reform, especially the reform of deposit interest rate, adjusted the repricing cycle of asset liability business and the type of fixed and floating interest rate according to the target gap, optimized the repricing term structure of liability business, and actively and effectively managed the interest rate risk of bank accounts.

### 4.4.5 Liquidity Risk Management

Liquidity risk refers to the risk of failure to timely obtain adequate funds at a reasonable cost to repay debts when due, perform other payment obligations, or satisfy other capital needs in the ordinary course of business.

During the Reporting Period, the Bank adhered to the “prudent and stable” liquidity risk management strategy, actively complied with the guidance of the national macro-control policy, scientifically grasped the connotation of monetary policy and credit policy, paid close attention to the changes in the external market environment, improved the system and mechanism, optimized the policy process, scientifically and effectively measured, prospectively and actively regulated, and coordinated the management of liquidity risk in balance sheet, on/off balance sheet, local currency and foreign currency, and ensured the stability of liquidity and the safety of payment and clearing of the whole Bank. Firstly, continuously improve the liquidity risk management system and mechanism. The meeting of asset liability management committee was convened regularly to study and deploy asset liability allocation and liquidity risk prevention and control plans. Meetings on liquidity risk management was held on a weekly basis to analyze and dispatch the source and application of funds of various operating institutions, and make overall arrangements for phased fund positions. Secondly, optimize the policy process of daytime liquidity risk management. The Bank strengthened the forecast management of large capital transactions, and implemented the models of “combination of sections and blocks” and “rolling forecast”, so as to ensure the balance between liquidity supply and demand, and the reasonable and sufficient level of daytime provision. Thirdly, strengthen liquidity risk measurement and identification. The Bank improved the function of liquidity risk management information system, and put the four modules of fund position management, liquidity index measurement, liquidity risk limit control and liquidity risk stress test online, which improved the scientificity of liquidity risk measurement and the accuracy of identification. Fourthly, implement forward-looking and proactive liquidity risk management policies. We continued to strengthen the monitoring and analysis of the inter-bank market, proactively carried out liquidity risk prevention and control in accordance with the changes in the external market environment, the implementation progress of the Bank’s comprehensive business plan and the requirements of regulatory policy guidance, increased active financing, extended the comprehensive duration of liabilities, and increased the proportion of core liabilities.

### 4.4.6 Technology Risk Management

Information technology risk refers to the risk that may occur to the Bank's operation, legal compliance and reputation in the process of applying information technology in the Bank due to factors such as natural factors, human factors, technological limitations and management inadequacy.

During the Reporting Period, the Bank has been continuing to enhance safety risk management and control of information technology, effectively prevent and resolve information technology risk. Firstly, the Bank enhanced the construction of internal control compliance, improved the management of internal control and compliance system related to information technology. Secondly, the Bank improved network system security monitoring and inadequacy risk management. Thirdly, the Bank carried out specific investigations regarding safety assessment on the internet safety, system safety and development safety. Fourthly, the Bank enhanced the security control of the system development, implemented security management of design, testing, evaluation and developer of system safety. Fifthly, the Bank engaged professional security evaluation institutions to carry out level protection evaluation, penetration testing, code auditing, security evaluation on the important system. Sixthly, the Bank constantly conducted risk management and control of the operation and change to important systems to guarantee safe and stable operation of information system.

### 4.4.7 Reputational Risk Management

Reputational risk refers to the risk that may cause negative comments on the Bank from the stakeholders, the public, and the media due to the acts relating to the conduct of the bank, employees or other external incidents, and hence damage its brand value, adversely impact its normal operation, and even affect the market stability and social stability.

During the Reporting Period, the Bank continued to improve reputational risk management mechanism and process, optimize the effect of news publicity, and improve the standard and systematic management level. Firstly, the Bank improved the construction of system and mechanism, strengthen the organization leadership, enhanced the horizontal and vertical interaction at all levels and units in the Bank, established a joint prevention and control mechanism with government departments and regulatory departments, and strengthened the communication with mainstream authoritative media, so as to ensure rapid, suitable and proper response. Secondly, the Bank carried out public opinion monitoring and report, timely and accurately monitored public opinion, collected the source and path of transmission, understood the scope of transmission to ensure early identification and rapid settlement of negative public opinions. Thirdly, the Bank enhanced the source management of public opinion risks, organized quarterly investigation of hidden dangers of public opinion, took preventive measures in a timely manner, carried out risk warning and early warning, and strictly prevented the escalation and spread of the problem. Fourthly, the Bank took the initiative to carry out positive publicity and guidance, improved party building, operation and management, consumer rights and interests protection, public charity, inclusive finance and other aspects of news publicity in a multi-angle and multi-channel manner to enhance the brand reputation.

### 4.4.8 Compliance Risk Management

Compliance risk refers to the risk of suffering from legal sanction, regulatory punishment, significant financial loss or reputation loss due to failure to comply with relevant laws, rules and codes of conduct.

The Bank advocates the principle of “compliance first” and deepens the concept of “taking compliance as the foundation”. Promoting the construction of internal control and compliance and sticking to high level compliance with provisions of laws, regulations and regulatory requirements and rules and regulations of the Bank, the Bank conducts various operation management activities on basis of precautionary operation to effectively implement the compliance management policy of “regulated behavior, strong inspection, effective mechanism, and proper monitoring”. During the Reporting Period, faced with the continuing trend of “strong and strict regulation”, the Bank actively adjusted to new regulatory requirements, understood compliance orientation in a proper manner and ensured proper communication of regulatory requirements to further improve the effective system for internal control and compliance management. Firstly, the Bank established and improved the compliance management system that is compatible with the Bank’s development strategy and organizational structure, so as to achieve effective identification and management of compliance management. Secondly, the Bank consolidated and expanded the results of the remediation of market disorder, promote root cause rectification of the problems and fundamental management of the disorder, and strengthened the construction of internal control and compliance management. Thirdly, the Bank effectively implemented regulatory opinions, adhered to the bottom line of compliance risks and strengthened the transmission of regulatory policies and promoted the improvement of internal systems and optimization of business processes, and provided protection for the development of compliance of the whole Bank.

### 4.4.9 Money Laundering Risk Management

The Bank strictly complied with national anti-money laundering laws and regulations and solidly performed statutory obligations and social responsibilities in respect of anti-money laundering. During the Reporting Period, the Bank continued to strengthen the management of money laundering risk, and continuously enhanced the ability of technology support and further improved the level of risk prevention and control of the whole Bank. Firstly, the Bank has been deeply implementing the requirements of various anti-money laundering laws and regulations, integrating the Bank's business development and risk management needs, and continuously "internalizing" the system to strengthen the leading role of the system in business. Secondly, in accordance with the "risk-based" anti-money laundering working principle, the Bank continued to improve and optimize the functions of its business system and anti-money laundering system, evaluate and improve the monitoring indicators of suspicious transaction models, and continuously enhance its technological support capability. Thirdly, the Bank enhanced the effectiveness of supervision and inspection, and promoted the governance of customer information, further strengthened the foundation of anti-money laundering work, and continuously improved the quality and efficiency of anti-money laundering work. Fourthly, the Bank established a regular training mechanism, carried out targeted training at different levels, and established a reserve of anti-money laundering talents and a professional echelon, and continuously improved the performance capabilities of its business and anti-money laundering personnel. Fifthly, the Bank actively carried out anti-money laundering publicity activities, and deeply promoted the effects of crime crackdown work. The Bank also made effective use of media platforms such as WeChat Official Accounts (微信公眾號), Tiktok (抖音) and Meipian (美篇) to promote anti-money laundering policies to the public and expand the publicity effect. Sixthly, adhering to the principle of both primary and secondary treatment and prevention, the Bank organized special investigation work on customer identification management, beneficiary owner identification, cash access management, cross-border remittance and other businesses to identify problems and supervise rectification in a timely manner to continuously improve risk management and control capabilities.



### 4.4.10 Country-specific Risk Management

Country-specific risk refers to the risk of economic, political and social changes and developments in a country or region that may cause borrowers or debtors in that country or region to be unable or unwilling to fulfil their obligations to banking financial institutions, or incur loss to commercial presences of banking financial institutions in that country or region, or other loss to banking financial institutions in that country or region. It mainly exists in business activities such as credit, international capital market business, establishment of overseas institutions, agency transactions, and outsourcing services provided by overseas service providers.

During the Reporting Period, the Bank integrated country-specific risk management into the comprehensive risk management system, and established a country-specific risk management system that was compatible with the strategic objectives of the Bank, scale of exposure and complexity of country-specific risks. The scale of our overseas debt is safe and controllable. There are no country risk exposure incidents. At the same time, according to the balance of overseas debt and distribution of countries, the Bank accrued the corresponding country-specific risk reserve to ensure the risk reserve shall cover the country-specific risk of overseas debt in the same period.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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### 4.5 FUTURE PROSPECTS AND DEVELOPMENT STRATEGY

Since 2021, China has continued to consolidate and expand the achievements of epidemic prevention and control and economic and social development, effectively implemented macro policies, and the economy has shown a trend of stable recovering, with an obvious increase in positive factors. Overall, monetary policy is stable, flexible, accurate, reasonable and moderate, and financial risks have been effectively prevented and controlled, which creates a suitable external environment for the high-quality development of banks.

In the second half of 2021, despite the driving force of China's economic development has been increasing, the external environment remains server and complex, and the global pandemic is still evolving, China's economic recovery is uneven with unstable foundation, and the economic and social development is still facing risks and challenges. In the next stage, China will adhere to the general tone of seeking progress in the midst of stability, maintain the continuity, stability and sustainability of macro policies, strengthen support for the real economy, key areas and weakness, and support the high-quality economic development with moderate growth of monetary.

In the steady growth with good momentum, the Bank will continue to be based on the strategic vision of "building a sound bank", centering on the six aspects of "good development, good quality, good efficiency, good mechanism, good culture, and good reputation", unswervingly adhere to "developing the Bank through deposits, compliance as a key foundation of the Bank, developing the Bank through talents, and developing the Bank through technology", focus on sound liquidity, customer base construction, value creation and capacity enhancement, and highlight the idea of development. We will cultivate the core competitiveness of the three major sectors of the expansion of corporate business, retail and financial markets, strengthen risk management, accelerate the scientific and technological empowerment, strengthen corporate governance, and deepen mechanism reform. We will continue to promote the construction of teams, systems and cultures, actively fulfill social responsibilities, and strive to build a good bank in the new era with customer trust, peer recognition and shareholder support.

## CHANGE IN SHARE CAPITAL AND SHAREHOLDERS

As at 30 June 2021, the Bank had a total of 8,796,680,200 Shares, comprising 6,455,937,700 Domestic Shares and 2,340,742,500 H Shares. During the Reporting Period, there was no change in the shareholding.

|   | At 31 December 2020  |                | Change during the Reporting Period |            |            | At 30 June 2021      |                |
|---|----------------------|----------------|------------------------------------|------------|------------|----------------------|----------------|
|   | Number               | Percentage (%) | Issue of new shares                | Others     | Sub-total  | Number               | Percentage (%) |
| 1. Shareholding of Domestic Shares by legal persons | 6,334,189,139        | 72.01          | Nil                                | Nil        | Nil        | 6,334,189,139        | 72.01          |
| Of which:   |                      |                |                                    |            |            |                      |                |
| 1.1 Shareholding of state-owned legal persons       | 765,743,100          | 8.70           | Nil                                | Nil        | Nil        | 765,743,100          | 8.70           |
| 1.2 Shareholding of private legal persons           | 5,568,640,989        | 63.30          | Nil                                | Nil        | Nil        | 5,568,640,989        | 63.30          |
| 2. Shareholding of Domestic Shares natural persons  | 121,553,611          | 1.38           | Nil                                | Nil        | Nil        | 121,553,611          | 1.38           |
| 3. H Shares   | 2,340,742,500        | 26.61          | Nil                                | Nil        | Nil        | 2,340,742,500        | 26.61          |
| <b>Total</b>  | <b>8,796,680,200</b> | <b>100.00</b>  | <b>Nil</b>                         | <b>Nil</b> | <b>Nil</b> | <b>8,796,680,200</b> | <b>100.00</b>  |

Note:

As of 30 June 2021, the Bank had 3,454 holders of Domestic Shares and 134 holders of H Shares. In respect of the holders of Domestic Shares, 37 are state-owned Shareholders, 106 are private corporate Shareholders and 3,311 are natural person Shareholders.

## CHANGE IN SHARE CAPITAL AND SHAREHOLDERS (CONTINUED)

### 5.1 PARTICULARS OF SHAREHOLDINGS OF THE TOP TEN SHAREHOLDERS OF DOMESTIC SHARES OF THE BANK

As at 30 June 2021, the top ten Shareholders of the Domestic Shares of the Bank are as follows:

| No.          | Name of Shareholder   | Nature of Shareholder | Total number of Shares held | Percentage of the total share capital of the Bank (%) | Number of Shares pledged |
|--------------|---|-----------------------|-----------------------------|---|--------------------------|
| 1            | Evergrande Group (Nan Chang) Co., Ltd. (恒大集團(南昌)有限公司) ("Evergrande Nan Chang")                                | Private               | 3,201,680,000               | 36.40   | 0                        |
| 2            | Shenyang Hengxin State-owned Assets Management Group Co., Ltd. (瀋陽恒信國有資產經營集團有限公司) ("Shenyang Hengxin")        | State-owned           | 479,836,334                 | 5.45  | 0                        |
| 3            | Liaoning Huibao International Investment Group Co., Ltd. (遼寧匯寶國際投資集團有限公司) ("Huibao International")            | Private               | 400,000,000                 | 4.55  | 400,000,000              |
| 4            | Xinhu Zhongbao Co., Ltd. (新湖中寶股份有限公司) ("Xinhu Zhongbao")  | Private               | 300,000,000                 | 3.41  | 80,000,000               |
| 5            | Founder Securities Co., Ltd. (方正證券股份有限公司) ("Founder Securities")  | Private               | 300,000,000                 | 3.41  | 0                        |
| 6            | Shanghai Changxin Group Co., Ltd. (上海昌鑫(集團)有限公司)  | Private               | 200,000,000                 | 2.27  | 0                        |
| 7            | Luenmei Group Co., Ltd. (聯美集團有限公司) ("Luenmei Group")  | Private               | 200,000,000                 | 2.27  | 0                        |
| 8            | Shenyang Zhongyou Tianbao (Group) Materials and Equipment Co., Ltd. (瀋陽中油天寶(集團)物資裝備有限公司) ("Zhongyou Tianbao") | Private               | 190,000,000                 | 2.16  | 0                        |
| 9            | Shenyang Dayang Decoration Engineering Co., Ltd. (瀋陽大洋裝飾工程有限公司)   | Private               | 120,000,000                 | 1.36  | 59,760,000               |
| 10           | Shenyang Wuai Industrial Co., Ltd. (瀋陽五愛實業有限公司)   | State-owned           | 118,159,093                 | 1.34  | 0                        |
| <b>Total</b> |   |                       | <b>5,509,675,427</b>        | <b>62.63</b>  | <b>539,760,000</b>       |

*Note:* Percentage figures in the table have been subject to rounding adjustments. Therefore, the total figures shown in the table are not necessarily the arithmetical sum of their previous figures.

## CHANGE IN SHARE CAPITAL AND SHAREHOLDERS (CONTINUED)

### 5.2 INTERESTS AND SHORT POSITIONS OF THE SECURITIES AND FUTURE ORDINANCE (THE “SFO”) OF HONG KONG

As at 30 June 2021, to the knowledge of the Directors after making reasonable enquiries, the following persons (not being Directors, Supervisors or chief executives of the Bank) had interests or short positions in the Domestic Shares and underlying Domestic Shares, which would fall to be disclosed to the Bank and the Stock Exchange under Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept under Section 336 of the SFO were as follows:

| Name of Shareholder   | Nature of Interests                  | Number of Domestic Shares held   | Percentage of the total number of Domestic Shares of the Bank (%) | Percentage of the total share capital of the Bank (%) |
|---|--------------------------------------|----------------------------------|---|---|
| China Evergrande Group <sup>(1)</sup>   | Interest of a controlled corporation | 3,201,680,000<br>(Long position) | 49.59   | 36.40   |
| Shenyang Hengxin <sup>(2)</sup>   | Beneficial owner                     | 479,836,334<br>(Long position)   | 7.43  | 5.45  |
| Shenyang Industrial Investment Development Group Co., Ltd.<br>(瀋陽產業投資發展集團有限公司) <sup>(2)</sup> | Interest of a controlled corporation | 479,836,334<br>(Long position)   | 7.43  | 5.45  |
| Huibao International <sup>(3)</sup>   | Beneficial owner                     | 400,000,000<br>(Long position)   | 6.20  | 4.55  |
| Chenjingyi (Beijing) Cultural Development Co., Ltd. (辰景怡(北京)文化發展有限公司) <sup>(3)</sup>          | Interest of a controlled corporation | 400,000,000<br>(Long position)   | 6.20  | 4.55  |
| Li Yuguo (李玉國) <sup>(3)</sup>   | Interest of a controlled corporation | 400,000,000<br>(Long position)   | 6.20  | 4.55  |

*Notes:*

- (1) China Evergrande Group (a company incorporated in the Cayman Islands with limited liability and listed on the Main Board of the Hong Kong Stock Exchange; Stock Code: 3333) was interested in 3,201,680,000 Domestic Shares, which were held by its indirect wholly-owned subsidiary, Evergrande Nan Chang.
- (2) According to the register of shareholders of the Bank as of 30 June 2021, Shenyang Hengxin held 479,836,334 Domestic Shares. Shenyang Hengxin was wholly-owned by Shenyang Industrial Investment Development Group Co., Ltd. (瀋陽產業投資發展集團有限公司). Shenyang Industrial Investment Development Group Co., Ltd. was wholly-owned by State-owned Assets Supervision and Administration Commission of Shenyang Municipal People's Government. By virtue of the SFO, Shenyang Industrial Investment Development Group Co., Ltd. is deemed to be interested in the Shares held by Shenyang Hengxin.
- (3) According to the register of Shareholders of the Bank as of 30 June 2021, Huibao International held 400,000,000 Domestic Shares. Huibao International was wholly-owned by Chenjingyi (Beijing) Cultural Development Co., Ltd. (辰景怡(北京)文化發展有限公司), which was in turn controlled by Mr. Li Yuguo (李玉國) as Chenjingyi (Beijing) Cultural Development Co., Ltd. (辰景怡(北京)文化發展有限公司) is accustomed to acting in accordance with Mr. Li Yuguo's (李玉國) direction pursuant to a relevant agreement entered into between Mr. Li Yuguo (李玉國) and Chenjingyi (Beijing) Cultural Development Co., Ltd. By virtue of the SFO, Chenjingyi (Beijing) Cultural Development Co., Ltd. (辰景怡(北京)文化發展有限公司) and Mr. Li Yuguo (李玉國) are deemed to be interested in the Shares held by Huibao International.

## CHANGE IN SHARE CAPITAL AND SHAREHOLDERS (CONTINUED)

As at 30 June 2021, to the knowledge of the Directors after making reasonable enquiries, the following persons (not being Directors, Supervisors or chief executives of the Bank) had interests or short positions in the H Shares and underlying H Shares, which would fall to be disclosed to the Bank and the Stock Exchange under Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept under Section 336 of the SFO were as follows:

| Name of Shareholder                                       | Nature of Interests                                       | Number of H Shares held        | Percentage of the total number of H Shares of the Bank (%) | Percentage of the total share capital of the Bank (%) |
|---|---|--------------------------------|--|---|
| Zhengbo Holdings Limited <sup>(1)</sup>                   | Beneficial owner  | 400,000,000<br>(Long position) | 17.09  | 4.55  |
| Suen Cho Hung, Paul <sup>(1)</sup>                        | Interest of a controlled corporation/<br>Beneficial owner | 420,898,500<br>(Long position) | 17.98  | 4.78  |
| Future Capital Group Limited <sup>(2)</sup>               | Beneficial owner  | 400,000,000<br>(Long position) | 17.09  | 4.55  |
| Lo Ki Yan Karen <sup>(2)</sup>                            | Interest of a controlled corporation                      | 410,610,000<br>(Long position) | 17.54  | 4.67  |
| Cheung Chung Kiu <sup>(3)</sup>                           | Interest of a controlled corporation/<br>Beneficial owner | 324,651,500<br>(Long position) | 13.87  | 3.69  |
| Murtsa Capital Limited <sup>(4)</sup>                     | Beneficial owner  | 203,676,000<br>(Long position) | 8.70   | 2.32  |
| Satinu Resources Group Ltd. <sup>(4)</sup>                | Interest of a controlled corporation                      | 204,284,000<br>(Long position) | 8.73   | 2.32  |
| Oshidori International Holdings Limited <sup>(5)</sup>    | Interest of a controlled corporation                      | 193,034,000<br>(Long position) | 8.25   | 2.19  |
| Cheng Yu Tung Family (Holdings II) Limited <sup>(6)</sup> | Interest of a controlled corporation                      | 179,518,060<br>(Long position) | 7.67   | 2.04  |
| Cheng Yu Tung Family (Holdings) Limited <sup>(6)</sup>    | Interest of a controlled corporation                      | 179,518,060<br>(Long position) | 7.67   | 2.04  |
| Chow Tai Fook (Holding) Limited <sup>(6)</sup>            | Interest of a controlled corporation                      | 179,518,060<br>(Long position) | 7.67   | 2.04  |
| Chow Tai Fook Capital Limited <sup>(6)</sup>              | Interest of a controlled corporation                      | 179,518,060<br>(Long position) | 7.67   | 2.04  |
| Chow Tai Fook Nominee Limited <sup>(6)</sup>              | Interest of a controlled corporation/<br>Beneficial owner | 179,518,060<br>(Long position) | 7.67   | 2.04  |

## CHANGE IN SHARE CAPITAL AND SHAREHOLDERS (CONTINUED)

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*Notes:*

- (1) Suen Cho Hung, Paul directly held 20,898,500 H Shares of the Bank. Zhengbo Holdings Limited held 400,000,000 H Shares of the Bank. Zhengbo Holdings Limited was wholly-owned by Suen Cho Hung, Paul. By virtue of the SFO, Suen Cho Hung, Paul is deemed to be interested in the Shares held by Zhengbo Holdings Limited.
- (2) Lo Ki Yan, Karen directly held 610,000 H Shares of the Bank. Future Capital Group Limited held 400,000,000 H Shares of the Bank. Future Capital Group Limited was wholly-owned by Lo Ki Yan, Karen. Planetree Treasury Ltd indirectly held 10,000,000 H Shares of the Bank. Planetree Treasury Ltd was owned as to 68.08% by Lo Ki Yan, Karen. By virtue of the SFO, Lo Ki Yan, Karen is deemed to be interested in the Shares held by Future Capital Group Limited and Planetree Treasury Ltd.
- (3) Cheung Chung Kiu directly held 299,651,500 H Shares of the Bank. Worthwell Investments held 25,000,000 H Shares of the Bank. Worthwell Investments Limited was wholly-owned by Mighty Gain Enterprise Limited; Might Gain Enterprises Limited was wholly-owned by C C Land Holdings Limited; C C Land Holdings Limited was held as to 52.99% by Fame Seeker Holdings Limited; Fame Seeker Holdings Limited was wholly-owned by Windsor Dynasty Limited; Windsor Dynasty Limited was wholly-owned by Chueng Chung Kiu. By virtue of the SFO, Mighty Gain Enterprises Limited, C C Land Holdings Limited, Fame Seeker Holdings Limited, Windsor Dynasty Limited and Cheung Chung Kiu are deemed to be interested in the Shares held by Worthwell Investments Limited.
- (4) Murtsa Capital Limited held 203,676,000 H Shares of the Bank. Murtsa Capital Limited was wholly-owned by Satinu Capital (HK) Limited; Satinu Capital (HK) Limited was wholly-owned by Satinu Holdings Limited; Satinu Holdings Limited was wholly-owned by Satinu Resources Group Ltd. By virtue of the SFO, Satinu Capital (HK) Limited, Satinu Holdings Limited and Satinu Resources Group Ltd. are deemed to be interested in the Shares held by Murtsa Capital Limited.  
  
Satinu Markets Limited held 608,000 H Shares of the Bank. Satinu Markets Limited was wholly-owned by Satinu Holdings Limited; Satinu Holdings Limited was wholly-owned by HEC Securities Company Limited; HEC Securities Company Limited was wholly-owned by Satinu Resources Group Ltd. By virtue of SFO, Satinu Holdings Limited, HEC Securities Company Limited and Satinu Resources Group Ltd. are deemed to be interested in the Shares held by Satinu Markets Limited.
- (5) Smart Jump Corporation (incorporated in British Virgin Islands) held 3,034,000 H Shares of the Bank. Smart Jump Corporation (incorporated in British Virgin Islands) was wholly-owned by Smart Jump Corporation (incorporated in Cayman Islands); Smart Jump Corporation (incorporated in Cayman Islands) was wholly-owned by Smart Jump Corporation (incorporated in Marshall Islands); Smart Jump Corporation (incorporated in Marshall Islands) was wholly-owned by Win Wind Capital Limited; Win Wind Capital Limited was wholly-owned by Oshidori International Holdings Limited. By virtue of the SFO, Smart Jump Corporation (incorporated in Cayman Islands), Smart Jump Corporation (incorporated in Marshall Islands), Win Wind Capital Limited and Oshidori International Holdings Limited are deemed to be interested in the Shares held by Smart Jump Corporation (incorporated in British Virgin Islands).  
  
Nu Kenson Limited held 190,000,000 H Shares of the Bank. Nu Kenson Limited was wholly-owned by Win Wind Intermediary Financial Services Limited; Win Wind Intermediary Financial Services Limited was wholly-owned by Win Wind Capital Limited; Win Wind Capital Limited was wholly-owned by Oshidori International Holdings Limited. By virtue of the SFO, Win Wind Intermediary Financial Services Limited, Win Wind Capital Limited and Oshidori International Holdings Limited are deemed to be interested in the Shares held by Nu Kenson Limited.

## CHANGE IN SHARE CAPITAL AND SHAREHOLDERS (CONTINUED)

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- (6) Acemax Enterprises Limited held 50,776,620 H Shares of the Bank. Acemax Enterprises Limited was wholly-owned by Chow Tai Fook Nominee Limited. By virtue of the SFO, Chow Tai Fook Nominee Limited is deemed to be interested in the Shares held by Acemax Enterprises Limited.

Oceanic Fortress Limited held 76,164,940 H Shares of the Bank. Oceanic Fortress Limited was wholly-owned by Chow Tai Fook Nominee Limited. By virtue of the SFO, Chow Tai Fook Nominee Limited is deemed to be interested in the Shares held by Oceanic Fortress Limited.

Chow Tai Fook Nominee Limited directly held 52,576,500 H Shares of the Bank. Chow Tai Fook Nominee Limited was held as to 99.90% by Chow Tai Fook (Holding) Limited; Chow Tai Fook (Holding) Limited was held as to 81.03% by Chow Tai Fook Capital Limited; Chow Tai Fook Capital Limited was held as to 48.98% and 46.65% by Cheng Yu Tung Family (Holdings) Limited and Cheng Yu Tung Family (Holdings II) Limited respectively.

By virtue of the SFO, Chow Tai Fook (Holding) Limited, Chow Tai Fook Capital Limited, Cheng Yu Tung Family (Holdings) Limited and Cheng Yu Tung Family (Holdings II) Limited are deemed to be interested in the Shares held by Chow Tai Fook Nominee Limited.

Save as disclosed above, the Bank is not aware of any other person (other than the Directors, Supervisors and the chief executive (as defined under the Listing Rules) of the Bank) having any interests or short positions in the shares or underlying Shares of the Bank as at 30 June 2021 as recorded in the register required to be kept by the Bank pursuant to Section 336 of the SFO.

### 5.3 SHAREHOLDERS HOLDING 5% OR MORE OF THE TOTAL SHARE CAPITAL

As at the end of the Reporting Period, Evergrande Nan Chang and Shenyang Hengxin held 3,201,680,000 Domestic Shares and 479,836,334 Domestic Shares of the Bank respectively, representing 36.40% and 5.45% of the Bank's total share capital, respectively.



## CHANGE IN SHARE CAPITAL AND SHAREHOLDERS (CONTINUED)

### 5.4 INFORMATION ON SUBSTANTIAL SHAREHOLDERS AND DE FACTO CONTROLLERS OF DOMESTIC SHARES

Below is the information on the Bank's substantial Shareholders and their controlling shareholders, de facto controllers, related parties, persons acting in concert and ultimate beneficiaries as at the end of the Report Period. For the definition of relevant concepts, please see the relevant requirements 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 the CBIRC.

| No. | Name of shareholder                                | Number of Shares held | Shareholding percentage | Reasons of being a substantial shareholder                      | Number of shares pledged (number) | Controlling shareholder  | De facto controller  | Parties acting in concert | Ultimate beneficial owner                          |
|-----|--|-----------------------|-------------------------|---|-----------------------------------|--|--|---------------------------|--|
| 1   | Evergrande Nan Chang                               | 3,201,680,000         | 36.40%                  | Holding 5% of more of the Bank's shares and appointing Director | 0                                 | China Evergrande Group   | Hui Ka Yan   | Nil                       | Evergrande Nan Chang                               |
| 2   | Shenyang Hengxin                                   | 479,836,334           | 5.45%                   | Holding 5% of more of the Bank's shares and appointing Director | 0                                 | Shenyang Industrial Investment Development Group Co., Ltd. (瀋陽產業投資發展集團有限公司)                      | State-owned Assets Supervision and Administration Commission of Shenyang Municipal People's Government | Nil                       | Shenyang Hengxin                                   |
| 3   | Founder Securities                                 | 300,000,000           | 3.41%                   | Appointing Director   | 0                                 | Peking University Founder Group o., Ltd. (北大方正集團有限公司)  | Peking University  | Nil                       | Founder Securities                                 |
| 4   | Luenmei Group                                      | 200,000,000           | 2.27%                   | Appointing Supervisor   | 0                                 | Lhasa Economic and Technological Development Zone Lianmei Holdings Co., Ltd. (拉薩經濟技術開發區聯美控股有限公司) | Su Zhuangqiang   | Nil                       | Luenmei Group                                      |
| 5   | Zhongyou Tianbao                                   | 190,000,000           | 2.16%                   | Appointing Director   | 0                                 | Liu Xinfu  | Liu Xinfu  | Nil                       | Zhongyou Tianbao                                   |
| 6   | Liaoning Huafeng Investment Co., Ltd. (遼寧華峰投資有限公司) | 100,000,000           | 1.14%                   | Appointing Director   | 0                                 | Bao Lijun  | Bao Lijun  | Nil                       | Liaoning Huafeng Investment Co., Ltd. (遼寧華峰投資有限公司) |

## CHANGE IN SHARE CAPITAL AND SHAREHOLDERS (CONTINUED)

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### 5.5 ISSUANCE OF DEBT SECURITIES

#### 1. Debt Securities Issued

As at the end of the Reporting Period, details of the bonds issued by the Bank are set out in the “Debt Securities Issued” section of chapter 4.2.2.2 of this report and the note 29 of the financial statement in the “Review Report of the Independent Auditors” section.

#### 2. Proposed Issuance of Debt Securities

The Board has resolved, and the Shareholders have approved at the 2019 annual general meeting of the Bank held on 5 June 2020 that, subject to necessary governmental and regulatory authorities, the Bank will issue financial bonds in the aggregate principal amount of up to RMB30 billion to members of the interbank bond market in China, of which, Tier-two Capital bonds shall not exceed RMB15 billion and other types of financial bonds shall not exceed RMB15 billion. The bonds will have a term of not more than 10 years (inclusive) and the tier-two capital bonds will have a term of no less than 5 years. The interest rate of the bonds will be determined with reference to the market interest rate. The proceeds from the issuance of the bonds, after deducting issuance expenses, will be used to optimise the liability and capital structure, stabilized resources of medium and long-term funds and support the development of medium and long-term asset business; the proceeds from issuance of tier-two capital bonds will be used to replenish the Bank’s tier-two capital and improve capital adequacy to support the sustainable and stable development of its business.

The Board has resolved, and the Shareholders have approved at the 2020 annual general meeting of the Bank held on 25 May 2021 that, subject to necessary governmental and regulatory authorities, the Bank will issue financial bonds in the aggregate principal amount of up to RMB30 billion to members of the interbank bond market in China, among which, capital bonds with no fixed term shall not exceed RMB15 billion, and other types of financial bonds shall not exceed RMB15 billion. The bonds with no fixed term will have no fixed term, with the date of triggering event being the date of maturity, while the maturity of other types of financial bonds has a term of not more than 10 years (inclusive). The interest rate of the bonds will be determined based on the market interest rate. The proceeds from the issuance of the bonds will be used to optimise the structure of the Bank’s assets and liabilities, stabilise the medium and long term funding sources and support the medium and long-term asset business, and will be used to issue loans to customers such as green finance, small and micro enterprises and mass entrepreneurship and innovation enterprises. The funds raised from the capital bonds with no fixed term will be used to supplement tier-one capital of the Bank, optimise the capital structure of the Bank and improve the level of capital adequacy, thereby supporting the sustainable and stable development of the business.

The debt securities as mentioned above will not be listed on the Hong Kong Stock Exchange.

## CHANGE IN SHARE CAPITAL AND SHAREHOLDERS (CONTINUED)

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### **5.6 PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE BANK**

During the Reporting Period, neither the Bank nor any of its subsidiaries purchased, redeemed or sold any of the Bank's listed securities.

# DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

## 6.1 BASIC INFORMATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

As at the 30 June 2021, the Directors, Supervisors and senior management of the Bank comprised:

| Name                                     | Age | Position  |
|--|-----|---|
| Mr. QIU Huofa (邱火發)                      | 61  | Executive Director, Chairman of the Board                 |
| Mr. SHEN Guoyong (沈國勇)                   | 50  | Executive Director, President                             |
| Ms. ZHANG Jun (張琿)                       | 50  | Executive Director, Vice President                        |
| Mr. SHI Yang (石陽)                        | 56  | Executive Director, member of the Party committee         |
| Ms. LI Ying (李穎) <sup>Note 1</sup>       | 53  | Executive Director, Vice President and Chief Risk Officer |
| Mr. SU Qingxiang (蘇慶祥) <sup>Note 2</sup> | 55  | Non-executive Director, Vice Chairman of the Board        |
| Mr. LIANG Zhifang (梁志方)                  | 49  | Non-executive Director                                    |
| Mr. ZHU Jialin (朱加麟)                     | 56  | Non-executive Director                                    |
| Mr. JI Kun (季昆)                          | 43  | Non-executive Director                                    |
| Mr. PAN Darong (潘大榮) <sup>Note 3</sup>   | 48  | Non-executive Director                                    |
| Mr. NI Guoju (倪國巨)                       | 67  | Independent Non-executive Director                        |
| Mr. KEUNG Chak (姜策)                      | 61  | Independent Non-executive Director                        |
| Mr. TAI Kwok Leung, Alexander (戴國良)      | 63  | Independent Non-executive Director                        |
| Mr. XING Tiancai (邢天才)                   | 59  | Independent Non-executive Director                        |
| Mr. LI Jinyi (李進一)                       | 57  | Independent Non-executive Director                        |
| Mr. HAN Li (韓力)                          | 59  | Shareholder Representative Supervisor, Chief Supervisor   |
| Mr. YUEN Wing Shing (袁永誠)                | 74  | Shareholder Representative Supervisor                     |
| Mr. PAN Wenye (潘文戈)                      | 55  | Shareholder Representative Supervisor                     |
| Mr. BA Junyu (巴俊宇)                       | 66  | External Supervisor                                       |
| Mr. SUN Hang (孫航)                        | 55  | External Supervisor                                       |
| Ms. CHENG Hua (程華)                       | 41  | External Supervisor                                       |
| Mr. YU Xiaolong (于小龍)                    | 43  | Employee Representative Supervisor                        |
| Mr. NIU Jiao (牛角)                        | 45  | Employee Representative Supervisor                        |
| Ms. XU Li (徐麗)                           | 49  | Employee Representative Supervisor                        |
| Mr. WANG Yigong (王亦工)                    | 55  | Vice President  |
| Mr. ZHANG Xuewen (張學文)                   | 53  | Vice President  |
| Mr. ZHU Yanbing (朱延冰) <sup>Note 4</sup>  | 44  | Assistant to President                                    |
| Mr. YANG Liya (楊利亞)                      | 57  | Chief Approval Officer                                    |
| Mr. ZHOU Zhi (周峙)                        | 52  | Secretary to the Board                                    |
| Ms. LI Zheng (歷曄)                        | 35  | Human Resources Director                                  |
| Mr. BAO Hong(包宏)                         | 49  | Chief Financial Officer                                   |
| Mr. SUN Yingpin (孫英品)                    | 47  | Retail Business Director                                  |

## DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (CONTINUED)

*Note 1:* The eligibility of Ms. LI Ying as the Vice President is subject to formal approval by the CBIRC Liaoning Bureau.

*Note 2:* The eligibility of Mr. SU Qingxiang as the Vice Chairman of the Board is subject to formal approval by the CBIRC Liaoning Bureau.

*Note 3:* The eligibility of Mr. PAN Darong as a non-executive Director is subject to formal approval by the CBIRC Liaoning Bureau.

*Note 4:* The eligibility of Mr. ZHU Yanbing as the assistant to president is subject to formal approval by the CBIRC Liaoning Bureau.

### 6.2 DIRECTORS', CHIEF EXECUTIVE'S AND SUPERVISORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2021, to the knowledge of the Directors after making reasonable enquiries, the interests or short positions of the Directors, the Supervisors and the chief executives of the Bank and their respective associates in the shares, underlying Shares and debentures of the Bank or its associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to the Bank and the Hong Kong Stock Exchange under the provisions of Divisions 7 and 8 of Part XV of the SFO, or as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Bank and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in Appendix 10 to the Listing Rules were set out as follows:

#### Domestic Shares

| Name             | Positions held at the Bank | Nature of interests | Number of Domestic Shares of the Bank held<br>(share) | Representing  | Representing  |
|------------------|----------------------------|---------------------|---|---|---|
|                  |                            |                     |   | percentage with respect to Domestic Shares of the Bank<br>(%) | percentage with respect to the total share capital of the Bank<br>(%) |
| SHI Yang<br>(石陽) | Executive Director         | Beneficial owner    | 107,684   | 0.0017  | 0.0012  |
|                  |                            | Interest of spouse  | 5,722   | 0.0001  | 0.0001  |
|                  |                            |                     | <u>113,406</u>  | <u>0.0018</u>   | <u>0.0013</u>   |

## DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (CONTINUED)

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Save as disclosed above, none of the Directors, the Supervisors, or the chief executives and their respective associates held any interests or short positions in the shares, underlying shares and debentures of the Bank or its associated corporations as at 30 June 2021 which are required to be notified to the Bank and the Hong Kong Stock Exchange under the provisions of Divisions 7 and 8 of Part XV of the SFO, or as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Bank and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in Appendix 10 to the Listing Rules.

### 6.3 CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Reference is made to the announcement of the Bank dated 16 March 2021, the qualifications of Mr. SHEN Guoyong, Ms. ZHANG Jun, Mr. SHI Yang and Ms. LI Ying to serve as executive Directors and Mr. SU Qingxiang, Mr. LIANG Zhifang, Mr. ZHU Jialin and Mr. JI Kun to serve as non-executive Directors were approved by the CBIRC Liaoning Bureau and their terms of office commenced from 12 March 2021.

Reference is made to the announcement of the Bank dated 30 March 2021 regarding the resignation of Ms. JIANG Liming from the position of proposed non-executive Director and the proposed member of the Strategic Development Committee of the Board due to personal reasons. In order to fill in the vacancy resulting from the resignation of Ms. JIANG Liming as a proposed non-executive Director, Mr. PAN Darong was nominated as a candidate for non-executive Director at the Board meeting held on 30 March 2021. At the 2020 annual general meeting of the Bank held on 25 May 2021, the Shareholders elected Mr. PAN Darong as a non-executive Director, and his eligibility was subject to the approval by the CBIRC Liaoning Bureau.

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

## DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (CONTINUED)

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### **6.4 SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS**

The Bank adopted the Rules for Securities Transactions by Directors, Supervisors and Key Employees of Shengjing Bank Co., Ltd. (the “Rules for Securities Transactions”) regarding securities transactions by Directors, Supervisors and certain key employees on terms not less exacting than the required standard in the “Model Code for Securities Transactions by Directors of Listed Issuers” as set out in Appendix 10 to the Listing Rules.

Having made specific enquiries to all Directors and Supervisors, each of the Directors and Supervisors of the Bank has confirmed that they complied with the Rules for Securities Transactions during the Reporting Period.

### **6.5 EMPLOYEES, EMPLOYEES’ COMPENSATION POLICIES AND TRAINING SCHEMES**

As at 30 June 2021, the Bank had a total of 7,585 employees.

The Bank has established a compensation system that is consistent with corporate governance requirements, compatible with sustainable development of the Bank and balanced between short-term incentives and long-term incentives. Employee compensation consists of fixed salary, variable salary, and welfare income. It is determined by employee ability and results of performance assessment, which gives play to the incentive and bounding functions of compensation and takes into account external competitiveness and internal equity. The Bank contributes to its employees’ social insurance and provides housing funds company pension, supplementary medical insurance and other employee benefit in accordance with the provisions of PRC laws, rules and regulations.

According to its overall development strategies and training plans, aiming at improving employees’ business management abilities and professional skills, the Bank, focusing on the allocation and use of human resources across the Bank and in combination with the focus of the whole year’s operations, strengthened system construction, training team construction, online learning platform construction, teaching materials construction, etc., and organized trainings at different levels and categories with key contents of improving the ability and quality of professional staff such as customer managers and product managers. In the first half of 2021, the Bank has conducted a total of 99,907 person times training sessions.

# SIGNIFICANT EVENTS

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## 7.1 CORPORATE GOVERNANCE CODE

The Bank strives to improve the transparency and accountability of corporate governance and ensure high standards of corporate governance to safeguard Shareholders' interests and enhance its enterprise value and commitment.

During the Reporting Period, the Bank complied with the code provisions in the Corporate Governance Code (the "Code") set out in Appendix 14 to the Listing Rules and the Listing Rules governing disclosure of insider information.

## 7.2 EARNINGS AND DIVIDENDS

The Bank's revenue for the six months ended 30 June 2021 and the Bank's financial position as at the same date are set out in the section headed "Interim Financial Statements".

Upon consideration and approval at the Bank's 2020 annual general meeting held on 25 May 2021, the Bank decided that no final dividend for 2020 would be distributed to all Shareholders.

The Bank will not distribute any interim dividend for the first six months of 2021 or convert any capital reserve into share capital.

## 7.3 RELATED PARTY TRANSACTIONS

No material related party transaction that has adverse impact on the Bank's business results and financial position occurred during the Reporting Period.

## 7.4 MATERIAL LITIGATION AND ARBITRATION

During the Reporting Period, the Bank was not involved in any litigation or arbitration that would materially affect its business operations.

## 7.5 PLEDGE OF ASSETS

Details of the Bank's pledge of assets for the six months ended 30 June 2021 are set out in the financial statement.



### **7.6 PUNISHMENT ON THE BANK AND ITS DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT**

During the Reporting Period, none of the Bank, the Directors, the Supervisors or the senior management of the Bank was subject to any investigation, administrative penalty or public criticism by the CSRC, or any public censure by any securities exchange, or any punishment by any other regulatory authorities which would have a material impact on the Bank's operations.

### **7.7 REPAYMENT OF THE RELEVANT RECEIVABLES BY SHENYANG HENGXIN**

Reference is made to pages 164 to 165 of the prospectus of the Bank dated 15 December 2014 (the "Prospectus") in connection with the global offering of H Shares. As disclosed in the Prospectus, on 8 October 2014, Shenyang Hengxin undertook to the Bank that, among others, it will use the proceeds from disposing of the Shares it held to repay the outstanding balance of a loan in the amount of RMB1,723 million (such loan is classified as "Other Receivables" as the loan is interest-free) (the "Relevant Receivables") owed by Shenyang City Infrastructure Construction Investment Development Co., Ltd. (瀋陽市城市基礎設施建設投資發展有限公司) ("Shenyang City Construction") in full within two years from the date on which the H Shares first commenced trading on the Hong Kong Stock Exchange.

Reference is also made to (i) the circular of the Bank dated 5 August 2015 in relation to the proposed plan for the A Share Offering; and (ii) the announcements of the Bank dated 5 July 2015, 27 August 2015, 27 November 2015 and 30 November 2015 in relation to, among other things, the A Share Offering. As confirmed by the Bank's PRC legal advisers, pursuant to the relevant PRC laws and regulations as well as the regulatory requirements of the CSRC and the relevant stock exchange, Shenyang Hengxin, as a major holder of Domestic Shares, is not allowed to dispose of any Domestic Shares held by it before completion of the A Share Offering. In addition, the Domestic Shares held by Shenyang Hengxin will be subject to lock-up for 36 months from completion of the A Share Offering (the "Lock-up Period"). After negotiation among the Bank, Shenyang City Construction and Shenyang Hengxin regarding repayment of the outstanding balance of the Relevant Receivables, on 11 November 2016, Shenyang Hengxin provided a supplemental undertaking to the Bank that: (i) Shenyang Hengxin will continue to perform its obligations (including using the proceeds from disposal of a portion of the Shares it held to repay the outstanding balance of the Relevant Receivables), and will repay the outstanding balance of the Relevant Receivables in full within 24 months from the expiry of the Lock-up Period; and (ii) without the Bank's written consent, Shenyang Hengxin will not dispose of any Shares it held, nor will it pledge or transfer any or all of such Shares or create any encumbrances on such Shares prior to the full repayment of the outstanding balance of the Relevant Receivables.

## SIGNIFICANT EVENTS (CONTINUED)

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Reference is further made to (i) the announcement of the Bank dated 31 March 2017 in relation to the withdrawal of its A-share listing application; and (ii) the announcement of the Bank dated 13 April 2017 in relation to the repayment of the Relevant Receivables by Shenyang Hengxin. The Bank and Shenyang Hengxin have been proactively pushing forward the relevant work related to the repayment of the Relevant Receivables, including but not limited to, going through the relevant approval procedures in accordance with the applicable PRC laws and regulations, with a view to implement the repayment of the Relevant Receivables.

As at the end of the Reporting Period, the balance of the Relevant Receivables was approximately RMB654 million, and the balance of the impairment provision was RMB260 million.

### **7.8 REVIEW OF THE INTERIM RESULTS REPORT**

Financial statements disclosed herein have not been audited. The interim financial statements for the six months ended 30 June 2021 prepared by the Bank in accordance with the International Financial Reporting Standards promulgated by the International Accounting Standards Board have been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410.

The Board and the Audit Committee of the Board have reviewed and approved the interim results report of the Bank.

### **7.9 PUBLICATION OF INTERIM RESULTS REPORT**

This report is prepared in both English and Chinese versions. In the event of any discrepancies in interpretation between the English version and Chinese version, the Chinese version shall prevail.

# REVIEW REPORT OF THE INDEPENDENT AUDITORS

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## **Review report to the board of directors of Shengjing Bank Co., Ltd.**

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

## **INTRODUCTION**

We have reviewed the interim financial report set out on pages 91 to 229 which comprises the consolidated statement of financial position of Shengjing Bank Co., Ltd. (the “Bank”) and its subsidiaries (collectively the “Group”) as of 30 June 2021 and the related consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the six months then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standard 34, *Interim financial reporting*, issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of the interim financial report in accordance with International Accounting Standard 34.

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

## **SCOPE OF REVIEW**

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

## REVIEW REPORT OF THE INDEPENDENT AUDITORS (CONTINUED)

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### CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2021 is not prepared, in all material respects, in accordance with International Accounting Standard 34, *Interim financial reporting*.

*Certified Public Accountants*

8th Floor, Prince's Building

10 Chater Road

Central, Hong Kong

30 August 2021

# UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2021  
(Expressed in thousands of Renminbi ("RMB"), unless otherwise stated)

|                                      | Note | Six months ended 30 June |                  |
|--------------------------------------|------|--------------------------|------------------|
|                                      |      | 2021                     | 2020             |
| Interest income                      |      | 21,177,436               | 20,838,858       |
| Interest expense                     |      | (14,546,398)             | (13,355,516)     |
| <b>Net interest income</b>           | 5    | <u>6,631,038</u>         | <u>7,483,342</u> |
| Fee and commission income            |      | 733,639                  | 886,758          |
| Fee and commission expense           |      | (567,555)                | (305,858)        |
| <b>Net fee and commission income</b> | 6    | <u>166,084</u>           | <u>580,900</u>   |
| Net trading losses                   | 7    | (456,479)                | (702,754)        |
| Net gains arising from investments   | 8    | 2,153,465                | 2,335,148        |
| Other operating income               | 9    | 14,148                   | 142,096          |
| <b>Operating income</b>              |      | 8,508,256                | 9,838,732        |
| Operating expenses                   | 10   | (2,490,900)              | (2,212,683)      |
| Impairment losses on assets          | 11   | (5,102,544)              | (4,372,912)      |
| <b>Profit before taxation</b>        |      | 914,812                  | 3,253,137        |
| Income tax expense                   | 12   | 131,489                  | (407,400)        |
| <b>Profit for the period</b>         |      | <u>1,046,301</u>         | <u>2,845,737</u> |
| <b>Net profit attributable to:</b>   |      |                          |                  |
| Equity shareholders of the Bank      |      | 1,030,360                | 2,829,393        |
| Non-controlling interests            |      | 15,941                   | 16,344           |
|                                      |      | <u>1,046,301</u>         | <u>2,845,737</u> |

The notes on pages 102 to 229 form part of this interim financial report.

# UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

For the six months ended 30 June 2021

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

|  | Note | Six months ended 30 June |           |
|--|------|--------------------------|-----------|
|  |      | 2021                     | 2020      |
| <b>Net profit</b>  |      | 1,046,301                | 2,845,737 |
| <b>Other comprehensive income:</b>   |      |                          |           |
| Items that will not be reclassified to profit or loss  |      |                          |           |
| – Remeasurement of net defined benefit liability   |      | (2,512)                  | 2         |
| – Equity investments at fair value through other comprehensive income – net movement in fair value reserve (non-recycling) |      | (18,117)                 | (213,706) |
| Items that may be reclassified subsequently to profit or loss  |      |                          |           |
| – Financial assets at fair value through other comprehensive income:   |      |                          |           |
| – net movement in the fair value reserve   |      | (38,820)                 | (856,418) |
| – net movement in the provision reserve  |      | 53,976                   | 121,882   |
| <b>Other comprehensive income net of tax</b>   |      | (5,473)                  | (948,240) |
| <b>Total comprehensive income</b>  |      | 1,040,828                | 1,897,497 |
| <b>Total comprehensive income attributable to:</b>   |      |                          |           |
| Equity shareholders of the Bank  |      | 1,024,887                | 1,881,153 |
| Non-controlling interests  |      | 15,941                   | 16,344    |
|  |      | 1,040,828                | 1,897,497 |
| Basic and diluted earnings per share ( <i>in RMB</i> )   | 13   | 0.12                     | 0.32      |

The notes on pages 102 to 229 form part of this interim financial report.

# UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021  
(Expressed in thousands of RMB, unless otherwise stated)

|   | Note  | 30 June<br>2021      | 31 December<br>2020  |
|---|-------|----------------------|----------------------|
| <b>Assets</b>   |       |                      |                      |
| Cash and deposits with central bank                               | 14    | 96,549,708           | 78,505,916           |
| Deposits with banks and other financial institutions              | 15    | 7,797,592            | 15,194,344           |
| Placements with banks and other financial institutions            | 16    | 7,250,107            | 4,350,087            |
| Derivative financial assets                                       | 17    | 459,224              | 1,104,872            |
| Financial assets held under resale agreements                     | 18    | 3,599,555            | 22,119,345           |
| Loans and advances to customers                                   | 19    | 578,446,818          | 534,687,227          |
| Financial investments:  |       |                      |                      |
| Financial assets at fair value through profit or loss             | 20(a) | 79,182,938           | 100,939,472          |
| Financial assets at fair value through other comprehensive income | 20(b) | 30,224,478           | 27,878,398           |
| Financial assets measured at amortised cost                       | 20(c) | 194,382,758          | 229,227,082          |
| Property and equipment  | 21    | 5,507,418            | 5,699,770            |
| Deferred tax assets   | 22    | 6,845,812            | 5,523,279            |
| Other assets  | 23    | 6,257,090            | 12,728,583           |
| <b>Total assets</b>   |       | <b>1,016,503,498</b> | <b>1,037,958,375</b> |

The notes on pages 102 to 229 form part of this interim financial report.

## UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 30 June 2021

(Expressed in thousands of RMB, unless otherwise stated)

|  | <i>Note</i> | 30 June<br>2021    | 31 December<br>2020 |
|--|-------------|--------------------|---------------------|
| <b>Liabilities</b>   |             |                    |                     |
| Borrowings from central bank                               | 24          | 5,779,501          | 2,815,363           |
| Deposits from banks and other financial institutions       | 25          | 52,604,910         | 90,792,706          |
| Placements from banks and other financial institutions     | 26          | 3,579,640          | 4,984,505           |
| Financial liabilities at fair value through profit or loss |             | 18,526,981         | 21,494,042          |
| Derivative financial liabilities                           | 17          | 1,615,885          | 768,469             |
| Financial assets sold under repurchase agreements          | 27          | 61,889,126         | 89,672,253          |
| Deposits from customers                                    | 28          | 745,785,495        | 697,363,902         |
| Income tax payable   |             | 813,766            | 1,261,425           |
| Debt securities issued                                     | 29          | 41,429,731         | 45,262,637          |
| Other liabilities  | 30          | 3,391,086          | 3,496,524           |
| <b>Total liabilities</b>                                   |             | <b>935,416,121</b> | <b>957,911,826</b>  |

The notes on pages 102 to 229 form part of this interim financial report.



# UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

*As at 30 June 2021  
(Expressed in thousands of RMB, unless otherwise stated)*

|   | <i>Note</i> | 30 June<br>2021      | 31 December<br>2020  |
|---|-------------|----------------------|----------------------|
| <b>Equity</b>   |             |                      |                      |
| Share capital   | 31          | 8,796,680            | 8,796,680            |
| Capital reserve   | 32(a)       | 26,931,360           | 26,931,360           |
| Surplus reserve   | 32(b)       | 7,383,979            | 7,283,589            |
| General reserve   | 32(c)       | 14,013,554           | 13,676,444           |
| Fair value reserve  | 32(d)       | (690,446)            | (633,509)            |
| Provision reserve   | 32(e)       | 699,408              | 645,432              |
| Deficit on remeasurement of net defined benefit liability           | 32(f)       | (19,160)             | (16,648)             |
| Retained earnings   |             | <u>23,361,444</u>    | <u>22,768,584</u>    |
| <b>Total equity attributable to equity shareholders of the Bank</b> |             |                      |                      |
|   |             | 80,476,819           | 79,451,932           |
| <b>Non-controlling interests</b>                                    |             |                      |                      |
|   |             | <u>610,558</u>       | <u>594,617</u>       |
| <b>Total equity</b>   |             |                      |                      |
|   |             | <u>81,087,377</u>    | <u>80,046,549</u>    |
| <b>Total liabilities and equity</b>                                 |             |                      |                      |
|   |             | <u>1,016,503,498</u> | <u>1,037,958,375</u> |

Approved and authorised for issue by the board of directors on 30 August 2021.

**Qiu Huofa**  
*Chairman of Board of Directors*

**Shen Guoyong**  
*President*

**Bao Hong**  
*Chief Financial Officer*

**Company chop**

The notes on pages 102 to 229 form part of this interim financial report.

# UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

(Expressed in thousands of RMB, unless otherwise stated)

| Note  | Attributable to equity shareholders of the Bank |                   |                  |                   |                    |                   |   |                   |                   |                | Non-controlling interests | Total equity |
|---|---|-------------------|------------------|-------------------|--------------------|-------------------|---|-------------------|-------------------|----------------|---------------------------|--------------|
|   | Share capital                                   | Capital reserve   | Surplus reserve  | General reserve   | Fair value reserve | Provision reserve | Deficit on remeasurement of net defined benefit liability | Retained earnings | Total             |                |                           |              |
| <b>Balance at 1 January 2021</b>              | 8,796,680                                       | 26,931,360        | 7,283,589        | 13,676,444        | (633,509)          | 645,432           | (16,648)  | 22,768,584        | 79,451,932        | 594,617        | 80,046,549                |              |
| Profit for the period                         | -   | -                 | -                | -                 | -                  | -                 | -   | 1,030,360         | 1,030,360         | 15,941         | 1,046,301                 |              |
| Other comprehensive income                    | -   | -                 | -                | -                 | (56,937)           | 53,976            | (2,512)   | -                 | (5,473)           | -              | (5,473)                   |              |
| Total comprehensive income                    | -   | -                 | -                | -                 | (56,937)           | 53,976            | (2,512)   | 1,030,360         | 1,024,887         | 15,941         | 1,040,828                 |              |
| Appropriation of profit:                      |   |                   |                  |                   |                    |                   |   |                   |                   |                |                           |              |
| - Appropriation to general reserve            | -   | -                 | 100,390          | -                 | -                  | -                 | -   | (100,390)         | -                 | -              | -                         |              |
| - Appropriation to general reserve (Note (i)) | 33  | -                 | -                | 337,110           | -                  | -                 | -   | (337,110)         | -                 | -              | -                         |              |
| Subtotal                                      | -   | -                 | 100,390          | 337,110           | -                  | -                 | -   | (437,500)         | -                 | -              | -                         |              |
| <b>Balance at 30 June 2021</b>                | <b>8,796,680</b>                                | <b>26,931,360</b> | <b>7,383,979</b> | <b>14,013,554</b> | <b>(690,446)</b>   | <b>699,408</b>    | <b>(19,160)</b>   | <b>23,361,444</b> | <b>80,476,819</b> | <b>610,558</b> | <b>81,087,377</b>         |              |

Note:

- (i) The appropriation to general reserve included the appropriation made by subsidiaries with a total amount of RMB33.4 million.

The notes on pages 102 to 229 form part of this interim financial report.

# UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the year ended 31 December 2020  
(Expressed in thousands of RMB, unless otherwise stated)

| Note  | Attributable to equity shareholders of the Bank |                 |                 |                 |                    |                   |   |                   |            |                           | Total equity |
|---|---|-----------------|-----------------|-----------------|--------------------|-------------------|---|-------------------|------------|---------------------------|--------------|
|   | Share capital                                   | Capital reserve | Surplus reserve | General reserve | Fair value reserve | Provision reserve | Deficit on remeasurement of net defined benefit liability | Retained earnings | Total      | Non-controlling interests |              |
| <b>Balance at 1 January 2020</b>  | 8,796,680                                       | 26,931,360      | 7,166,927       | 13,398,535      | 399,979            | 8,215             | (19,986)  | 21,873,822        | 78,555,532 | 566,453                   | 79,121,985   |
| Profit for the period   | -   | -               | -               | -               | -                  | -                 | -   | 2,829,393         | 2,829,393  | 16,344                    | 2,845,737    |
| Other comprehensive income  | -   | -               | -               | -               | (1,070,124)        | 121,882           | 2   | -                 | (948,240)  | -                         | (948,240)    |
| Total comprehensive income  | -   | -               | -               | -               | (1,070,124)        | 121,882           | 2   | 2,829,393         | 1,881,153  | 16,344                    | 1,897,497    |
| Appropriation of profit:<br>- Appropriation to general reserve (Note (i)) | 33  | -               | -               | 277,909         | -                  | -                 | -   | (277,909)         | -          | -                         | -            |
| Subtotal  | -   | -               | -               | 277,909         | -                  | -                 | -   | (277,909)         | -          | -                         | -            |
| <b>Balance at 30 June 2020</b>  | 8,796,680                                       | 26,931,360      | 7,166,927       | 13,676,444      | (670,145)          | 130,097           | (19,984)  | 24,425,306        | 80,436,685 | 582,797                   | 81,019,482   |

Note:

- (i) The appropriation to general reserve included the appropriation made by subsidiaries with a total amount of RMB128 thousand.

The notes on pages 102 to 229 form part of this interim financial report.

# UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the year ended 31 December 2020 (continued)  
(Expressed in thousands of RMB, unless otherwise stated)

| Note   | Attributable to equity shareholders of the Bank |                   |                  |                   |                    |                   |   |                   |                   |                | Non-controlling interests | Total equity |
|--|---|-------------------|------------------|-------------------|--------------------|-------------------|---|-------------------|-------------------|----------------|---------------------------|--------------|
|  | Share capital                                   | Capital reserve   | Surplus reserve  | General reserve   | Fair value reserve | Provision reserve | Deficit on remeasurement of net defined benefit liability | Retained earnings | Total             |                |                           |              |
| <b>Balance at 1 July 2020</b>  | 8,796,680                                       | 26,931,360        | 7,166,927        | 13,676,444        | (670,145)          | 130,097           | (19,984)  | 24,425,306        | 80,436,685        | 582,797        | 81,019,482                |              |
| Loss for the period  | -   | -                 | -                | -                 | -                  | -                 | -   | (1,625,616)       | (1,625,616)       | 11,820         | (1,613,796)               |              |
| Other comprehensive income   | -   | -                 | -                | -                 | 36,636             | 515,335           | 3,336   | -                 | 555,307           | -              | 555,307                   |              |
| Total comprehensive income   | -   | -                 | -                | -                 | 36,636             | 515,335           | 3,336   | (1,625,616)       | (1,070,309)       | 11,820         | (1,058,489)               |              |
| Appropriation of profit:<br>- Appropriation to surplus reserve                 | 33  | -                 | 116,662          | -                 | -                  | -                 | -   | (116,662)         | -                 | -              | -                         |              |
| Subtotal   | -   | -                 | 116,662          | -                 | -                  | -                 | -   | (116,662)         | -                 | -              | -                         |              |
| Disposal of equity investment at fair value through other comprehensive income | -   | -                 | -                | -                 | -                  | -                 | -   | 85,556            | 85,556            | -              | 85,556                    |              |
| <b>Balance at 31 December 2020</b>   | <b>8,796,680</b>                                | <b>26,931,360</b> | <b>7,283,589</b> | <b>13,676,444</b> | <b>(633,509)</b>   | <b>645,432</b>    | <b>(16,648)</b>   | <b>22,768,584</b> | <b>79,451,932</b> | <b>594,617</b> | <b>80,046,549</b>         |              |

The notes on pages 102 to 229 form part of this interim financial report.

# UNAUDITED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2021  
(Expressed in thousands of RMB, unless otherwise stated)

|   | Note | Six months ended 30 June |                     |
|---|------|--------------------------|---------------------|
|   |      | 2021                     | 2020                |
| <b>Cash flows from operating activities</b>   |      |                          |                     |
| Profit before taxation  |      | 914,812                  | 3,253,137           |
| <i>Adjustments for:</i>   |      |                          |                     |
| Impairment losses on assets   |      | 5,102,544                | 4,372,912           |
| Depreciation and amortisation   |      | 307,814                  | 308,073             |
| Interest element of lease rentals paid  |      | 11,567                   | 13,058              |
| Unrealised foreign exchange (gains)/losses  |      | (8,630)                  | 79,213              |
| Net losses/(gains) on disposal of property and equipment                            |      | 48                       | (136,966)           |
| Dividend income   |      | (55,920)                 | –                   |
| Net trading losses of financial assets at fair value through profit or loss         |      | 141,747                  | 138,098             |
| Net gains on disposal of financial investments                                      |      | (2,084,288)              | (2,175,489)         |
| Interest expense on debt securities issued  |      | 921,589                  | 1,547,651           |
| Interest income on financial investments  |      | (4,873,671)              | (6,185,745)         |
|   |      | <u>377,612</u>           | <u>1,213,942</u>    |
| <i>Changes in operating assets</i>  |      |                          |                     |
| Net increase in deposits with central bank  |      | (5,201,707)              | (1,968,034)         |
| Net decrease in deposits and placements with banks and other financial institutions |      | 1,839,548                | 256,999             |
| Net increase in loans and advances to customers                                     |      | (40,977,898)             | (55,251,755)        |
| Net decrease in financial assets held under resale agreements                       |      | –                        | 683,991             |
| Net increase in other operating assets  |      | (962,229)                | (3,610,473)         |
|   |      | <u>(45,302,286)</u>      | <u>(59,889,272)</u> |

The notes on pages 102 to 229 form part of this interim financial report.

## UNAUDITED CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

For the six months ended 30 June 2021

(Expressed in thousands of RMB, unless otherwise stated)

|  | Note | Six months ended 30 June |                     |
|--|------|--------------------------|---------------------|
|  |      | 2021                     | 2020                |
| <i>Changes in operating liabilities</i>  |      |                          |                     |
| Net increase in borrowings from central bank   |      | 2,998,022                | 19,000              |
| Net (decrease)/increase in deposits and placements from banks and other financial institutions |      | (39,406,161)             | 7,248,487           |
| Net (decrease)/increase in financial assets sold under repurchase agreements                   |      | (27,759,265)             | 30,507,491          |
| Net increase in deposits from customers  |      | 47,557,872               | 278,581             |
| Income tax paid  |      | (1,636,879)              | (957,721)           |
| Net increase in other operating liabilities  |      | 479,074                  | 2,518,870           |
|  |      | <u>(17,767,337)</u>      | <u>39,614,708</u>   |
| <b>Net cash flows used in operating activities</b>   |      | <u>(62,692,011)</u>      | <u>(19,060,622)</u> |
| <b>Cash flows from investing activities</b>  |      |                          |                     |
| Proceeds from disposal and redemption of investments   |      | 310,946,907              | 361,180,581         |
| Proceeds from disposal of property and equipment   |      | 477                      | 265,936             |
| Payments on acquisition of investments   |      | (251,564,962)            | (376,080,200)       |
| Payments on acquisition of property and equipment, intangible assets and other assets          |      | (44,330)                 | (478,357)           |
| <b>Net cash flows generated from/(used in) investing activities</b>                            |      | <u>59,338,092</u>        | <u>(15,112,040)</u> |

The notes on pages 102 to 229 form part of this interim financial report.

## UNAUDITED CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

For the six months ended 30 June 2021  
(Expressed in thousands of RMB, unless otherwise stated)

|   | Note | Six months ended 30 June |                          |
|---|------|--------------------------|--------------------------|
|   |      | 2021                     | 2020                     |
| <b>Cash flows from financing activities</b>                                 |      |                          |                          |
| Net proceeds from new debt securities issued                                |      | 13,488,501               | 93,507,749               |
| Repayment of debt securities issued   |      | (18,054,514)             | (100,599,190)            |
| Interest paid on debt securities issued                                     |      | (188,482)                | (588,282)                |
| Dividends paid  |      | –                        | (233,366)                |
| Payment of lease liabilities  |      | (75,467)                 | (88,428)                 |
| <b>Net cash flows used in financing activities</b>                          |      | <u>(4,829,962)</u>       | <u>(8,001,517)</u>       |
| <b>Effect of foreign exchange rate changes on cash and cash equivalents</b> |      | <u>(140,876)</u>         | <u>154,982</u>           |
| <b>Net decrease in cash and cash equivalents</b>                            |      | (8,324,757)              | (42,019,197)             |
| <b>Cash and cash equivalents as at 1 January</b>                            |      | <u>49,207,489</u>        | <u>75,319,708</u>        |
| <b>Cash and cash equivalents as at 30 June</b>                              | 34   | <u><u>40,882,732</u></u> | <u><u>33,300,511</u></u> |
| <b>Net cash flows generated from operating activities include:</b>          |      |                          |                          |
| Interest received   |      | <u>11,606,463</u>        | <u>11,969,783</u>        |
| <b>Interest paid (excluding interest expense on debt securities issued)</b> |      | <u>(13,021,969)</u>      | <u>(11,339,000)</u>      |

The notes on pages 102 to 229 form part of this interim financial report.

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in thousands of RMB, unless otherwise stated)

## 1 REPORTING ENTITY

Shengjing Bank Co., Ltd. (the “Bank”) is a bank domiciled in the People’s Republic of China (the “PRC”). These consolidated interim financial statements (the “interim financial report”) as at and for the six months ended 30 June 2021 comprise the Bank and its subsidiaries (together referred to as the “Group”). The principal activities of the Group are the provision of corporate and personal deposits, loans and advances, settlement, treasury business and other banking services as approved by the China Bank Insurance Regulatory Commission (the “CBIRC”). The Bank mainly operated in mainland China, which, for the purpose of this interim financial report, excludes the Hong Kong Special Administration Region of the PRC (“Hong Kong”), the Macau Special Administration Region of the PRC (“Macau”) and Taiwan.

As at 30 June 2021, details of the subsidiaries are as follows:

|  | Date of incorporation | Place of incorporation, registration and operations | Registered capital | Percentage owned by the Bank | Business sector  | Economic nature/type |
|--|-----------------------|---|--------------------|------------------------------|------------------|----------------------|
| Shenyang Shenbei Fumin Village Bank Co., Ltd. (“Shenyang Shenbei”)     | 09/02/2009            | Liaoning, China                                     | 150,000            | 20%                          | Banking          | Incorporated company |
| Shenyang Xinmin Fumin Village Bank Co., Ltd. (“Shenyang Xinmin”)       | 25/06/2010            | Liaoning, China                                     | 30,000             | 20%                          | Banking          | Incorporated company |
| Shenyang Faku Fumin Village Bank Co., Ltd. (“Shenyang Faku”)           | 26/10/2010            | Liaoning, China                                     | 30,000             | 20%                          | Banking          | Incorporated company |
| Shenyang Liaozhong Fumin Village Bank Co., Ltd. (“Shenyang Liaozhong”) | 26/11/2010            | Liaoning, China                                     | 30,000             | 20%                          | Banking          | Incorporated company |
| Ningbo Jiangbei Fumin Village Bank Co., Ltd. (“Ningbo Jiangbei”)       | 17/08/2011            | Zhejiang, China                                     | 100,000            | 30%                          | Banking          | Incorporated company |
| Shanghai Baoshan Fumin Village Bank Co., Ltd. (“Shanghai Baoshan”)     | 09/09/2011            | Shanghai, China                                     | 150,000            | 40%                          | Banking          | Incorporated company |
| Shengjing Bank Consumer Finance Co., Ltd. (“Shengjing Consumer”)       | 25/02/2016            | Liaoning, China                                     | 300,000            | 60%                          | Consumer finance | Limited company      |



# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

*(Expressed in thousands of RMB, unless otherwise stated)*

## 2 BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard (IAS) 34, Interim financial reporting, issued by the International Accounting Standards Board (the “IASB”).

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2020 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2021 annual financial statements. Details of any changes in accounting policies are set out in Note 3.

The preparation of an interim financial report in conformity with IAS 34 requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2020 annual financial statements. The condensed interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with International Financial Reporting Standards (“IFRSs”).

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, Review of interim financial information performed by the independent auditor of the entity, issued by the Hong Kong Institute of Certified Public Accountants.

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

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*(Expressed in thousands of RMB, unless otherwise stated)*

## 3 CHANGES IN ACCOUNTING POLICIES

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

*Amendments to IFRS 16, COVID-19-related rent concessions beyond 30 June 2021*

The changes in accounting policies are also expected to be reflected in the Group's annual financial statements for the year ending December 31, 2021.

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

## 4 SEGMENT REPORTING

### (a) Business Segment

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

#### ***Corporate banking***

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

#### ***Retail banking***

This segment represents the provision of a range of financial products and services to retail customers. These products and services include personal loans and deposit taking activities, bank card business, personal wealth management services, remittance and settlement services, and collection and payment agency services.

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

## 4 SEGMENT REPORTING (CONTINUED)

### (a) Business Segment (Continued)

#### *Treasury business*

This segment covers the Group's treasury business including inter-bank money market transactions, repurchases transactions and investments. It also trades in debt securities. The treasury segment also covers management of the Group's overall liquidity position, including issuance of debts.

#### *Others*

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

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

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

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

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

## 4 SEGMENT REPORTING (CONTINUED)

### (a) Business Segment (Continued)

|   | Six months ended 30 June 2021 |                   |                      |               |                    |
|---|-------------------------------|-------------------|----------------------|---------------|--------------------|
|   | Corporate<br>banking          | Retail<br>banking | Treasury<br>business | Others        | Total              |
| Operating income                            |                               |                   |                      |               |                    |
| External net interest income/<br>(expense)  | 8,408,073                     | (4,332,315)       | 2,555,280            | –             | 6,631,038          |
| Internal net interest (expense)/<br>income  | <u>(3,109,006)</u>            | <u>5,387,775</u>  | <u>(2,278,769)</u>   | <u>–</u>      | <u>–</u>           |
| Net interest income                         | 5,299,067                     | 1,055,460         | 276,511              | –             | 6,631,038          |
| Net fee and commission income/<br>(expense) | 279,603                       | (110,851)         | (2,668)              | –             | 166,084            |
| Net trading losses                          | –                             | –                 | (456,479)            | –             | (456,479)          |
| Net gains arising from investments          | –                             | –                 | 2,097,545            | 55,920        | 2,153,465          |
| Other operating income                      | <u>4,144</u>                  | <u>169</u>        | <u>–</u>             | <u>9,835</u>  | <u>14,148</u>      |
| Operating income                            | 5,582,814                     | 944,778           | 1,914,909            | 65,755        | 8,508,256          |
| Operating expenses                          | (1,505,422)                   | (743,704)         | (232,853)            | (8,921)       | (2,490,900)        |
| Impairment losses on assets                 | <u>(4,414,237)</u>            | <u>(491,626)</u>  | <u>(196,681)</u>     | <u>–</u>      | <u>(5,102,544)</u> |
| Profit before taxation                      | <u>(336,845)</u>              | <u>(290,552)</u>  | <u>1,485,375</u>     | <u>56,834</u> | <u>914,812</u>     |
| Other segment information                   |                               |                   |                      |               |                    |
| – Depreciation and amortisation             | <u>199,098</u>                | <u>99,126</u>     | <u>9,590</u>         | <u>–</u>      | <u>307,814</u>     |
| – Capital expenditure                       | <u>28,673</u>                 | <u>14,276</u>     | <u>1,381</u>         | <u>–</u>      | <u>44,330</u>      |

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

*(Expressed in thousands of RMB, unless otherwise stated)*

## 4 SEGMENT REPORTING (CONTINUED)

### (a) Business Segment (Continued)

|                                       | 30 June 2021         |                    |                      |                | Total                       |
|---------------------------------------|----------------------|--------------------|----------------------|----------------|-----------------------------|
|                                       | Corporate<br>banking | Retail<br>banking  | Treasury<br>business | Others         |                             |
| Segment assets                        | 552,241,575          | 111,482,854        | 345,933,257          | –              | 1,009,657,686               |
| Deferred tax assets                   |                      |                    |                      |                | <u>6,845,812</u>            |
| Total assets                          |                      |                    |                      |                | <u><u>1,016,503,498</u></u> |
| Segment liabilities/Total liabilities | <u>349,098,975</u>   | <u>400,602,809</u> | <u>185,596,372</u>   | <u>118,005</u> | <u>935,416,121</u>          |
| Credit commitments                    | <u>155,199,824</u>   | <u>19,294,553</u>  | –                    | –              | <u>174,494,377</u>          |

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

## 4 SEGMENT REPORTING (CONTINUED)

### (a) Business Segment (Continued)

|  | Six months ended 30 June 2020 |                   |                      |         |             |
|--|-------------------------------|-------------------|----------------------|---------|-------------|
|  | Corporate<br>banking          | Retail<br>banking | Treasury<br>business | Others  | Total       |
| Operating income                           |                               |                   |                      |         |             |
| External net interest income/<br>(expense) | 7,209,645                     | (2,491,658)       | 2,765,355            | –       | 7,483,342   |
| Internal net interest (expense)/<br>income | (1,226,889)                   | 2,978,058         | (1,751,169)          | –       | –           |
| Net interest income                        | 5,982,756                     | 486,400           | 1,014,186            | –       | 7,483,342   |
| Net fee and commission income              | 273,465                       | 300,951           | 6,484                | –       | 580,900     |
| Net trading losses                         | –                             | –                 | (702,754)            | –       | (702,754)   |
| Net gains arising from investments         | –                             | –                 | 2,335,148            | –       | 2,335,148   |
| Other operating income                     | 2,053                         | 314               | –                    | 139,729 | 142,096     |
| Operating income                           | 6,258,274                     | 787,665           | 2,653,064            | 139,729 | 9,838,732   |
| Operating expenses                         | (1,482,532)                   | (551,763)         | (175,645)            | (2,743) | (2,212,683) |
| Impairment losses on assets                | (3,881,075)                   | (328,901)         | (162,936)            | –       | (4,372,912) |
| Profit before taxation                     | 894,667                       | (92,999)          | 2,314,483            | 136,986 | 3,253,137   |
| Other segment information                  |                               |                   |                      |         |             |
| – Depreciation and amortisation            | 217,232                       | 84,009            | 6,832                | –       | 308,073     |
| – Capital expenditure                      | 337,307                       | 130,444           | 10,606               | –       | 478,357     |

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

*(Expressed in thousands of RMB, unless otherwise stated)*

## 4 SEGMENT REPORTING (CONTINUED)

### (a) Business Segment (Continued)

|                                       | 30 June 2020         |                    |                      |                | Total                       |
|---------------------------------------|----------------------|--------------------|----------------------|----------------|-----------------------------|
|                                       | Corporate<br>banking | Retail<br>banking  | Treasury<br>business | Others         |                             |
| Segment assets                        | 499,862,879          | 75,492,804         | 480,235,401          | –              | 1,055,591,084               |
| Deferred tax assets                   |                      |                    |                      |                | <u>2,798,200</u>            |
| Total assets                          |                      |                    |                      |                | <u><u>1,058,389,284</u></u> |
| Segment liabilities/Total liabilities | <u>366,779,121</u>   | <u>292,933,563</u> | <u>317,548,827</u>   | <u>108,291</u> | <u>977,369,802</u>          |
| Credit commitments                    | <u>157,993,620</u>   | <u>9,115,868</u>   | <u>–</u>             | <u>–</u>       | <u>167,109,488</u>          |

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

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*(Expressed in thousands of RMB, unless otherwise stated)*

## 4 SEGMENT REPORTING (CONTINUED)

### (b) Geographical information

The Group operates principally in mainland China with eighteen branches located in five provinces and municipalities directly under the central government, and seven subsidiaries located in Shenyang of Liaoning Province, Baoshan of Shanghai and Ningbo of Zhejiang Province respectively.

In presenting of geographical information, non-current assets are allocated based on the geographical location of the underlying assets. Operating income is allocated based on the location of the Group's entities which generate income. Geographical areas, as defined for management reporting purposes, are as follows:

- “Northeast China” refers to headquarter and the following areas serviced by subsidiaries and branches of the Bank: Shenyang, Changchun, Dalian, Anshan, Benxi, Jinzhou, Yingkou, Huludao, Panjin, Chaoyang, Fushun, Fuxin, Dandong, Liaoyang, Tieling, Shenyang Xinmin, Shenyang Shenbei, Shenyang Faku, Shenyang Liaozhong and Shengjing Consumer;
- “North China” refers to the following areas serviced by branches of the Bank: Beijing and Tianjin;
- “Others” refers to the following areas serviced by subsidiaries and branches of the Bank: Shanghai, Shanghai Baoshan, and Ningbo Jiangbei.



# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

*(Expressed in thousands of RMB, unless otherwise stated)*

## 4 SEGMENT REPORTING (CONTINUED)

### (b) Geographical information (Continued)

|                 | Operating income         |                  |
|-----------------|--------------------------|------------------|
|                 | Six months ended 30 June |                  |
|                 | 2021                     | 2020             |
| Northeast China | 8,294,367                | 9,344,776        |
| North China     | 165,766                  | 308,727          |
| Others          | 48,123                   | 185,229          |
| Total           | <u>8,508,256</u>         | <u>9,838,732</u> |

|                 | Non-current assets <i>(Note i)</i> |                  |
|-----------------|------------------------------------|------------------|
|                 | 30 June                            | 31 December      |
|                 | 2021                               | 2020             |
| Northeast China | 6,091,072                          | 6,314,658        |
| North China     | 232,460                            | 246,040          |
| Others          | 35,542                             | 42,421           |
| Total           | <u>6,359,074</u>                   | <u>6,603,119</u> |

*Note:*

- (i) Non-current assets include property and equipment, intangible assets, right-of-use assets and land use rights.

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

## 5 NET INTEREST INCOME

|   | Six months ended 30 June |                     |
|---|--------------------------|---------------------|
|   | 2021                     | 2020                |
| <b>Interest income arising from</b>                                 |                          |                     |
| Deposits with central bank  | 599,591                  | 510,047             |
| Deposits and placements with banks and other financial institutions | 58,677                   | 52,074              |
| Loans and advances to customers                                     |                          |                     |
| – Corporate loans and advances                                      | 11,997,818               | 11,341,518          |
| – Personal loans and advances                                       | 2,782,634                | 1,969,058           |
| – Discounted bills  | 708,822                  | 706,713             |
| Financial assets held under resale agreements                       | 156,223                  | 73,703              |
| Financial investments   | 4,873,671                | 6,185,745           |
|   | <u>21,177,436</u>        | <u>20,838,858</u>   |
| Subtotal  | 21,177,436               | 20,838,858          |
| <b>Interest expense arising from</b>                                |                          |                     |
| Borrowings from central bank  | (50,117)                 | (110,552)           |
| Deposits and placements from banks and other financial institutions | (1,257,737)              | (2,108,076)         |
| Deposits from customers   | (11,205,787)             | (8,513,790)         |
| Financial assets sold under repurchase agreements                   | (1,111,168)              | (1,075,447)         |
| Debt securities issued  | (921,589)                | (1,547,651)         |
|   | <u>(14,546,398)</u>      | <u>(13,355,516)</u> |
| Subtotal  | (14,546,398)             | (13,355,516)        |
| <b>Net interest income</b>  | <u>6,631,038</u>         | <u>7,483,342</u>    |

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

*(Expressed in thousands of RMB, unless otherwise stated)*

### 6 NET FEE AND COMMISSION INCOME

|                                       | Six months ended 30 June |                |
|---------------------------------------|--------------------------|----------------|
|                                       | 2021                     | 2020           |
| <b>Fee and commission income</b>      |                          |                |
| Agency and custody services fees      | 593,660                  | 699,374        |
| Bank card services fees               | 85,637                   | 138,454        |
| Settlement and clearing services fees | 54,342                   | 48,930         |
| Subtotal                              | 733,639                  | 886,758        |
| <b>Fee and commission expense</b>     | (567,555)                | (305,858)      |
| <b>Net fee and commission income</b>  | <u>166,084</u>           | <u>580,900</u> |

### 7 NET TRADING LOSSES

|   | Six months ended 30 June |                  |
|---|--------------------------|------------------|
|   | 2021                     | 2020             |
| Net gains/(losses) from debt securities | 3,093                    | (1,346)          |
| Net foreign exchange losses             | (130,673)                | (313,458)        |
| Net losses from derivatives and others  | (328,899)                | (387,950)        |
| Total                                   | <u>(456,479)</u>         | <u>(702,754)</u> |

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

### 8 NET GAINS ARISING FROM INVESTMENTS

|  | Six months ended 30 June |                  |
|--|--------------------------|------------------|
|  | 2021                     | 2020             |
| Net gains on disposal of financial assets measured at amortised cost                           | 1,674,500                | 73,825           |
| Net gains on financial assets at fair value through profit or loss                             | 322,052                  | 1,809,494        |
| Net gains on disposal of financial assets at fair value through other comprehensive income     | 100,993                  | 451,829          |
| Dividends from designated as financial assets at fair value through other comprehensive income | 55,920                   | –                |
| Total  | <u>2,153,465</u>         | <u>2,335,148</u> |

### 9 OTHER OPERATING INCOME

|   | Six months ended 30 June |                |
|---|--------------------------|----------------|
|   | 2021                     | 2020           |
| Rental income                                   | 4,112                    | 1,936          |
| Handling charge income                          | 169                      | 314            |
| Net gains on disposal of property and equipment | –                        | 136,966        |
| Government grants                               | –                        | 72             |
| Others  | 9,867                    | 2,808          |
| Total   | <u>14,148</u>            | <u>142,096</u> |

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

*(Expressed in thousands of RMB, unless otherwise stated)*

## 10 OPERATING EXPENSES

|  | Six months ended 30 June |                  |
|--|--------------------------|------------------|
|  | 2021                     | 2020             |
| Staff costs  |                          |                  |
| – Salaries, bonuses and allowances                       | 1,056,184                | 1,036,518        |
| – Pension and annuity                                    | 163,779                  | 64,945           |
| – Other social insurance                                 | 76,101                   | 48,078           |
| – Housing allowances                                     | 71,342                   | 57,434           |
| – Supplementary retirement benefits                      | 3,277                    | 3,172            |
| – Others   | 86,757                   | 53,369           |
|  | <hr/>                    | <hr/>            |
| Subtotal   | 1,457,440                | 1,263,516        |
| Depreciation and amortisation                            | 229,731                  | 221,200          |
| Office expenses  | 125,608                  | 148,022          |
| Tax and surcharges                                       | 118,871                  | 106,186          |
| Depreciation charge for the right-of-use assets          | 78,083                   | 86,873           |
| Rental and property management expenses <i>(Note(a))</i> | 51,486                   | 40,907           |
| Interest expense on lease liabilities                    | 11,567                   | 13,058           |
| Other general and administrative expenses                | 418,114                  | 332,921          |
|  | <hr/>                    | <hr/>            |
| Total  | <u>2,490,900</u>         | <u>2,212,683</u> |

*Note:*

- (a) Rental and property management expenses include expenses relating to short-term leases and expenses relating to low-value assets.

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

### 11 IMPAIRMENT LOSSES ON ASSETS

|   | Six months ended 30 June |                  |
|---|--------------------------|------------------|
|   | 2021                     | 2020             |
| Deposits and placements with banks and other financial institutions | (375)                    | (334)            |
| Financial assets held under resale agreements                       | (2,285)                  | (2,427)          |
| Loans and advances to customers                                     | 4,863,288                | 4,116,855        |
| Financial investments   | 199,341                  | 165,697          |
| Credit commitment   | 42,859                   | 92,390           |
| Others  | (284)                    | 731              |
| Total   | <u>5,102,544</u>         | <u>4,372,912</u> |

### 12 INCOME TAX EXPENSE

#### (a) Income tax for the period:

|                                       | Six months ended 30 June |                |
|---------------------------------------|--------------------------|----------------|
|                                       | 2021                     | 2020           |
| Current tax                           | 1,171,630                | 49,898         |
| Under/(Over)-provision in prior years | 17,590                   | (1,289,954)    |
| Deferred tax                          |                          |                |
| – Recognised in current year          | (1,320,709)              | 390,306        |
| – Over-provision in prior years       | –                        | 1,257,150      |
| Total                                 | <u>(131,489)</u>         | <u>407,400</u> |

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

*(Expressed in thousands of RMB, unless otherwise stated)*

### 12 INCOME TAX EXPENSE (CONTINUED)

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

|   | Six months ended 30 June |           |
|---|--------------------------|-----------|
|   | 2021                     | 2020      |
| Profit before taxation                      | 914,812                  | 3,253,137 |
| Statutory tax rate                          | 25%                      | 25%       |
| Income tax calculated at statutory tax rate | 228,703                  | 813,284   |
| Non-deductible expenses                     |                          |           |
| – Entertainment expenses                    | 2,746                    | 1,826     |
| – Others                                    | 2,173                    | 1,062     |
| Subtotal                                    | 4,919                    | 2,888     |
| Non-taxable income                          | (382,701)                | (375,968) |
| Subtotal                                    | (149,079)                | 440,204   |
| Under/(Over)-provision in prior years       | 17,590                   | (32,804)  |
| Income tax                                  | (131,489)                | 407,400   |

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

### 13 BASIC AND DILUTED EARNINGS PER SHARE

|   | Six months ended 30 June |           |
|---|--------------------------|-----------|
|   | 2021                     | 2020      |
| Net profit attributable to equity shareholders of the Bank                                    | 1,030,360                | 2,829,393 |
| Weighted average number of ordinary shares<br>(in thousands)                                  | 8,796,680                | 8,796,680 |
| Basic and diluted earnings per share attributable to equity shareholders of the Bank (in RMB) | 0.12                     | 0.32      |

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

### 14 CASH AND DEPOSITS WITH CENTRAL BANK

|                              | Note  | 30 June    | 31 December |
|------------------------------|-------|------------|-------------|
|                              |       | 2021       | 2020        |
| Cash on hand                 |       | 1,078,060  | 1,152,427   |
| Deposits with central bank   |       |            |             |
| – Statutory deposit reserves | 14(a) | 73,359,659 | 68,050,865  |
| – Surplus deposit reserves   | 14(b) | 21,991,797 | 9,074,637   |
| – Fiscal deposits            |       | 86,064     | 193,151     |
| Subtotal                     |       | 95,437,520 | 77,318,653  |
| Add: interest receivable     |       | 34,128     | 34,836      |
| Total                        |       | 96,549,708 | 78,505,916  |



# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

*(Expressed in thousands of RMB, unless otherwise stated)*

## 14 CASH AND DEPOSITS WITH CENTRAL BANK (CONTINUED)

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

|   | 30 June<br>2021 | 31 December<br>2020 |
|---|-----------------|---------------------|
| Reserve ratio for RMB deposits              | 10.5%           | 10.5%               |
| Reserve ratio for foreign currency deposits | 7.0%            | 5.0%                |

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

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

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

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

### 15 DEPOSITS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

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

|                                       | 30 June<br>2021         | 31 December<br>2020      |
|---------------------------------------|-------------------------|--------------------------|
| Deposits in mainland China            |                         |                          |
| – Banks                               | 5,580,390               | 11,302,838               |
| – Other financial institutions        | 173,746                 | 609,882                  |
| Deposits outside mainland China       |                         |                          |
| – Banks                               | <u>2,515,516</u>        | <u>3,742,600</u>         |
| Subtotal                              | 8,269,652               | 15,655,320               |
| Add: interest receivable              | 21,355                  | 33,265                   |
| Less: provision for impairment losses | <u>(493,415)</u>        | <u>(494,241)</u>         |
| Total                                 | <u><u>7,797,592</u></u> | <u><u>15,194,344</u></u> |

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

|  | 2021                  | 2020                  |
|--|-----------------------|-----------------------|
| As at 1 January                          | 494,241               | 126,421               |
| Net (release)/charge for the period/year | <u>(826)</u>          | <u>367,820</u>        |
| As at 30 June/31 December                | <u><u>493,415</u></u> | <u><u>494,241</u></u> |

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

*(Expressed in thousands of RMB, unless otherwise stated)*

### 16 PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

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

|                                       | 30 June<br>2021         | 31 December<br>2020     |
|---------------------------------------|-------------------------|-------------------------|
| Placements in mainland China          |                         |                         |
| – Banks                               | 3,500,000               | 3,000,000               |
| – Other financial institutions        | <u>3,900,000</u>        | <u>1,500,000</u>        |
| Subtotal                              | 7,400,000               | 4,500,000               |
| Add: interest receivable              | 1,100                   | 629                     |
| Less: provision for impairment losses | <u>(150,993)</u>        | <u>(150,542)</u>        |
| Total                                 | <u><u>7,250,107</u></u> | <u><u>4,350,087</u></u> |

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

|                                | 2021                  | 2020                  |
|--------------------------------|-----------------------|-----------------------|
| As at 1 January                | 150,542               | 1,697                 |
| Net charge for the period/year | <u>451</u>            | <u>148,845</u>        |
| As at 30 June/31 December      | <u><u>150,993</u></u> | <u><u>150,542</u></u> |

### 17 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 uses derivative financial instruments mainly including option contracts, forwards and swaps.

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

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

### 17 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

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.

#### (a) Analysed by nature of contract

|                            | 30 June 2021    |            |             |
|----------------------------|-----------------|------------|-------------|
|                            | Notional amount | Fair value |             |
|                            |                 | Assets     | Liabilities |
| Option contracts           | 251,611,929     | 111,672    | (67,140)    |
| Interest rate swaps        | 51,106,000      | 343,416    | (310,755)   |
| Precious metal derivatives | 19,821,319      | –          | (1,041,027) |
| Currency swaps             | 3,623,499       | 439        | (184,906)   |
| Foreign exchange forwards  | 762,292         | 3,697      | (12,057)    |
| Total                      | 326,925,039     | 459,224    | (1,615,885) |

|                            | 31 December 2020 |            |             |
|----------------------------|------------------|------------|-------------|
|                            | Notional amount  | Fair value |             |
|                            |                  | Assets     | Liabilities |
| Option contracts           | 144,648,830      | 134,111    | (103,742)   |
| Interest rate swaps        | 53,008,000       | 399,295    | (360,527)   |
| Precious metal derivatives | 21,435,335       | 552,009    | (65,056)    |
| Currency swaps             | 6,279,113        | 14,143     | (235,897)   |
| Foreign exchange forwards  | 769,938          | 5,314      | (3,247)     |
| Total                      | 226,141,216      | 1,104,872  | (768,469)   |

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

*(Expressed in thousands of RMB, unless otherwise stated)*

### 17 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

#### (b) Analysed by credit risk-weighted amount

|                            | 30 June<br>2021 | 31 December<br>2020 |
|----------------------------|-----------------|---------------------|
| Option contracts           | 629,030         | 361,622             |
| Precious metal derivatives | 49,553          | 53,588              |
| Currency swaps             | 9,059           | 15,698              |
| Foreign exchange forwards  | 7,623           | 7,699               |
| Total                      | <u>695,265</u>  | <u>438,607</u>      |

The credit risk-weighted amount represents the counterparty credit risk associated with derivative transactions and is calculated with reference to the guidelines issued by the former CBRC.

### 18 FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

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

|                                       | 30 June<br>2021  | 31 December<br>2020 |
|---------------------------------------|------------------|---------------------|
| In mainland China                     |                  |                     |
| – Banks                               | 3,600,000        | 13,077,170          |
| – Other financial institutions        | –                | 9,044,260           |
| Subtotal                              | <u>3,600,000</u> | <u>22,121,430</u>   |
| Add: interest receivable              | 188              | 833                 |
| Less: provision for impairment losses | <u>(633)</u>     | <u>(2,918)</u>      |
| Total                                 | <u>3,599,555</u> | <u>22,119,345</u>   |

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

### 18 FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS (CONTINUED)

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

|  | 30 June<br>2021  | 31 December<br>2020 |
|--|------------------|---------------------|
| Debt securities held under resale agreements | 3,100,000        | 20,755,672          |
| Bill held under resale agreements            | 500,000          | 1,365,758           |
| Add: interest receivable                     | 188              | 833                 |
| Less: provision for impairment losses        | (633)            | (2,918)             |
| Total  | <u>3,599,555</u> | <u>22,119,345</u>   |

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

|                                 | 2021           | 2020         |
|---------------------------------|----------------|--------------|
| As at 1 January                 | 2,918          | 3,820        |
| Net release for the period/year | <u>(2,285)</u> | <u>(902)</u> |
| As at 30 June/31 December       | <u>633</u>     | <u>2,918</u> |

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

*(Expressed in thousands of RMB, unless otherwise stated)*

## 19 LOANS AND ADVANCES TO CUSTOMERS

### (a) Analysed by nature

|   | 30 June<br>2021 | 31 December<br>2020 |
|---|-----------------|---------------------|
| Measured at amortised cost:   |                 |                     |
| Corporate loans and advances  | 424,871,965     | 420,984,496         |
| Personal loans and advances   |                 |                     |
| – Residential mortgage  | 53,446,494      | 48,276,811          |
| – Personal consumption loans  | 26,254,414      | 20,672,637          |
| – Credit cards  | 7,056,570       | 6,572,422           |
| – Personal business loans   | 6,269,851       | 1,920,977           |
| – Others  | 8,760           | 15,320              |
| Subtotal  | 93,036,089      | 77,458,167          |
| Gross loans and advances to customers measured at amortised cost                                    | 517,908,054     | 498,442,663         |
| Measured at fair value through other comprehensive income:  |                 |                     |
| – Corporate loans and advances  | 16,480,049      | 10,216,470          |
| – Discounted bills  | 53,652,352      | 38,403,424          |
| Gross loans and advances to customers measured at fair value through other comprehensive income     | 70,132,401      | 48,619,894          |
| Gross loans and advances to customers   | 588,040,455     | 547,062,557         |
| Add: interest receivable  | 13,788,304      | 7,960,458           |
| Less: provision for impairment losses on loans and advances to customers measured at amortised cost | (23,381,941)    | (20,335,788)        |
| Net loans and advances to customers   | 578,446,818     | 534,687,227         |

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

### 19 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

#### (a) Analysed by nature (Continued)

As at 30 June 2021, the Group's provision amount for loans and advances to customers measured at fair value through other comprehensive income is RMB289.82 million (31 December 2020: RMB217.72 million), as detailed in Note 19 (f).

#### (b) Analysed by economic sector

|   | 30 June 2021 |            |   |
|---|--------------|------------|---|
|   | Amount       | Percentage | Loans and advances secured by collaterals |
| Wholesale and retail trade                                | 168,659,041  | 29%        | 80,816,570                                |
| Renting and business activities                           | 83,010,762   | 14%        | 45,819,440                                |
| Real estate   | 65,652,571   | 11%        | 41,383,963                                |
| Manufacturing   | 40,818,014   | 7%         | 9,860,929                                 |
| Construction  | 31,226,704   | 5%         | 15,890,597                                |
| Culture, sports and entertainment                         | 15,472,688   | 3%         | 2,740,000                                 |
| Transportation, storage and postal services               | 6,337,931    | 1%         | 291,351                                   |
| Mining  | 2,964,175    | 1%         | 567,597                                   |
| Accommodation and catering                                | 2,537,414    | 1%         | 1,735,695                                 |
| Household Services and other Services                     | 2,103,139    | 0%         | 323,339                                   |
| Production and supply of electricity, heat, gas and water | 2,091,027    | 0%         | 452,805                                   |
| Agriculture, forestry, animal husbandry and fishery       | 914,949      | 0%         | 173,451                                   |
| Others  | 19,563,599   | 3%         | 10,125,687                                |
| Subtotal of corporate loans and advances                  | 441,352,014  | 75%        | 210,181,424                               |
| Personal loans and advances                               | 93,036,089   | 16%        | 59,271,454                                |
| Discounted bills  | 53,652,352   | 9%         | 53,652,352                                |
| Gross loans and advances to customers                     | 588,040,455  | 100%       | 323,105,230                               |



# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

*(Expressed in thousands of RMB, unless otherwise stated)*

## 19 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

### (b) Analysed by economic sector (Continued)

|   | 31 December 2020   |             |   |
|---|--------------------|-------------|---|
|   | Amount             | Percentage  | Loans and advances secured by collaterals |
| Wholesale and retail trade                                | 165,528,276        | 30%         | 81,021,718                                |
| Renting and business activities                           | 84,023,237         | 15%         | 44,497,022                                |
| Real estate   | 70,050,003         | 13%         | 42,490,895                                |
| Manufacturing   | 35,479,768         | 7%          | 8,769,157                                 |
| Construction  | 29,663,065         | 6%          | 17,099,550                                |
| Culture, sports and entertainment                         | 12,595,154         | 2%          | 262,000                                   |
| Transportation, storage and postal services               | 6,244,752          | 1%          | 306,717                                   |
| Accommodation and catering                                | 2,555,827          | 1%          | 1,749,357                                 |
| Production and supply of electricity, heat, gas and water | 2,401,189          | 1%          | 480,022                                   |
| Household and other services                              | 2,132,870          | 0%          | 337,470                                   |
| Mining  | 1,975,967          | 0%          | 67,597                                    |
| Agriculture, forestry, animal husbandry and fishery       | 865,359            | 0%          | 256,481                                   |
| Others  | 17,685,499         | 3%          | 7,364,359                                 |
| Subtotal of corporate loans and advances                  | 431,200,966        | 79%         | 204,702,345                               |
| Personal loans and advances                               | 77,458,167         | 14%         | 53,630,536                                |
| Discounted bills  | 38,403,424         | 7%          | 38,403,424                                |
| Gross loans and advances to customers                     | <u>547,062,557</u> | <u>100%</u> | <u>296,736,305</u>                        |

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

### 19 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

#### (c) Analysed by type of collateral

|   | 30 June<br>2021     | 31 December<br>2020 |
|---|---------------------|---------------------|
| Unsecured loans   | 61,905,512          | 46,979,844          |
| Guaranteed loans  | 203,029,713         | 203,346,408         |
| Loans secured by tangible assets other than<br>monetary assets  | 221,687,912         | 215,899,526         |
| Loans secured by intangible assets or<br>monetary assets  | <u>101,417,318</u>  | <u>80,836,779</u>   |
| Gross loans and advances to customers   | <u>588,040,455</u>  | <u>547,062,557</u>  |
| Add: interest receivable  | 13,788,304          | 7,960,458           |
| Less: provision for impairment losses on loans<br>and advances to customers measured<br>at amortised cost | <u>(23,381,941)</u> | <u>(20,335,788)</u> |
| Net loans and advances to customers   | <u>578,446,818</u>  | <u>534,687,227</u>  |

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

*(Expressed in thousands of RMB, unless otherwise stated)*

### 19 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

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

|   | 30 June 2021                                  |  |  |                                     | Total                    |
|---|---|--|--|-------------------------------------|--------------------------|
|   | Overdue within<br>three months<br>(inclusive) | Overdue more<br>than three<br>months<br>to one year<br>(inclusive) | Overdue more<br>than one year<br>to three years<br>(inclusive) | Overdue more<br>than three<br>years |                          |
| Unsecured loans   | 281,978                                       | 357,655  | 191,847  | 24,493                              | 855,973                  |
| Guaranteed loans  | 10,148,531                                    | 4,438,242  | 4,730,666  | 2,764,879                           | 22,082,318               |
| Loans secured by<br>tangible assets other<br>than monetary assets | 6,184,085                                     | 587,440  | 2,489,076  | 1,639,517                           | 10,900,118               |
| Loans secured by<br>intangible assets or<br>monetary assets       | <u>2,913,874</u>                              | <u>263,370</u>   | <u>236,690</u>   | <u>79,458</u>                       | <u>3,493,392</u>         |
| <b>Total</b>  | <b><u>19,528,468</u></b>                      | <b><u>5,646,707</u></b>  | <b><u>7,648,279</u></b>  | <b><u>4,508,347</u></b>             | <b><u>37,331,801</u></b> |
| As a percentage of gross<br>loans and advances to<br>customers    | <u>3.32%</u>                                  | <u>0.96%</u>   | <u>1.30%</u>   | <u>0.77%</u>                        | <u>6.35%</u>             |

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

### 19 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

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

|   | 31 December 2020                              |  |  |                                     | Total             |
|---|---|--|--|-------------------------------------|-------------------|
|   | Overdue within<br>three months<br>(inclusive) | Overdue more<br>than three<br>months<br>to one year<br>(inclusive) | Overdue more<br>than one year<br>to three years<br>(inclusive) | Overdue more<br>than three<br>years |                   |
| Unsecured loans   | 791,082                                       | 229,332  | 97,649   | 17,343                              | 1,135,406         |
| Guaranteed loans  | 9,517,015                                     | 2,885,594  | 4,895,024  | 1,880,262                           | 19,177,895        |
| Loans secured by<br>tangible assets other<br>than monetary assets | 404,207                                       | 2,323,781  | 1,821,996  | 1,109,569                           | 5,659,553         |
| Loans secured by<br>intangible assets or<br>monetary assets       | 3,501   | 562,840  | 246,168  | 70,000                              | 882,509           |
| <b>Total</b>  | <b>10,715,805</b>                             | <b>6,001,547</b>   | <b>7,060,837</b>   | <b>3,077,174</b>                    | <b>26,855,363</b> |
| As a percentage of gross<br>loans and advances to<br>customers    | 1.96%   | 1.10%  | 1.29%  | 0.56%                               | 4.91%             |

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

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

*(Expressed in thousands of RMB, unless otherwise stated)*

## 19 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

### (e) Loans and advance and provision for impairment losses

- (i) As at 30 June 2021, detailed information of loans and advances to customers and provision for impairment losses is as follows:

|   | 30 June 2021  |  |  | Total               |
|---|---|--|--|---------------------|
|   | Loans and advances that are assessed for expected credit losses over the next 12 months | Loans and advances that are not credit-impaired and assessed for lifetime expected credit loss | Credit-impaired loans and advances that are assessed for lifetime expected credit loss |                     |
| Gross loans and advances to customers   | 540,519,757   | 27,158,447   | 20,362,251   | 588,040,455         |
| Add: interest receivable  | 12,304,088  | 1,484,216  | -  | 13,788,304          |
| Less: provision for impairment losses on loans and advances to customers measured at amortised cost | <u>(8,188,467)</u>  | <u>(7,240,493)</u>   | <u>(7,952,981)</u>   | <u>(23,381,941)</u> |
| Net loans and advances to customers   | <u>544,635,378</u>  | <u>21,402,170</u>  | <u>12,409,270</u>  | <u>578,446,818</u>  |

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

### 19 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

#### (e) Loans and advance and provision for impairment losses (Continued)

- (ii) As at 31 December 2020, detailed information of loans and advances to customers and provision for impairment losses is as follows:

|   | 31 December 2020  |  |  | Total               |
|---|---|--|--|---------------------|
|   | Loans and advances that are assessed for expected credit losses over the next 12 months | Loans and advances that are not credit-impaired and assessed for lifetime expected credit loss | Credit-impaired loans and advances that are assessed for lifetime expected credit loss |                     |
| Gross loans and advances to customers   | 503,677,602   | 25,555,014   | 17,829,941   | 547,062,557         |
| Add: interest receivable  | 6,985,114   | 975,344  | –  | 7,960,458           |
| Less: provision for impairment losses on loans and advances to customers measured at amortised cost | <u>(7,337,769)</u>  | <u>(6,987,110)</u>   | <u>(6,010,909)</u>   | <u>(20,335,788)</u> |
| Net loans and advances to customers   | <u>503,324,947</u>  | <u>19,543,248</u>  | <u>11,819,032</u>  | <u>534,687,227</u>  |

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

*(Expressed in thousands of RMB, unless otherwise stated)*

## 19 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

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

As at 30 June 2021, the movements of provision for loans and advances to customers are as follows:

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

|  | Six months ended 30 June 2021  |  |   | Total             |
|--|--------------------------------|--|---|-------------------|
|  | ECL over the<br>next 12 months | Lifetime ECL-<br>not credit-<br>impaired loans | Lifetime ECL-<br>credit-impaired<br>loans |                   |
| As at 1 January                                  | 7,337,769                      | 6,987,110                                      | 6,010,909                                 | 20,335,788        |
| Transferred:                                     |                                |  |   |                   |
| – to ECL over the next 12 months                 | 1,952,681                      | (1,517,310)                                    | (435,371)                                 | –                 |
| – to lifetime ECL- not credit-<br>impaired loans | (162,310)                      | 166,529  | (4,219)                                   | –                 |
| – to lifetime ECL- credit-impaired<br>loans      | (25,762)                       | (605,922)                                      | 631,684                                   | –                 |
| Net (release)/charge for the period              | (913,911)                      | 2,210,086                                      | 3,495,013                                 | 4,791,188         |
| Transfer out                                     | –                              | –  | (1,747,742)                               | (1,747,742)       |
| Recoveries                                       | –                              | –  | 2,707                                     | 2,707             |
| As at 30 June                                    | <u>8,188,467</u>               | <u>7,240,493</u>                               | <u>7,952,981</u>                          | <u>23,381,941</u> |

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

### 19 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

#### (f) Movements of provision for impairment losses (Continued)

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

|                           | Six months ended 30 June 2021  |  |   | Total                 |
|---------------------------|--------------------------------|--|---|-----------------------|
|                           | ECL over the<br>next 12 months | Lifetime ECL-<br>not credit-<br>impaired loans | Lifetime ECL-<br>credit-impaired<br>loans |                       |
| As at 1 January           | 217,718                        | -  | -   | 217,718               |
| Net charge for the period | <u>72,100</u>                  | <u>-</u>                                       | <u>-</u>                                  | <u>72,100</u>         |
| As at 30 June             | <u><u>289,818</u></u>          | <u><u>-</u></u>                                | <u><u>-</u></u>                           | <u><u>289,818</u></u> |



# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

*(Expressed in thousands of RMB, unless otherwise stated)*

## 19 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

### (f) Movements of provision for impairment losses (Continued)

As at 31 December 2020, the movement of provision for loans and advances to customers are as follows:

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

|  | Year ended 31 December 2020    |  |   | Total             |
|--|--------------------------------|--|---|-------------------|
|  | ECL over the<br>next 12 months | Lifetime ECL-<br>not credit-<br>impaired loans | Lifetime ECL-<br>credit-impaired<br>loans |                   |
| As at 1 January                                  | 5,480,833                      | 1,429,810                                      | 5,968,527                                 | 12,879,170        |
| Transferred:                                     |                                |  |   |                   |
| – to ECL over the next 12 months                 | 799,080                        | (224,525)                                      | (574,555)                                 | –                 |
| – to lifetime ECL- not credit-<br>impaired loans | (145,603)                      | 147,993  | (2,390)                                   | –                 |
| – to lifetime ECL- credit-impaired<br>loans      | (41,354)                       | (284,438)                                      | 325,792                                   | –                 |
| Net charge for the year                          | 1,244,813                      | 5,918,270                                      | 956,425                                   | 8,119,508         |
| Transfer out                                     | –                              | –  | (293,502)                                 | (293,502)         |
| Write-offs                                       | –                              | –  | (427,236)                                 | (427,236)         |
| Recoveries                                       | –                              | –  | 57,848                                    | 57,848            |
| As at 31 December                                | <u>7,337,769</u>               | <u>6,987,110</u>                               | <u>6,010,909</u>                          | <u>20,335,788</u> |

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

### 19 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

#### (f) Movements of provision for impairment losses (Continued)

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

|                         | Year ended 31 December 2020 |   |                                     | Total                 |
|-------------------------|-----------------------------|---|-------------------------------------|-----------------------|
|                         | ECL over the next 12 months | Lifetime ECL- not credit-impaired loans | Lifetime ECL- credit-impaired loans |                       |
| As at 1 January         | 8,618                       | -                                       | -                                   | 8,618                 |
| Net charge for the year | <u>209,100</u>              | <u>-</u>                                | <u>-</u>                            | <u>209,100</u>        |
| As at 31 December       | <u><u>217,718</u></u>       | <u><u>-</u></u>                         | <u><u>-</u></u>                     | <u><u>217,718</u></u> |

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

### 20 FINANCIAL INVESTMENTS

|   | Note  | 30 June 2021              | 31 December 2020          |
|---|-------|---------------------------|---------------------------|
| Financial assets at fair value through profit or loss             | 20(a) | 79,182,938                | 100,939,472               |
| Financial assets at fair value through other comprehensive income | 20(b) | 30,224,478                | 27,878,398                |
| Financial assets measured at amortised cost                       | 20(c) | <u>194,382,758</u>        | <u>229,227,082</u>        |
| Total   |       | <u><u>303,790,174</u></u> | <u><u>358,044,952</u></u> |

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

*(Expressed in thousands of RMB, unless otherwise stated)*

### 20 FINANCIAL INVESTMENTS (CONTINUED)

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

|  | 30 June<br>2021 | 31 December<br>2020 |
|--|-----------------|---------------------|
| Debt securities at fair value listed outside Hong Kong |                 |                     |
| – Policy banks   | –               | 588,420             |
| – Banks and other financial institutions               | 658,560         | 1,395,471           |
| – Corporate  | 1,030,961       | 1,030,961           |
| Subtotal   | 1,689,521       | 3,014,852           |
| Wealth management plan                                 | 60,705,848      | 60,710,215          |
| Investment funds                                       | 16,683,267      | 36,861,473          |
| Beneficial investment of trust                         | –               | 293,596             |
| Subtotal   | 77,389,115      | 97,865,284          |
| Equity investment                                      |                 |                     |
| – Listed   | 51,484          | 6,518               |
| – Unlisted   | 52,818          | 52,818              |
| Subtotal   | 104,302         | 59,336              |
| Total  | 79,182,938      | 100,939,472         |

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

### 20 FINANCIAL INVESTMENTS (CONTINUED)

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

|  | 30 June<br>2021 | 31 December<br>2020 |
|--|-----------------|---------------------|
| Debt securities at fair value listed outside |                 |                     |
| Hong Kong                                    |                 |                     |
| – Government                                 | 12,784,036      | 12,029,935          |
| – Policy banks                               | 6,336,766       | 7,428,435           |
| – Banks and other financial institutions     | 1,544,341       | 1,849,715           |
| – Corporate                                  | 1,832,963       | 1,837,108           |
| Subtotal                                     | 22,498,106      | 23,145,193          |
| Commercial banks undated capital bonds       | 949,396         | –                   |
| Equity investments                           |                 |                     |
| – Listed                                     | 183,375         | 156,927             |
| – Unlisted                                   | 6,240,264       | 4,099,206           |
| Subtotal                                     | 7,373,035       | 4,256,133           |
| Add: interest receivable                     | 353,337         | 477,072             |
| Total  | 30,224,478      | 27,878,398          |

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

*(Expressed in thousands of RMB, unless otherwise stated)*

## 20 FINANCIAL INVESTMENTS (CONTINUED)

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

The movements of provision for financial assets at fair value through other comprehensive income are as follows:

|                            | Six months ended 30 June 2021  |  |                                  | Total          |
|----------------------------|--------------------------------|--|----------------------------------|----------------|
|                            | ECL over the<br>next 12 months | Lifetime ECL-<br>not credit-<br>impaired | Lifetime ECL-<br>credit-impaired |                |
| As at 1 January            | 1,019                          | –  | 641,840                          | 642,859        |
| Net release for the period | (132)                          | –  | –                                | (132)          |
| As at 30 June              | <u>887</u>                     | <u>–</u>                                 | <u>641,840</u>                   | <u>642,727</u> |

|                                   | Year ended 31 December 2020    |  |                                  | Total          |
|-----------------------------------|--------------------------------|--|----------------------------------|----------------|
|                                   | ECL over the<br>next 12 months | Lifetime ECL-<br>not credit-<br>impaired | Lifetime ECL-<br>credit-impaired |                |
| As at 1 January                   | 2,336                          | –  | –                                | 2,336          |
| Net (release)/charge for the year | (1,317)                        | –  | 641,840                          | 640,523        |
| As at 31 December                 | <u>1,019</u>                   | <u>–</u>                                 | <u>641,840</u>                   | <u>642,859</u> |

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

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

### 20 FINANCIAL INVESTMENTS (CONTINUED)

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

|  | 30 June<br>2021 | 31 December<br>2020 |
|--|-----------------|---------------------|
| Debt securities at fair value listed outside Hong Kong |                 |                     |
| – Government   | 65,428,150      | 66,643,142          |
| – Policy banks   | 40,642,543      | 77,422,643          |
| – Banks and other financial institutions               | 200,000         | 200,000             |
| – Corporate  | 4,574,869       | 1,821,623           |
| Subtotal   | 110,845,562     | 146,087,408         |
| Wealth management plan                                 | 2,427,973       | 4,558,243           |
| Beneficial investment of trust                         | 81,028,332      | 78,269,005          |
| Subtotal   | 83,456,305      | 82,827,248          |
| Add: interest receivable                               | 3,693,452       | 3,725,514           |
| Less: provision for impairment losses                  | (3,612,561)     | (3,413,088)         |
| Total  | 194,382,758     | 229,227,082         |

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

*(Expressed in thousands of RMB, unless otherwise stated)*

## 20 FINANCIAL INVESTMENTS (CONTINUED)

### (c) Financial assets measured at amortised cost (Continued)

The movements of provision for financial assets at amortised cost are as follows:

|   | Six months ended 30 June 2021  |  |                                  | Total            |
|---|--------------------------------|--|----------------------------------|------------------|
|   | ECL over the<br>next 12 months | Lifetime ECL-<br>not credit-<br>impaired | Lifetime ECL-<br>credit-impaired |                  |
| As at 1 January                                     | 1,640,198                      | 151,576                                  | 1,621,314                        | 3,413,088        |
| Transferred:  |                                |  |                                  |                  |
| – to lifetime ECL – not credit-impaired investments | (616,262)                      | 616,262                                  | –                                | –                |
| – to lifetime ECL – credit-impaired investments     | (437)                          | –  | 437                              | –                |
| Net (release)/charge for the period                 | <u>(311,955)</u>               | <u>(22,655)</u>                          | <u>534,083</u>                   | <u>199,473</u>   |
| As at 30 June                                       | <u>711,544</u>                 | <u>745,183</u>                           | <u>2,155,834</u>                 | <u>3,612,561</u> |

|   | Year ended 31 December 2020    |  |                                  | Total            |
|---|--------------------------------|--|----------------------------------|------------------|
|   | ECL over the<br>next 12 months | Lifetime ECL-<br>not credit-<br>impaired | Lifetime ECL-<br>credit-impaired |                  |
| As at 1 January                                 | 828,138                        | 165,454                                  | 1,030,953                        | 2,024,545        |
| Transferred:                                    |                                |  |                                  |                  |
| – to lifetime ECL – credit-impaired investments | (27,132)                       | –  | 27,132                           | –                |
| Net charge/(release) for the year               | <u>839,192</u>                 | <u>(13,878)</u>                          | <u>563,229</u>                   | <u>1,388,543</u> |
| As at 31 December                               | <u>1,640,198</u>               | <u>151,576</u>                           | <u>1,621,314</u>                 | <u>3,413,088</u> |

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

## 21 PROPERTY AND EQUIPMENT

|  | Premises    | Leasehold<br>improvement | CIP       | Office<br>equipment | Others   | Total       |
|--|-------------|--------------------------|-----------|---------------------|----------|-------------|
| <b>Cost</b>                                  |             |                          |           |                     |          |             |
| As at 1 January 2020                         | 4,044,936   | 1,056,478                | 2,619,308 | 1,003,566           | 92,229   | 8,816,517   |
| Additions                                    | –           | 45,958                   | 403,043   | 108,016             | 256      | 557,273     |
| CIP transfers                                | 679,675     | 72,967                   | (752,642) | –                   | –        | –           |
| Disposals                                    | (260,932)   | –                        | –         | (52,263)            | (4,292)  | (317,487)   |
| As at 31 December 2020 and 1<br>January 2021 | 4,463,679   | 1,175,403                | 2,269,709 | 1,059,319           | 88,193   | 9,056,303   |
| Additions                                    | –           | 844                      | 6,932     | 10,488              | –        | 18,264      |
| CIP transfers                                | –           | 4,309                    | (4,309)   | –                   | –        | –           |
| Disposals                                    | –           | –                        | –         | (2,718)             | –        | (2,718)     |
| As at 30 June 2021                           | 4,463,679   | 1,180,556                | 2,272,332 | 1,067,089           | 88,193   | 9,071,849   |
| <b>Accumulated depreciation</b>              |             |                          |           |                     |          |             |
| As at 1 January 2020                         | (1,669,559) | (678,132)                | –         | (681,262)           | (85,286) | (3,114,239) |
| Additions                                    | (186,412)   | (104,223)                | –         | (113,022)           | (1,672)  | (405,329)   |
| Disposals                                    | 131,984     | –                        | –         | 26,888              | 4,163    | 163,035     |
| As at 31 December 2020 and<br>1 January 2021 | (1,723,987) | (782,355)                | –         | (767,396)           | (82,795) | (3,356,533) |
| Additions                                    | (100,840)   | (51,147)                 | –         | (57,419)            | (685)    | (210,091)   |
| Disposals                                    | –           | –                        | –         | 2,193               | –        | 2,193       |
| As at 30 June 2021                           | (1,824,827) | (833,502)                | –         | (822,622)           | (83,480) | (3,564,431) |
| <b>Net book value</b>                        |             |                          |           |                     |          |             |
| As at 31 December 2020                       | 2,739,692   | 393,048                  | 2,269,709 | 291,923             | 5,398    | 5,699,770   |
| As at 30 June 2021                           | 2,638,852   | 347,054                  | 2,272,332 | 244,467             | 4,713    | 5,507,418   |



## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

*(Expressed in thousands of RMB, unless otherwise stated)*

### 22 DEFERRED INCOME TAX ASSETS AND LIABILITIES

#### (a) Analysed by nature

|   | 30 June 2021   |   | 31 December 2020                                     |   |
|---|--|---|--|---|
|   | Deductible/<br>(taxable)<br>temporary<br>differences | Deferred income<br>tax assets/<br>(liabilities) | Deductible/<br>(taxable)<br>temporary<br>differences | Deferred income<br>tax assets/<br>(liabilities) |
| Allowance for impairment losses   | 28,800,248   | 7,200,061                                       | 23,993,792   | 5,998,448                                       |
| Change in fair value of derivative<br>financial instruments                                     | 1,193,932  | 298,483   | (206,088)  | (51,522)  |
| Change in fair value of financial<br>assets at fair value through<br>other comprehensive income | 920,596  | 230,149   | 844,680  | 211,170   |
| Supplementary retirement<br>benefits  | 97,373   | 24,342  | 94,476   | 23,619  |
| Change in fair value of financial<br>assets at fair value through<br>profit or loss             | <u>(3,628,892)</u>                                   | <u>(907,223)</u>                                | <u>(2,633,744)</u>                                   | <u>(658,436)</u>                                |
| Net deferred income tax   | <u>27,383,257</u>                                    | <u>6,845,812</u>                                | <u>22,093,116</u>                                    | <u>5,523,279</u>                                |

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

### 22 DEFERRED INCOME TAX ASSETS AND LIABILITIES (CONTINUED)

#### (b) Analysed by movement

|   | At 1 January<br>2021 | Recognised in<br>profit or loss | Recognised<br>in other<br>comprehensive<br>income | At 30 June<br>2021 |
|---|----------------------|---------------------------------|---|--------------------|
| Allowance for impairment losses   | 5,998,448            | 1,201,613                       | –   | 7,200,061          |
| Change in fair value of derivative financial instruments                                  | (51,522)             | 350,005                         | –   | 298,483            |
| Change in fair value of financial assets at fair value through other comprehensive income | 211,170              | –                               | 18,979  | 230,149            |
| Supplementary retirement benefits   | 23,619               | (114)                           | 837   | 24,342             |
| Change in fair value of financial assets at fair value through profit or loss             | (658,436)            | (248,787)                       | –   | (907,223)          |
| Net deferred income tax   | <u>5,523,279</u>     | <u>1,302,717</u>                | <u>19,816</u>                                     | <u>6,845,812</u>   |

|   | At 1 January<br>2020 | Recognised in<br>profit or loss | Recognised<br>in other<br>comprehensive<br>income | At 31 December<br>2020 |
|---|----------------------|---------------------------------|---|------------------------|
| Allowance for impairment losses   | 5,397,169            | 601,279                         | –   | 5,998,448              |
| Change in fair value of financial assets at fair value through other comprehensive income | (133,326)            | –                               | 344,496   | 211,170                |
| Supplementary retirement benefits   | 25,891               | (1,159)                         | (1,113)   | 23,619                 |
| Change in fair value of derivative financial instruments                                  | (674,441)            | 622,919                         | –   | (51,522)               |
| Change in fair value of financial assets at fair value through profit or loss             | (485,717)            | (172,719)                       | –   | (658,436)              |
| Net deferred tax  | <u>4,129,576</u>     | <u>1,050,320</u>                | <u>343,383</u>                                    | <u>5,523,279</u>       |

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

*(Expressed in thousands of RMB, unless otherwise stated)*

## 23 OTHER ASSETS

|                                  | <i>Note</i> | 30 June<br>2021  | 31 December<br>2020 |
|----------------------------------|-------------|------------------|---------------------|
| Reposessed assets                | 23(a)       | 1,607,990        | 1,598,979           |
| Settlement and clearing accounts |             | 1,381,306        | 8,252,678           |
| Interest receivable              | 23(b)       | 1,123,300        | 627,226             |
| Right-of-use assets              | 23(c)       | 547,607          | 605,726             |
| Intangible assets                | 23(d)       | 232,262          | 224,835             |
| Land use rights                  |             | 71,787           | 72,788              |
| Prepayments                      |             | 73,711           | 39,069              |
| Continued involvement in assets  | 42          | –                | 198,596             |
| Others                           | 23(e)       | 1,219,127        | 1,108,686           |
| <b>Total</b>                     |             | <b>6,257,090</b> | <b>12,728,583</b>   |

### (a) Reposessed assets

|                               | 30 June<br>2021  | 31 December<br>2020 |
|-------------------------------|------------------|---------------------|
| Land use rights and buildings | 1,667,430        | 1,658,419           |
| Less: impairment allowance    | (59,440)         | (59,440)            |
| <b>Total</b>                  | <b>1,607,990</b> | <b>1,598,979</b>    |

### (b) Interest receivable

|                                   | 30 June<br>2021 | 31 December<br>2020 |
|-----------------------------------|-----------------|---------------------|
| Interest receivable arising from: |                 |                     |
| – Loans and advances to customers | 1,123,300       | 627,226             |

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

### 23 OTHER ASSETS (CONTINUED)

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

|   | Leased<br>properties and<br>buildings |
|---|---------------------------------------|
| <b>Cost</b>                               |                                       |
| As at 1 January 2020                      | 842,423                               |
| Additions                                 | 103,979                               |
| Disposals                                 | <u>(24,554)</u>                       |
| As at 31 December 2020 and 1 January 2021 | 921,848                               |
| Additions                                 | 19,964                                |
| Disposals                                 | <u>(4,658)</u>                        |
| As at 30 June 2021                        | <u>937,154</u>                        |
| <b>Accumulated depreciation</b>           |                                       |
| As at 1 January 2020                      | (167,438)                             |
| Additions                                 | (173,238)                             |
| Disposals                                 | <u>24,554</u>                         |
| As at 31 December 2020 and 1 January 2021 | (316,122)                             |
| Additions                                 | (78,083)                              |
| Disposals                                 | <u>4,658</u>                          |
| As at 30 June 2021                        | <u>(389,547)</u>                      |
| <b>Carrying amount:</b>                   |                                       |
| As at 31 December 2020                    | <u><u>605,726</u></u>                 |
| As at 30 June 2021                        | <u><u>547,607</u></u>                 |

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

*(Expressed in thousands of RMB, unless otherwise stated)*

### 23 OTHER ASSETS (CONTINUED)

#### (d) Intangible assets

|                                 | 30 June<br>2021  | 31 December<br>2020 |
|---------------------------------|------------------|---------------------|
| <b>Cost</b>                     |                  |                     |
| As at 1 January                 | 381,683          | 317,615             |
| Additions                       | <u>26,066</u>    | <u>64,068</u>       |
| As at 30 June/31 December       | <u>407,749</u>   | <u>381,683</u>      |
| <b>Accumulated amortisation</b> |                  |                     |
| As at 1 January                 | (156,848)        | (125,308)           |
| Additions                       | <u>(18,639)</u>  | <u>(31,540)</u>     |
| As at 30 June/31 December       | <u>(175,487)</u> | <u>(156,848)</u>    |
| <b>Net value</b>                |                  |                     |
| As at 1 January                 | <u>224,835</u>   | <u>192,307</u>      |
| As at 30 June/31 December       | <u>232,262</u>   | <u>224,835</u>      |

Intangible assets of the Group mainly represent computer software.

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

### 23 OTHER ASSETS (CONTINUED)

#### (e) Others

|   | 30 June<br>2021  | 31 December<br>2020 |
|---|------------------|---------------------|
| Receivable due from disposal of non-performing assets ( <i>Note (i)</i> ) | 653,754          | 653,754             |
| Others  | 874,915          | 764,007             |
| Subtotal  | 1,528,669        | 1,417,761           |
| Less: impairment allowance  | (309,542)        | (309,075)           |
|   | <u>1,219,127</u> | <u>1,108,686</u>    |

*Note:*

- (i) It represents a receivable from Shenyang City Infrastructure Construction Investment Development Co., Ltd. and the receivable is guaranteed by one of the Bank's shareholder, Shenyang Hengxin State-owned Asset Management Group Co., Ltd..

### 24 BORROWINGS FROM CENTRAL BANK

|                                | 30 June<br>2021  | 31 December<br>2020 |
|--------------------------------|------------------|---------------------|
| Borrowings ( <i>Note (a)</i> ) | 5,766,265        | 2,768,243           |
| Add: interest payable          | 13,236           | 47,120              |
| Total                          | <u>5,779,501</u> | <u>2,815,363</u>    |

*Note:*

- (a) Borrowings from central bank mainly include Medium-term Lending Facility and open market operations.

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

*(Expressed in thousands of RMB, unless otherwise stated)*

### 25 DEPOSITS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

Analysed by type and location of counterparty

|                                | 30 June<br>2021          | 31 December<br>2020      |
|--------------------------------|--------------------------|--------------------------|
| Deposits in mainland China     |                          |                          |
| – Banks                        | 12,074,386               | 20,940,774               |
| – Other financial institutions | <u>40,371,185</u>        | <u>69,530,959</u>        |
| Subtotal                       | 52,445,571               | 90,471,733               |
| Add: interest payable          | <u>159,339</u>           | <u>320,973</u>           |
| Total                          | <u><u>52,604,910</u></u> | <u><u>90,792,706</u></u> |

### 26 PLACEMENTS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

Analysed by type and location of counterparty

|                                | 30 June<br>2021         | 31 December<br>2020     |
|--------------------------------|-------------------------|-------------------------|
| Placements in mainland China   |                         |                         |
| – Banks                        | 3,334,042               | 4,894,041               |
| – Other financial institutions | <u>210,000</u>          | <u>30,000</u>           |
| Subtotal                       | 3,544,042               | 4,924,041               |
| Add: interest payable          | <u>35,598</u>           | <u>60,464</u>           |
| Total                          | <u><u>3,579,640</u></u> | <u><u>4,984,505</u></u> |

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

### 27 FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

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

|                                | 30 June<br>2021          | 31 December<br>2020      |
|--------------------------------|--------------------------|--------------------------|
| In mainland China              |                          |                          |
| – Banks                        | 48,541,336               | 76,937,870               |
| – Other financial institutions | <u>13,314,237</u>        | <u>12,676,968</u>        |
| Subtotal                       | 61,855,573               | 89,614,838               |
| Add: interest payable          | <u>33,553</u>            | <u>57,415</u>            |
| Total                          | <u><u>61,889,126</u></u> | <u><u>89,672,253</u></u> |

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

|  | 30 June<br>2021          | 31 December<br>2020      |
|--|--------------------------|--------------------------|
| Debt securities sold under repurchase agreements | 44,762,560               | 63,261,115               |
| Bills sold under repurchase agreements           | <u>17,093,013</u>        | <u>26,353,723</u>        |
| Subtotal   | 61,855,573               | 89,614,838               |
| Add: interest payable                            | <u>33,553</u>            | <u>57,415</u>            |
| Total  | <u><u>61,889,126</u></u> | <u><u>89,672,253</u></u> |



## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

*(Expressed in thousands of RMB, unless otherwise stated)*

### 28 DEPOSITS FROM CUSTOMERS

|   | 30 June<br>2021    | 31 December<br>2020 |
|---|--------------------|---------------------|
| Demand deposits                                 |                    |                     |
| – Corporate deposits                            | 135,482,470        | 141,808,350         |
| – Personal deposits                             | <u>34,749,432</u>  | <u>24,304,387</u>   |
| Subtotal  | <u>170,231,902</u> | <u>166,112,737</u>  |
| Time deposits                                   |                    |                     |
| – Corporate deposits                            | 166,241,830        | 148,980,109         |
| – Personal deposits                             | <u>350,369,321</u> | <u>333,600,481</u>  |
| Subtotal  | <u>516,611,151</u> | <u>482,580,590</u>  |
| Pledged deposits                                |                    |                     |
| – Acceptances                                   | 27,702,421         | 21,675,248          |
| – Letters of credit                             | 2,958,227          | 3,636,945           |
| – Letters of guarantees                         | 6,974,377          | 4,019,489           |
| – Others  | <u>471,087</u>     | <u>487,990</u>      |
| Subtotal  | <u>38,106,112</u>  | <u>29,819,672</u>   |
| Inward and outward remittances                  | <u>4,013,454</u>   | <u>2,891,748</u>    |
| Total deposits from customers at amortised cost | 728,962,619        | 681,404,747         |
| Add: interest payable                           | <u>16,822,876</u>  | <u>15,959,155</u>   |
| Total   | <u>745,785,495</u> | <u>697,363,902</u>  |

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

### 29 DEBT SECURITIES ISSUED

|   | <i>Note</i> | 30 June<br>2021          | 31 December<br>2020      |
|---|-------------|--------------------------|--------------------------|
| Tier two capital fixed rate debts maturing in December 2027 | 29(a)       | 6,000,000                | 6,000,000                |
| Financial fixed rate bonds maturing in August 2021          | 29(b)       | 2,000,000                | 2,000,000                |
| Financial fixed rate bonds maturing in August 2021          | 29(c)       | 12,000,000               | 12,000,000               |
| Financial fixed rate bonds maturing in October 2021         | 29(d)       | 8,000,000                | 8,000,000                |
| Financial fixed rate bonds maturing in November 2021        | 29(e)       | 6,900,000                | 6,900,000                |
| Certificates of interbank deposit                           | 29(f)       | <u>5,456,545</u>         | <u>10,022,558</u>        |
| Subtotal  |             | 40,356,545               | 44,922,558               |
| Add: interest payable                                       |             | <u>1,073,186</u>         | <u>340,079</u>           |
| Total   |             | <u><u>41,429,731</u></u> | <u><u>45,262,637</u></u> |

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

*(Expressed in thousands of RMB, unless otherwise stated)*

## 29 DEBT SECURITIES ISSUED (CONTINUED)

*Notes:*

- (a) Tier two capital fixed rate debts of RMB6.0 billion with a term of ten years were issued on 18 December 2017. The coupon rate is 4.90%. The Group has an option to redeem the debts at the 5th year at the nominal amount. If the debts are not redeemed by the Group, the coupon rate will stay the same for the next 5 years.
- (b) Financial fixed rate bonds of RMB2.0 billion with a term of five years were issued on 26 August 2016. The coupon rate is 3.10% per annum.
- (c) Financial fixed rate bonds of RMB12.0 billion with a term of three years were issued on 15 August 2018. The coupon rate is 4.35% per annum.
- (d) Financial fixed rate bonds of RMB8.0 billion with a term of three years were issued on 25 October 2018. The coupon rate is 4.10% per annum.
- (e) Financial fixed rate bonds of RMB6.9 billion with a term of three years were issued on 26 November 2018. The coupon rate is 3.98% per annum.
- (f) As at 30 June 2021, the interbank negotiable certificates of deposit were measured at amortised cost. The fair value of the interbank deposits issued mentioned above approximates to RMB5,372 million (31 December 2020: RMB9,973 million).

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

### 30 OTHER LIABILITIES

|   | <i>Note</i> | 30 June<br>2021  | 31 December<br>2020 |
|---|-------------|------------------|---------------------|
| Taxes payable                             | 30(a)       | 676,393          | 482,209             |
| Expected credit loss of credit commitment | 30(b)       | 587,370          | 544,511             |
| Lease liabilities                         | 30(c)       | 502,605          | 546,541             |
| Payment and collection clearance accounts |             | 444,081          | 290,567             |
| Accrued staff cost                        | 30(d)       | 295,673          | 455,942             |
| Dividend payable                          |             | 108,291          | 108,291             |
| Dormant accounts                          |             | 64,189           | 69,370              |
| Asset backed security payable             |             | 940              | 4,363               |
| Continuing involvement in liability       | 42          | –                | 198,596             |
| Others                                    |             | 711,544          | 796,134             |
|   |             | <u>711,544</u>   | <u>796,134</u>      |
| Total                                     |             | <u>3,391,086</u> | <u>3,496,524</u>    |

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

*(Expressed in thousands of RMB, unless otherwise stated)*

### 30 OTHER LIABILITIES (CONTINUED)

#### (a) Taxes payable

|  | 30 June<br>2021 | 31 December<br>2020 |
|--|-----------------|---------------------|
| Value-added tax and surcharges payable | 608,075         | 414,285             |
| Others                                 | 68,318          | 67,924              |
| Total                                  | <u>676,393</u>  | <u>482,209</u>      |

#### (b) Expected credit loss of credit commitment

|   | Six months ended 30 June 2021  |  |                                  | Total          |
|---|--------------------------------|--|----------------------------------|----------------|
|   | ECL over the<br>next 12 months | Lifetime ECL-<br>not credit-<br>impaired | Lifetime ECL-<br>credit-impaired |                |
| As at 1 January                         | 534,975                        | 3,018                                    | 6,518                            | 544,511        |
| Transferred:                            |                                |  |                                  |                |
| – to ECL over the next 12 months        | 28                             | (12)                                     | (16)                             | –              |
| – to lifetime ECL – not credit-impaired | (3)                            | 6  | (3)                              | –              |
| – to lifetime ECL – credit-impaired     | (5)                            | (184)                                    | 189                              | –              |
| Net charge/(release) for the period     | <u>46,481</u>                  | <u>(2,153)</u>                           | <u>(1,469)</u>                   | <u>42,859</u>  |
| As at 30 June                           | <u>581,476</u>                 | <u>675</u>                               | <u>5,219</u>                     | <u>587,370</u> |

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

### 30 OTHER LIABILITIES (CONTINUED)

#### (b) Expected credit loss of credit commitment (Continued)

|   | Year ended 31 December 2020 |                                    |                                | Total            |
|---|-----------------------------|------------------------------------|--------------------------------|------------------|
|   | ECL over the next 12 months | Lifetime ECL - not credit-impaired | Lifetime ECL - credit-impaired |                  |
| As at 1 January                         | 657,853                     | 34,143                             | 92,344                         | 784,340          |
| Transferred:                            |                             |                                    |                                |                  |
| - to ECL over the next 12 months        | 1,138                       | (108)                              | (1,030)                        | -                |
| - to lifetime ECL - not credit-impaired | (3)                         | 3                                  | -                              | -                |
| - to lifetime ECL - credit-impaired     | (60)                        | (28)                               | 88                             | -                |
| Net release for the year                | <u>(123,953)</u>            | <u>(30,992)</u>                    | <u>(84,884)</u>                | <u>(239,829)</u> |
| As at 31 December                       | <u>534,975</u>              | <u>3,018</u>                       | <u>6,518</u>                   | <u>544,511</u>   |

#### (c) Maturity analysis of contractual undiscounted cash flows of lease liabilities

|  | 30 June 2021   | 31 December 2020 |
|--|----------------|------------------|
| Within one year  | 123,963        | 130,066          |
| Between one year and two years                           | 112,040        | 114,536          |
| Between two years and three years                        | 93,363         | 100,869          |
| Between three years and five years                       | 127,966        | 140,864          |
| More than five years                                     | <u>109,009</u> | <u>134,107</u>   |
| Contractual undiscounted cash flows of lease liabilities | <u>566,341</u> | <u>620,442</u>   |
| Ending balance of lease liabilities                      | <u>502,605</u> | <u>546,541</u>   |

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

*(Expressed in thousands of RMB, unless otherwise stated)*

### 30 OTHER LIABILITIES (CONTINUED)

#### (d) Accrued staff cost

|   | <i>Note</i> | 30 June<br>2021 | 31 December<br>2020 |
|---|-------------|-----------------|---------------------|
| Salary, bonuses and allowances payable    |             | 160,832         | 314,923             |
| Supplementary retirement benefits payable | 30(d) (i)   | 97,373          | 94,481              |
| Housing allowances payable                |             | 29,929          | 29,957              |
| Pension and annuity payable               | 30(d) (ii)  | 2,480           | 3,181               |
| Other social insurance payable            |             | 2,003           | 3,070               |
| Others                                    |             | 3,056           | 10,330              |
|   |             | <u>3,056</u>    | <u>10,330</u>       |
| Total                                     |             | <u>295,673</u>  | <u>455,942</u>      |

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

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*(Expressed in thousands of RMB, unless otherwise stated)*

## **30 OTHER LIABILITIES (CONTINUED)**

### **(d) Accrued staff cost (Continued)**

#### **(i) *Supplementary retirement benefits***

##### *Early retirement plan*

The Group provides early retirement benefit payments to employees who voluntarily agreed to retire before the retirement age during the period from the date of early retirement to the statutory retirement date.

##### *Supplementary retirement plan*

The Group provides a supplementary retirement plan to its eligible employees, which is mainly heating compensation.

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



# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

*(Expressed in thousands of RMB, unless otherwise stated)*

## 30 OTHER LIABILITIES (CONTINUED)

### (d) Accrued staff cost (Continued)

#### (i) Supplementary retirement benefits (Continued)

##### *Supplementary retirement plan (Continued)*

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

|  | 30 June<br>2021      | 31 December<br>2020  |
|--|----------------------|----------------------|
| Present value of early retirement plan         | 21,596               | 24,362               |
| Present value of supplementary retirement plan | <u>75,777</u>        | <u>70,119</u>        |
| Total  | <u><u>97,373</u></u> | <u><u>94,481</u></u> |

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

|   | 2021                 | 2020                 |
|---|----------------------|----------------------|
| As at 1 January   | 94,481               | 103,566              |
| Benefits paid during the period/year                          | (3,734)              | (10,978)             |
| Defined benefit cost recognised in profit or loss             | 3,277                | 6,344                |
| Defined benefit cost recognised in other comprehensive income | <u>3,349</u>         | <u>(4,451)</u>       |
| As at 30 June/31 December                                     | <u><u>97,373</u></u> | <u><u>94,481</u></u> |

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

### 30 OTHER LIABILITIES (CONTINUED)

#### (d) Accrued staff cost (Continued)

##### (i) Supplementary retirement benefits (Continued)

Supplementary retirement plan (Continued)

(3) Principal actuarial assumptions of the Group are as follows:

|   | 30 June<br>2021                    | 31 December<br>2020                |
|---|------------------------------------|------------------------------------|
| <b>Early retirement plan</b>            |                                    |                                    |
| Discount rate                           | 2.75%                              | 2.75%                              |
| Mortality                               | <i>Note 30<br/>(d) (i) (3) (l)</i> | <i>Note 30<br/>(d) (i) (3) (l)</i> |
| Retired age                             |                                    |                                    |
| – Male                                  | 60                                 | 60                                 |
| – Female                                | 55                                 | 55                                 |
| Annual increase rate of internal salary | 4.00%                              | 4.00%                              |

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

*(Expressed in thousands of RMB, unless otherwise stated)*

## 30 OTHER LIABILITIES (CONTINUED)

### (d) Accrued staff cost (Continued)

#### (i) Supplementary retirement benefits (Continued)

##### *Supplementary retirement plan (Continued)*

(3) Principal actuarial assumptions of the Group are as follows: (Continued)

|                                      | 30 June<br>2021                    | 31 December<br>2020                |
|--------------------------------------|------------------------------------|------------------------------------|
| <b>Supplementary retirement plan</b> |                                    |                                    |
| Discount rate                        | 3.50%                              | 3.75%                              |
| Mortality                            | <i>Note 30<br/>(d) (i) (3) (I)</i> | <i>Note 31<br/>(d) (i) (3) (I)</i> |
| Turnover rate                        | 3.00%                              | 3.00%                              |
| Retired age                          |                                    |                                    |
| – Male                               | 60                                 | 60                                 |
| – Female                             | 55                                 | 55                                 |

*Note:*

(I) As at 30 June 2021, Mortality assumptions are based on China Life Insurance Annuity Table (2010–2013) in China Life Insurance Mortality Table complied by People's Life Insurance Company of China (PLICC), which are published historical statistics in China.

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

## 30 OTHER LIABILITIES (CONTINUED)

### (d) Accrued staff cost (Continued)

#### (i) Supplementary retirement benefits (Continued)

##### Supplementary retirement plan (Continued)

- (4) The sensitivity of the present value of supplementary retirement benefit obligations to changes in the weighted principal:

|  | 30 June<br>2021                 | 31 December<br>2020             |
|--|---------------------------------|---------------------------------|
| Change in present value of the defined benefit plan obligation | <i>Increase/<br/>(decrease)</i> | <i>Increase/<br/>(decrease)</i> |
| Up 25 bps in discount rate                                     | (3,427)                         | (3,196)                         |
| Down 25 bps in discount rate                                   | <u>3,657</u>                    | <u>3,409</u>                    |

#### (ii) Pension and annuity

Pursuant to the relevant laws and regulations in the PRC, the Group has participated in the social pension schemes for employees arranged by local government labor and social security authorities. The Group makes contributions to the retirement scheme at the applicable rates based on the amounts stimulated by the relevant government authorities.

The Group also provides an annuity plan to the eligible employees. The Group makes annuity contributions in proportion to the total salaries and bonuses of employees, which are charged to profit or loss when the contributions are made.

The contributions of the above social pension schemes and annuity plan are managed and supervised by the relevant authorities or the qualified trustee in China, and the Group is not allowed to confiscate any relevant contributions. Therefore, the Group has no forfeited contributions available to reduce the existing level of contributions.

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

## 31 SHARE CAPITAL

### Issued share capital

|  | 30 June<br>2021 | 31 December<br>2020 |
|--|-----------------|---------------------|
| Number of shares, issued and fully paid at par value<br>(in thousands) | 8,796,680       | 8,796,680           |

## 32 RESERVES

### (a) Capital reserve

Capital reserve mainly included share premium arising from the issuance of new shares at prices in excess of par value.

### (b) Surplus reserve

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

Pursuant to the Company Law of the PRC and the Article of Association, the Bank is required to appropriate 10% of its net profit according to the requirements of the Accounting Standards for Business Enterprises and other relevant regulations issued by the Ministry of Finance (“MOF”) after making good prior year’s accumulated loss, to statutory surplus reserve fund until the reserve fund balance reaches 50% of its registered capital.

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

### (c) General reserve

From 1 July 2012, pursuant to the “Measures on Impairment Allowances for Financial Enterprises (Cai Jin [2012] No.20)” issued by the MOF on 30 March 2012, the Group is required to set aside a general reserve through its profit appropriation which should not be lower than 1.5% of the ending balance of its gross risk-bearing assets by 30 June 2021.

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

### 32 RESERVES (CONTINUED)

#### (d) Fair value reserve

|  | 2021      | 2020        |
|--|-----------|-------------|
| As at 1 January  | (633,509) | 399,979     |
| Changes in fair value recognised in fair value reserve | 43,055    | (1,165,181) |
| Transfer to profit or loss upon disposal               | (118,971) | (198,970)   |
| Transfer to retained earnings upon disposal            | –         | (13,833)    |
| Less: income tax                                       | 18,979    | 344,496     |
| Subtotal   | (56,937)  | (1,033,488) |
| As at 30 June/31 December                              | (690,446) | (633,509)   |

#### (e) Provision reserve

|   | 2021     | 2020      |
|---|----------|-----------|
| As at 1 January                                       | 645,432  | 8,215     |
| Changes in fair value recognised in provision reserve | 71,968   | 849,623   |
| Less: income tax                                      | (17,992) | (212,406) |
| As at 30 June/31 December                             | 699,408  | 645,432   |

#### (f) Deficit on remeasurement of net defined benefit liability

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

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

*(Expressed in thousands of RMB, unless otherwise stated)*

### 33 PROFIT DISTRIBUTION

(a) In accordance with the resolution of the Bank's 2020 Annual General Meeting held on 25 May 2021, the shareholders approved the following profit distribution plan for the year ended 31 December 2020 is as follows:

- Appropriate RMB116.66 million to the statutory surplus reserve fund;
- Appropriate RMB303.73 million to the general reserve.

(b) In accordance with the resolution of the Bank's 2019 Annual General Meeting held on 5 June 2020, the shareholders approved the following profit distribution plan for the year ended 31 December 2019 is as follows:

- Appropriate RMB544.13 million to the statutory surplus reserve fund;
- Appropriate RMB277.78 million to the general reserve;

### 34 NOTES TO CONSOLIDATED CASH FLOW STATEMENT

**Cash and cash equivalents comprise:**

|   | 30 June<br>2021   | 31 December<br>2020 |
|---|-------------------|---------------------|
| Cash on hand  | 1,078,060         | 1,152,427           |
| Deposits with central bank other than restricted deposits   | 21,991,797        | 9,074,637           |
| Deposits with banks and other financial institutions with original maturity of three months or less   | 7,112,875         | 12,358,995          |
| Placements with banks and other financial institutions with original maturity of three months or less | 7,100,000         | 4,500,000           |
| Financial assets held under resale agreements with original maturity of three months or less          | 3,600,000         | 22,121,430          |
| <b>Total</b>  | <b>40,882,732</b> | <b>49,207,489</b>   |

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

## 35 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

### (a) Relationship of related parties

#### (i) Major shareholders

Major shareholders include shareholders of the Bank with 5% or above ownership, or assigning a director in the Bank.

Share percentage in the Bank:

|  | 30 June<br>2021 | 31 December<br>2020 |
|--|-----------------|---------------------|
| Evergrande Group (Nanchang) Co., Ltd.                            | 36.40%          | 36.40%              |
| Shenyang Hengxin State-owned Asset<br>Management Group Co., Ltd. | 5.45%           | 5.45%               |
| Liaoning Huibao International Investment<br>Group Co., Ltd.      | 4.55%           | 4.55%               |
| Xinhu Zhongbao Co., Ltd.   | 3.41%           | 3.41%               |
| Founder Securities Co., Ltd.                                     | 3.41%           | 3.41%               |
| Liaoning Huafeng Investment Co., Ltd.                            | 1.14%           | 1.14%               |



# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

*(Expressed in thousands of RMB, unless otherwise stated)*

## 35 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

### (a) Relationship of related parties (Continued)

#### (i) Major shareholders (Continued)

*Main condition of major shareholders:*

| Company Name   | Registered Address | Main Business  | Company Nature               | Legal Representative |
|--|--------------------|--|------------------------------|----------------------|
| Evergrande Group<br>(Nanchang) Co., Ltd.                       | Nanchang           | Industrial investment;<br>investment<br>management                 | Limited Liability<br>Company | Zhong Wenyan         |
| Shenyang Hengxin<br>State-Owned Asset<br>Management Co., Ltd.  | Shenyang           | Management and<br>operation of asset                               | Limited Liability<br>Company | Liang Zhifang        |
| Liaoning Huibao<br>International Investment<br>Group Co., Ltd. | Shenyang           | Investment management;<br>exploitation and sales<br>of real estate | Limited Liability<br>Company | Ma Chaohai           |
| Xinhu Zhongbao Co., Ltd.                                       | Jiaxing            | Industrial investment;<br>exploitation and sales<br>of real estate | Company Limited<br>by Shares | Lin Junbo            |
| Founder Securities Co.,<br>Ltd.                                | Changsha           | Share broking; asset<br>management                                 | Company Limited<br>by Shares | Shi Hua              |
| Liaoning Huafeng<br>Investment Co., Ltd.                       | Shenyang           | Project investment and<br>project management                       | Limited Liability<br>Company | Bao Lijun            |

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

### 35 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

#### (a) Relationship of related parties (Continued)

##### (i) Major shareholders (Continued)

Registered capital of major shareholders:

| Company Name   | Currency | 30 June<br>2021 | 31 December<br>2020 |
|--|----------|-----------------|---------------------|
| Evergrande Group (Nanchang) Co., Ltd.                    | RMB      | 99,984,980      | 99,984,980          |
| Shenyang Hengxin State-Owned Asset Management Co., Ltd.  | RMB      | 10,000,000      | 10,000,000          |
| Liaoning Huibao International Investment Group Co., Ltd. | RMB      | 80,000          | 80,000              |
| Xinhu Zhongbao Co., Ltd.                                 | RMB      | 8,599,000       | 8,599,000           |
| Founder Securities Co., Ltd.                             | RMB      | 8,232,000       | 8,232,000           |
| Liaoning Huafeng Investment Co., Ltd.                    | RMB      | 50,000          | 50,000              |

##### (ii) Subsidiaries of the Bank

The detailed information of the Bank's subsidiaries is set out in Note 1.

##### (iii) Other related parties

Other related parties can be individuals or enterprises, which include: members of the Board of Directors, the Board of Supervisors and senior management, and close family members of such individuals; entities (and their subsidiaries) controlled or jointly controlled by members of the Board of Directors, the Board of Supervisors and senior management, and close family members of such individuals; and entities controlled or jointly controlled by the major shareholders of the Bank as set out in Note 35(a) (i) or their controlling shareholders. Other related parties also include post-employment benefit plans of the Group (Note 30(d)).

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

## 35 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

### (b) Related party transactions and balances

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

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

##### (1) Deposits from customers

|  | 30 June<br>2021 | 31 December<br>2020 |
|--|-----------------|---------------------|
| Shenyang Hengxin State-Owned Asset Management Co., Ltd.  | 58,469          | 72,498              |
| Evergrande Group (Nanchang) Co., Ltd.                    | 211             | 1,926               |
| Liaoning Huibao International Investment Group Co., Ltd. | 35              | 143                 |
| Xinhu Zhongbao Co., Ltd.                                 | 17              | 17                  |
| Liaoning Huafeng Investment Co., Ltd.                    | 12              | 12                  |
| Founder Securities Co., Ltd.                             | –               | 300,000             |
| Total  | 58,744          | 374,596             |

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

### 35 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

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

##### (i) Transactions between the Bank and major shareholders (Continued)

##### (2) Guarantees received

|  | 30 June<br>2021  | 31 December<br>2020 |
|--|------------------|---------------------|
| Shenyang Hengxin State-Owned Asset Management Co., Ltd.  | 1,118,500        | 1,118,500           |
| Liaoning Huibao International Investment Group Co., Ltd. | 411,663          | 411,663             |
| Total  | <u>1,530,163</u> | <u>1,530,163</u>    |

##### (3) Interest expense

|  | Six months ended 30 June<br>2021 | 2020         |
|--|----------------------------------|--------------|
| Founder Securities Co., Ltd.                             | 1,311                            | 3,435        |
| Shenyang Hengxin State-Owned Asset Management Co., Ltd.  | 279                              | 307          |
| Evergrande Group (Nanchang) Co., Ltd.                    | 1                                | 20           |
| Liaoning Huibao International Investment Group Co., Ltd. | –                                | 3            |
| Total  | <u>1,591</u>                     | <u>3,765</u> |

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

*(Expressed in thousands of RMB, unless otherwise stated)*

### 35 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

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

##### (ii) Transactions between the Bank and subsidiaries

|  | 30 June<br>2021                  | 31 December<br>2020 |
|--|----------------------------------|---------------------|
| Balances at the end of the period/year:                |                                  |                     |
| Deposits from banks and other financial institutions   | 487,290                          | 821,769             |
| Placements with banks and other financial institutions | 2,790,000                        | 2,790,000           |
|  |                                  |                     |
|  | Six months ended 30 June<br>2021 | 2020                |
| Transactions during the period:                        |                                  |                     |
| Interest income  | 67,447                           | 63,395              |
| Interest expense                                       | 6,120                            | 4,386               |



# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

*(Expressed in thousands of RMB, unless otherwise stated)*

## 35 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

### (c) Key management personnel (Continued)

#### (ii) Transactions between the Bank and key management personnel

|   | 30 June<br>2021                  | 31 December<br>2020 |
|---|----------------------------------|---------------------|
| Balances at the end of the period/year: |                                  |                     |
| Deposits from customers                 | 26,109                           | 29,025              |
| Loans and advances to customers         | 480                              | 542                 |
|   |                                  |                     |
|   | Six months ended 30 June<br>2021 | 2020                |
| Transactions during the period:         |                                  |                     |
| Interest income                         | 13                               | 36                  |
| Interest expense                        | 129                              | 174                 |

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

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*(Expressed in thousands of RMB, unless otherwise stated)*

## 36 RISK MANAGEMENT

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

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

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

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

### (a) Credit risk

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

#### ***Credit business***

The Board is responsible for setting the Group's risk management strategy and the overall risk tolerance level. The Board also monitors the Group's risk management process and regularly assesses the Group's risk position and risk management strategies, ensures that all kinds of credit risk in various businesses are properly identified, assessed, calculated and monitored. The Risk Management Department and the Credit Approval Department are responsible for credit risk management. Front-office departments such as the Corporate Banking Department, the Retail Banking Department, the Investment Banking Department and the Capital Operation Center carry out credit businesses according to the Group's risk management policies and procedures.



# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

## 36 RISK MANAGEMENT (CONTINUED)

### (a) Credit risk (Continued)

#### *Credit business (Continued)*

Based on whether there is significant increase in credit risk and whether the asset has suffered credit impairment, the Group measures provision for loss of different assets with 12-month ECL or lifetime ECL respectively. The expected credit loss is the result of the discounted product of probability of default (PD), exposure at default (EAD) and loss given default (LGD). The definitions of these terms are as follows:

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

The Group determines the expected credit losses by estimating the PD, LGD and EAD of individual exposure or asset portfolios in the future years. The Group multiplies these three parameters and makes adjustments according to the probability of their continuance (i.e. there is no prepayment or default at an earlier period). By adopting this approach, the Group can calculate the expected credit losses for the future years. The results of calculation for each year are then discounted to the balance sheet date and added up. The discount rate used in the calculation of ECL is the initial effective interest rate or its approximate value.

The lifetime probability of default is to deduce the marginal probability of default by using supervisory formula or conditional probability formula.

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

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*(Expressed in thousands of RMB, unless otherwise stated)*

## 36 RISK MANAGEMENT (CONTINUED)

### (a) Credit risk (Continued)

#### *Credit business (Continued)*

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

- In respect of the financial assets with instalment repayments and bullet repayment, the Group determines 12-month or lifetime EAD according to the repayment schedule agreed in the contract, and makes adjustment based on prediction of over-limit repayment and prepayments/refinancing made by the borrower.
- As to the off-balance sheet credit commitments, the parameter of EAD is calculated using the current exposure method, and obtained from multiplying the nominal amount of the off-balance sheet items on the balance sheet date by the credit conversion factor (CCF).
- The Group determines the 12-month loss given default (LGD) and lifetime LGD based on the factors that affects post-default recovery. LGD for different product types are different.
- As to financial assets classified as guarantees, the Group determines the loss given default (LGD) according to the types of collaterals and their expected value, the discount rate at the compulsory sale, the recovery time and the estimated recovery cost.
- As to credit-based financial assets, the Group usually determines loss given default (LGD) in the product level due to the limited differences in recoverable amounts from different borrowers.

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

## 36 RISK MANAGEMENT (CONTINUED)

### (a) Credit risk (Continued)

#### *Credit business (Continued)*

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

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

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

- Both the assessment of significant increase in credit risk and the measurement of expected credit losses involve forward-looking information. Based on the analysis on historical data, the Group identified critical economic indicators that affect the credit risk and expected credit losses of all asset portfolios, including gross domestic product (GDP), consumer price index (CPI), and producer price index (PPI), etc. The Group identified the relations between these economic indicators and the probability of default historically by conducting regression analysis, and identified the expected probability of default by predicting the future economic indicators.
- When judging whether there is significant increase in credit risk, the Group multiplies the lifetime PD at the benchmark and under other scenarios by the weight of the scenarios, and considers the qualitative and maximum indicators. The Group measures relevant provision for loss by the weighted 12-month ECL (for stage 1) or the weighted lifetime ECL (for stage 2 and stage 3). The above weighted credit losses are calculated from multiplying the ECL under the different scenarios by the weight of the corresponding scenarios.

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

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*(Expressed in thousands of RMB, unless otherwise stated)*

## 36 RISK MANAGEMENT (CONTINUED)

### (a) Credit risk (Continued)

#### *Credit business (Continued)*

- Similar to other economic forecasts, there is highly inherent uncertainty in the assessment of estimated economic indicators and the probability of occurrence, and therefore, the actual results may be materially different from the forecasts. The Group believes that these forecasts reflect the Group's best estimate of possible outcomes.
- Other forward-looking factors not incorporated in above scenarios, such as the impact of regulatory and legal changes, have also been taken into account. However, they were not considered to have significant impact, and the expected credit losses were not adjusted accordingly. The Group reviews and monitors the appropriateness of the above assumptions on a quarterly basis.

#### *Treasury Business*

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

#### *(i) Maximum credit risk exposure*

The maximum exposure to credit risk is represented by the carrying amount of each type of financial assets as at the end of the reporting period. The maximum exposure to credit risk in respect of those off-balance sheet items as at the end of the reporting period is disclosed in Note 38(a).

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

*(Expressed in thousands of RMB, unless otherwise stated)*

## 36 RISK MANAGEMENT (CONTINUED)

### (a) Credit risk (Continued)

#### *Credit business (Continued)*

#### *(ii) Loans and advances to customers*

Loans and advances to customers were analysed as follows as at 30 June 2021:

|  | 30 June<br>2021     | 31 December<br>2020 |
|--|---------------------|---------------------|
| Gross balance of loans and advances to customers |                     |                     |
| – ECL over the next 12 months                    | 540,519,757         | 503,677,602         |
| – Lifetime ECL – not credit-impaired loans       | 27,158,447          | 25,555,014          |
| – Lifetime ECL – credit-impaired loans           | 20,362,251          | 17,829,941          |
|  | <u>588,040,455</u>  | <u>547,062,557</u>  |
| Add: Interest receivable                         |                     |                     |
| – ECL over the next 12 months                    | 12,304,088          | 6,985,114           |
| – Lifetime ECL – not credit-impaired loans       | 1,484,216           | 975,344             |
|  | <u>13,788,304</u>   | <u>7,960,458</u>    |
| Less: allowance for impairment losses            |                     |                     |
| – ECL over the next 12 months                    | (8,188,467)         | (7,337,769)         |
| – Lifetime ECL – not credit-impaired loans       | (7,240,493)         | (6,987,110)         |
| – Lifetime ECL – credit-impaired loans           | (7,952,981)         | (6,010,909)         |
|  | <u>(23,381,941)</u> | <u>(20,335,788)</u> |
| Net balance                                      |                     |                     |
| – ECL over the next 12 months                    | 544,635,378         | 503,324,947         |
| – Lifetime ECL – not credit-impaired loans       | 21,402,170          | 19,543,248          |
| – Lifetime ECL – credit-impaired loans           | 12,409,270          | 11,819,032          |
|  | <u>578,446,818</u>  | <u>534,687,227</u>  |

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

## 36 RISK MANAGEMENT (CONTINUED)

### (a) Credit risk (Continued)

#### *Credit business (Continued)*

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

##### (1) ECL over the next 12 months loans

|                              | 30 June<br>2021 | 31 December<br>2020 |
|------------------------------|-----------------|---------------------|
| Corporate loans and advances | 449,133,558     | 427,294,550         |
| Personal loans and advances  | 91,386,199      | 76,383,052          |
| Total gross balance          | 540,519,757     | 503,677,602         |

##### (2) Lifetime ECL – not credit-impaired loans

|                                 | 30 June 2021 |                                     |                                 | Total      |
|---------------------------------|--------------|-------------------------------------|---------------------------------|------------|
|                                 | Not overdue  | Less than<br>1 month<br>(inclusive) | 1 to 3<br>months<br>(inclusive) |            |
| Corporate loans and<br>advances | 12,880,441   | 10,631,922                          | 3,288,939                       | 26,801,302 |
| Personal loans and<br>advances  | –            | 56,670                              | 300,475                         | 357,145    |
| Total gross balance             | 12,880,441   | 10,688,592                          | 3,589,414                       | 27,158,447 |

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

*(Expressed in thousands of RMB, unless otherwise stated)*

## 36 RISK MANAGEMENT (CONTINUED)

### (a) Credit risk (Continued)

#### *Credit business (Continued)*

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

#### (2) Lifetime ECL – not credit-impaired loans (Continued)

|                              | 31 December 2020  |                                     |                                 | Total             |
|------------------------------|-------------------|-------------------------------------|---------------------------------|-------------------|
|                              | Not overdue       | Less than<br>1 month<br>(inclusive) | 1 to 3<br>months<br>(inclusive) |                   |
| Corporate loans and advances | 17,922,039        | 525,830                             | 6,836,211                       | 25,284,080        |
| Personal loans and advances  | –                 | 50,608                              | 220,326                         | 270,934           |
| Total gross balance          | <u>17,922,039</u> | <u>576,438</u>                      | <u>7,056,537</u>                | <u>25,555,014</u> |

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

|   | 30 June<br>2021   | 31 December<br>2020 |
|---|-------------------|---------------------|
| Fair value of collateral held against loans and advances which was lifetime ECL but not credit-impaired | <u>32,682,484</u> | <u>10,746,256</u>   |

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

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

## 36 RISK MANAGEMENT (CONTINUED)

### (a) Credit risk (Continued)

#### *Credit business (Continued)*

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

#### (3) Lifetime ECL – credit-impaired loans

|  | 30 June<br>2021   | 31 December<br>2020 |
|--|-------------------|---------------------|
| Corporate loans and advances   | 19,069,506        | 17,025,760          |
| Personal loans and advances  | 1,292,745         | 804,181             |
| Total gross balance  | <u>20,362,251</u> | <u>17,829,941</u>   |
| % of total loans and advances  | <u>3.46%</u>      | <u>3.26%</u>        |
| Allowance for impairment losses  |                   |                     |
| – Corporate loans and advances   | 7,061,193         | 5,476,895           |
| – Personal loans and advances  | 891,788           | 534,014             |
| Total  | <u>7,952,981</u>  | <u>6,010,909</u>    |
| Fair value of collateral held against credit-impaired loans and advances | <u>32,469,478</u> | <u>36,976,382</u>   |

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



# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

*(Expressed in thousands of RMB, unless otherwise stated)*

## 36 RISK MANAGEMENT (CONTINUED)

### (a) Credit risk (Continued)

#### *Credit business (Continued)*

#### *(iii) Amounts due from banks and other financial institutions*

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

|                                     | 30 June<br>2021   | 31 December<br>2020 |
|-------------------------------------|-------------------|---------------------|
| Carrying amount                     |                   |                     |
| Neither overdue nor impaired        |                   |                     |
| – grade A to AAA                    | 16,609,948        | 24,995,004          |
| – grade B to BBB                    | 29,503            | 1,309,960           |
| – unrated ( <i>Note (1)</i> )       | 1,183,424         | 14,525,009          |
| Impaired                            |                   |                     |
| – grade C to CCC                    | 300,000           | 300,000             |
| – unrated                           | 1,146,777         | 1,146,777           |
|                                     | <u>19,269,652</u> | <u>42,276,750</u>   |
| Add: interest receivable            |                   |                     |
| – ECL over the next 12 months       | 22,643            | 34,727              |
| Less: provision for impairment loss |                   |                     |
| – Lifetime ECL – credit-impaired    | (2,700)           | (497,701)           |
| – Lifetime ECL – credit-impaired    | (642,341)         | (150,000)           |
|                                     | <u>(645,041)</u>  | <u>(647,701)</u>    |
| Net balance                         |                   |                     |
| – ECL over the next 12 months       | 17,842,818        | 40,366,999          |
| – Lifetime ECL – credit-impaired    | 804,436           | 1,296,777           |
|                                     | <u>18,647,254</u> | <u>41,663,776</u>   |

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

## 36 RISK MANAGEMENT (CONTINUED)

### (a) Credit risk (Continued)

#### *Credit business (Continued)*

#### *(iii) Amounts due from banks and other financial institutions (Continued)*

Note:

- (1) All unrated carrying amount are pledged by government debt securities or policy banks debt securities.

#### *(iv) Debt securities investments*

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

The following tables present an analysis of the Group's total credit risk exposures of debt securities investments by types of issuers:

|  | 30 June<br>2021 | 31 December<br>2020 |
|--|-----------------|---------------------|
| Gross balance of debt securities investments |                 |                     |
| – ECL over the next 12 months                |                 |                     |
| – Government                                 | 78,212,186      | 78,673,077          |
| – Policy banks                               | 46,979,309      | 85,439,498          |
| – Banks and other financial institutions     | 2,402,901       | 3,445,186           |
| – Corporate                                  | 4,892,048       | 3,219,947           |
| – Lifetime ECL – credit-impaired             |                 |                     |
| – Corporate                                  | 2,546,745       | 1,469,745           |
|  | 135,033,189     | 172,247,453         |

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

*(Expressed in thousands of RMB, unless otherwise stated)*

## 36 RISK MANAGEMENT (CONTINUED)

### (a) Credit risk (Continued)

#### *Credit business (Continued)*

#### *(iv) Debt securities investments (Continued)*

|                                       | 30 June<br>2021    | 31 December<br>2020 |
|---------------------------------------|--------------------|---------------------|
| Less: allowance for impairment losses |                    |                     |
| – ECL over the next 12 months         | (5,538)            | (6,998)             |
| – Lifetime ECL – credit-impaired      | <u>(1,072,640)</u> | <u>(641,840)</u>    |
|                                       | <u>(1,078,178)</u> | <u>(648,838)</u>    |
| Net balance                           |                    |                     |
| – ECL over the next 12 months         | 132,480,906        | 170,770,710         |
| – Lifetime ECL – credit-impaired      | <u>1,474,105</u>   | <u>827,905</u>      |
|                                       | <u>133,955,011</u> | <u>171,598,615</u>  |

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

## 36 RISK MANAGEMENT (CONTINUED)

### (a) Credit risk (Continued)

#### *Credit business (Continued)*

#### (v) *Financial assets measured at amortised cost*

|  | 30 June<br>2021    | 31 December<br>2020 |
|--|--------------------|---------------------|
| Gross balance of financial assets measured at amortised cost |                    |                     |
| – ECL over the next 12 months                                | 184,179,327        | 221,339,611         |
| – Lifetime ECL – not credit-impaired investments             | 2,740,655          | 1,200,000           |
| – Lifetime ECL – credit-impaired investments                 | <u>7,381,885</u>   | <u>6,375,045</u>    |
|  | <u>194,301,867</u> | <u>228,914,656</u>  |
| Add: Interest receivable                                     |                    |                     |
| – ECL over the next 12 months                                | <u>3,693,452</u>   | <u>3,725,514</u>    |
| Less: allowance for impairment losses                        |                    |                     |
| – ECL over the next 12 months                                | (711,544)          | (1,640,198)         |
| – Lifetime ECL – not credit-impaired investments             | (745,183)          | (151,576)           |
| – Lifetime ECL – credit-impaired investments                 | <u>(2,155,834)</u> | <u>(1,621,314)</u>  |
|  | <u>(3,612,561)</u> | <u>(3,413,088)</u>  |
| Net balance  |                    |                     |
| – ECL over the next 12 months                                | 187,161,235        | 223,424,927         |
| – Lifetime ECL – not credit-impaired investments             | 1,995,472          | 1,048,424           |
| – Lifetime ECL – credit-impaired investments                 | <u>5,226,051</u>   | <u>4,753,731</u>    |
|  | <u>194,382,758</u> | <u>229,227,082</u>  |

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

*(Expressed in thousands of RMB, unless otherwise stated)*

## 36 RISK MANAGEMENT (CONTINUED)

### (b) Market risk

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

The Board is responsible for approving the market risk management strategies and policies, determining the acceptable level of market risk and authorising the Risk Control Committee and the Consumer Protection Committee to supervise the market risk management conducted by the senior management. The Asset and Liability Management Department of the Bank is responsible for identifying, measuring, monitoring and reporting the market risk of the various business lines, providing various data on market risks and other technical support. The Risk Management Department is responsible for overall market risk management.

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

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

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

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

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

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*(Expressed in thousands of RMB, unless otherwise stated)*

## 36 RISK MANAGEMENT (CONTINUED)

### (b) Market risk (Continued)

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

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

#### (i) Interest rate risk

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

##### (1) Repricing risk

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

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

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

## 36 RISK MANAGEMENT (CONTINUED)

### (b) Market risk (Continued)

#### (i) Interest rate risk (Continued)

##### (1) Repricing risk (Continued)

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

|  | 30 June 2021         |                      |                                    |   |   |                      |
|--|----------------------|----------------------|------------------------------------|---|---|----------------------|
|  | Total                | Non-interest bearing | Less than three months (inclusive) | Between three months and one year (inclusive) | Between one year and five years (inclusive) | More than five years |
| <b>Assets</b>  |                      |                      |                                    |   |   |                      |
| Cash and deposits with central bank                    | 96,549,708           | 1,112,188            | 95,437,520                         | -   | -   | -                    |
| Deposits with banks and other financial institutions   | 7,797,592            | 21,355               | 7,766,238                          | 9,999   | -   | -                    |
| Placements with banks and other financial institutions | 7,250,107            | 151,100              | 7,099,007                          | -   | -   | -                    |
| Financial assets held under resale agreements          | 3,599,555            | 188                  | 3,599,367                          | -   | -   | -                    |
| Loans and advances to customers (Note I)               | 578,446,818          | 13,788,304           | 79,885,737                         | 254,325,764                                   | 161,174,025                                 | 69,272,988           |
| Financial investments (Note II)                        | 303,790,174          | 12,713,283           | 74,100,921                         | 84,659,324                                    | 81,523,843                                  | 50,792,803           |
| Others   | 19,069,544           | 18,610,320           | 44,177                             | 72,145  | 341,391                                     | 1,511                |
| <b>Total assets</b>                                    | <b>1,016,503,498</b> | <b>46,396,738</b>    | <b>267,932,967</b>                 | <b>339,067,232</b>                            | <b>243,039,259</b>                          | <b>120,067,302</b>   |

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

## 36 RISK MANAGEMENT (CONTINUED)

### (b) Market risk (Continued)

#### (i) Interest rate risk (Continued)

##### (1) Repricing risk (Continued)

|  | 30 June 2021         |                      |                                    |   |   |                      |
|--|----------------------|----------------------|------------------------------------|---|---|----------------------|
|  | Total                | Non-interest bearing | Less than three months (inclusive) | Between three months and one year (inclusive) | Between one year and five years (inclusive) | More than five years |
| <b>Liabilities</b>                                     |                      |                      |                                    |   |   |                      |
| Borrowings from central bank                           | (5,779,501)          | (13,236)             | (4,500,000)                        | (1,266,265)                                   | -   | -                    |
| Deposits from banks and other financial institutions   | (52,604,910)         | (159,339)            | (49,080,571)                       | (3,365,000)                                   | -   | -                    |
| Placements from banks and other financial institutions | (3,579,640)          | (35,598)             | (2,944,042)                        | (600,000)                                     | -   | -                    |
| Financial assets sold under repurchase agreements      | (61,889,126)         | (33,553)             | (59,418,486)                       | (2,437,087)                                   | -   | -                    |
| Deposits from customers                                | (745,785,495)        | (16,822,876)         | (206,311,476)                      | (270,974,352)                                 | 251,676,791                                 | -                    |
| Debt securities issued                                 | (41,429,731)         | (1,073,186)          | (16,750,577)                       | (17,605,968)                                  | -   | (6,000,000)          |
| Others   | <u>(24,347,718)</u>  | <u>(3,442,086)</u>   | <u>(2,510,475)</u>                 | <u>(18,084,409)</u>                           | <u>(309,237)</u>                            | <u>(1,511)</u>       |
| Total liabilities                                      | <u>(935,416,121)</u> | <u>(21,579,874)</u>  | <u>(341,515,627)</u>               | <u>(314,333,081)</u>                          | <u>(251,986,028)</u>                        | <u>(6,001,511)</u>   |
| Asset-liability gap                                    | <u>81,087,377</u>    | <u>24,816,864</u>    | <u>(73,582,660)</u>                | <u>24,734,157</u>                             | <u>(8,946,769)</u>                          | <u>114,065,791</u>   |



# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

*(Expressed in thousands of RMB, unless otherwise stated)*

## 36 RISK MANAGEMENT (CONTINUED)

### (b) Market risk (Continued)

#### (i) Interest rate risk (Continued)

##### (1) Repricing risk (Continued)

|  | 31 December 2020     |                      |                                    |   |   |                      |
|--|----------------------|----------------------|------------------------------------|---|---|----------------------|
|  | Total                | Non-interest bearing | Less than three months (inclusive) | Between three months and one year (inclusive) | Between one year and five years (inclusive) | More than five years |
| <b>Assets</b>  |                      |                      |                                    |   |   |                      |
| Cash and deposits with central bank                    | 78,505,916           | 1,187,264            | 77,318,652                         | -   | -   | -                    |
| Deposits with banks and other financial institutions   | 15,194,344           | 33,265               | 15,161,079                         | -   | -   | -                    |
| Placements with banks and other financial institutions | 4,350,087            | 150,629              | 4,199,458                          | -   | -   | -                    |
| Financial assets held under resale agreements          | 22,119,345           | 833                  | 22,118,512                         | -   | -   | -                    |
| Loans and advances to customers<br><i>(Note I)</i>     | 534,687,227          | 7,960,458            | 117,056,619                        | 153,147,676                                   | 189,911,941                                 | 66,610,533           |
| Financial investments <i>(Note II)</i>                 | 358,044,952          | 9,722,360            | 72,318,815                         | 84,984,947                                    | 99,590,201                                  | 91,428,629           |
| Others   | <u>25,056,504</u>    | <u>23,951,630</u>    | <u>205,325</u>                     | <u>502,962</u>                                | <u>394,851</u>                              | <u>1,736</u>         |
| <b>Total assets</b>                                    | <u>1,037,958,375</u> | <u>43,006,439</u>    | <u>308,378,460</u>                 | <u>238,635,585</u>                            | <u>289,896,993</u>                          | <u>158,040,898</u>   |

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

## 36 RISK MANAGEMENT (CONTINUED)

### (b) Market risk (Continued)

#### (i) Interest rate risk (Continued)

##### (1) Repricing risk (Continued)

|  | 31 December 2020     |                      |                                    |   |   |                      |
|--|----------------------|----------------------|------------------------------------|---|---|----------------------|
|  | Total                | Non-interest bearing | Less than three months (inclusive) | Between three months and one year (inclusive) | Between one year and five years (inclusive) | More than five years |
| <b>Liabilities</b>                                     |                      |                      |                                    |   |   |                      |
| Borrowings from central bank                           | (2,815,363)          | (47,120)             | (6,200)                            | (2,762,043)                                   | -   | -                    |
| Deposits from banks and other financial institutions   | (90,792,706)         | (320,973)            | (80,556,773)                       | (9,914,960)                                   | -   | -                    |
| Placements from banks and other financial institutions | (4,984,505)          | (60,464)             | (2,624,201)                        | (2,299,840)                                   | -   | -                    |
| Financial assets sold under repurchase agreements      | (89,672,253)         | (57,415)             | (83,832,133)                       | (5,782,705)                                   | -   | -                    |
| Deposits from customers                                | (697,363,902)        | (15,959,155)         | (181,828,586)                      | (116,080,529)                                 | (213,326,699)                               | (170,168,933)        |
| Debt securities issued                                 | (45,262,637)         | (340,079)            | (8,814,361)                        | (30,108,197)                                  | -   | (6,000,000)          |
| Others   | <u>(27,020,460)</u>  | <u>(4,030,607)</u>   | <u>(4,593,457)</u>                 | <u>(18,038,597)</u>                           | <u>(356,065)</u>                            | <u>(1,734)</u>       |
| Total liabilities                                      | <u>(957,911,826)</u> | <u>(20,815,813)</u>  | <u>(362,255,711)</u>               | <u>(184,986,871)</u>                          | <u>(213,682,764)</u>                        | <u>(176,170,667)</u> |
| Asset-liability gap                                    | <u>80,046,549</u>    | <u>22,190,626</u>    | <u>(53,877,251)</u>                | <u>53,648,714</u>                             | <u>76,214,229</u>                           | <u>(18,129,769)</u>  |

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

## 36 RISK MANAGEMENT (CONTINUED)

### (b) Market risk (Continued)

#### (i) Interest rate risk (Continued)

##### (1) Repricing risk (Continued)

Notes:

- I For the Group's loans and advances to customers, the category "Less than three months (inclusive)" as at 30 June 2021 included overdue amounts (net of provision for impairment losses) of RMB21,707 million (31 December 2020: RMB13,933 million).
- II Financial investments include financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and financial assets measured at amortised cost.

##### (2) Interest rate sensitivity analysis

|   | 30 June<br>2021<br>Increase/<br>(decrease) | 31 December<br>2020<br>Increase/<br>(decrease) |
|---|--|--|
| Change in profit after taxation             |  |  |
| Up 100 bps parallel shift in yield curves   | (448,673)                                  | (217,798)                                      |
| Down 100 bps parallel shift in yield curves | 448,673                                    | 217,798  |
|   |  |  |
|   | 30 June<br>2021<br>Increase/<br>(decrease) | 31 December<br>2020<br>Increase/<br>(decrease) |
| Change in equity                            |  |  |
| Up 100 bps parallel shift in yield curves   | (1,751,088)                                | (1,715,857)                                    |
| Down 100 bps parallel shift in yield curves | 1,871,098                                  | 1,892,907                                      |

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

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*(Expressed in thousands of RMB, unless otherwise stated)*

## 36 RISK MANAGEMENT (CONTINUED)

### (b) Market risk (Continued)

#### (i) Interest rate risk (Continued)

##### (2) Interest rate sensitivity analysis (Continued)

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

- Interest rate movements apply to all financial instruments of the Group;
- An interest rate movement of one hundred basis points is based on the assumption of interest rates movement over the next 12 months;
- All assets and liabilities that reprice or mature within three months and after three-months but within one year reprice or mature in the mid of the respective periods;
- There is a parallel shift in the yield curve with the changes in interest rates;
- There are no other changes to the assets and liabilities portfolio;
- Other variables (including exchange rates) remain unchanged; and
- The analysis does not take into account the effect of risk management measures taken by the management.

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

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

*(Expressed in thousands of RMB, unless otherwise stated)*

## 36 RISK MANAGEMENT (CONTINUED)

### (b) Market risk (Continued)

#### (ii) Currency risk

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

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

|  | 30 June 2021         |                                    |                                       |                                      |
|--|----------------------|------------------------------------|---------------------------------------|--------------------------------------|
|  | RMB                  | USD<br><i>(RMB<br/>Equivalent)</i> | Others<br><i>(RMB<br/>Equivalent)</i> | Total<br><i>(RMB<br/>Equivalent)</i> |
| <b>Assets</b>  |                      |                                    |                                       |                                      |
| Cash and deposits with central bank                    | 96,276,783           | 251,269                            | 21,656                                | 96,549,708                           |
| Deposits with banks and other financial institutions   | 4,772,849            | 2,654,875                          | 369,868                               | 7,797,592                            |
| Placements with banks and other financial institutions | 7,250,107            | -                                  | -                                     | 7,250,107                            |
| Financial assets held under resale agreements          | 3,599,555            | -                                  | -                                     | 3,599,555                            |
| Loans and advances to customers                        | 576,531,116          | 1,085,358                          | 830,344                               | 578,446,818                          |
| Financial investments <i>(Note (1))</i>                | 303,790,174          | -                                  | -                                     | 303,790,174                          |
| Others   | <u>13,947,187</u>    | <u>3,235,873</u>                   | <u>1,886,484</u>                      | <u>19,069,544</u>                    |
| Total assets   | <u>1,006,167,771</u> | <u>7,227,375</u>                   | <u>3,108,352</u>                      | <u>1,016,503,498</u>                 |

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

## 36 RISK MANAGEMENT (CONTINUED)

### (b) Market risk (Continued)

#### (ii) Currency risk (Continued)

|   | 30 June 2021         |                            |                               |                              |
|---|----------------------|----------------------------|-------------------------------|------------------------------|
|   | RMB                  | USD<br>(RMB<br>Equivalent) | Others<br>(RMB<br>Equivalent) | Total<br>(RMB<br>Equivalent) |
| <b>Liabilities</b>  |                      |                            |                               |                              |
| Borrowings from central bank                              | (5,779,501)          | -                          | -                             | (5,779,501)                  |
| Deposits from banks and other<br>financial institutions   | (48,535,047)         | (4,069,863)                | -                             | (52,604,910)                 |
| Placements from banks and other<br>financial institutions | (3,450,438)          | (129,202)                  | -                             | (3,579,640)                  |
| Financial assets sold under<br>repurchase agreements      | (61,889,126)         | -                          | -                             | (61,889,126)                 |
| Deposits from customers                                   | (744,190,846)        | (1,512,830)                | (81,819)                      | (745,785,495)                |
| Debt securities issued                                    | (41,429,731)         | -                          | -                             | (41,429,731)                 |
| Others  | (20,239,569)         | (1,110,507)                | (2,997,642)                   | (24,347,718)                 |
| Total liabilities   | <u>(925,514,258)</u> | <u>(6,822,402)</u>         | <u>(3,079,461)</u>            | <u>(935,416,121)</u>         |
| Net position  | <u>80,653,513</u>    | <u>404,973</u>             | <u>28,891</u>                 | <u>81,087,377</u>            |
| Off-balance sheet credit<br>commitments                   | <u>167,659,322</u>   | <u>6,495,942</u>           | <u>339,113</u>                | <u>174,494,377</u>           |

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

*(Expressed in thousands of RMB, unless otherwise stated)*

## 36 RISK MANAGEMENT (CONTINUED)

### (b) Market risk (Continued)

#### (ii) Currency risk (Continued)

|  | 31 December 2020        |                         |                         |                         |
|--|-------------------------|-------------------------|-------------------------|-------------------------|
|  | RMB                     | USD                     | Others                  | Total                   |
|  | <i>(RMB Equivalent)</i> | <i>(RMB Equivalent)</i> | <i>(RMB Equivalent)</i> | <i>(RMB Equivalent)</i> |
| <b>Assets</b>  |                         |                         |                         |                         |
| Cash and deposits with central bank                    | 78,171,097              | 311,703                 | 23,116                  | 78,505,916              |
| Deposits with banks and other financial institutions   | 3,846,205               | 5,744,061               | 5,604,078               | 15,194,344              |
| Placements with banks and other financial institutions | 4,350,087               | –                       | –                       | 4,350,087               |
| Financial assets held under resale agreements          | 22,119,345              | –                       | –                       | 22,119,345              |
| Loans and advances to customers                        | 532,475,697             | 1,665,702               | 545,828                 | 534,687,227             |
| Financial investments <i>(Note (1))</i>                | 358,044,952             | –                       | –                       | 358,044,952             |
| Others   | 20,890,361              | 4,029,174               | 136,969                 | 25,056,504              |
| <b>Total assets</b>                                    | <b>1,019,897,744</b>    | <b>11,750,640</b>       | <b>6,309,991</b>        | <b>1,037,958,375</b>    |

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

## 36 RISK MANAGEMENT (CONTINUED)

### (b) Market risk (Continued)

#### (ii) Currency risk (Continued)

|  | 31 December 2020        |                         |                            |                           |
|--|-------------------------|-------------------------|----------------------------|---------------------------|
|  | RMB<br>(RMB Equivalent) | USD<br>(RMB Equivalent) | Others<br>(RMB Equivalent) | Total<br>(RMB Equivalent) |
| <b>Liabilities</b>                                     |                         |                         |                            |                           |
| Borrowings from central bank                           | (2,815,363)             | -                       | -                          | (2,815,363)               |
| Deposits from banks and other financial institutions   | (86,975,639)            | (3,817,067)             | -                          | (90,792,706)              |
| Placements from banks and other financial institutions | (4,118,303)             | (815,613)               | (50,589)                   | (4,984,505)               |
| Financial assets sold under repurchase agreements      | (89,672,253)            | -                       | -                          | (89,672,253)              |
| Deposits from customers                                | (689,421,864)           | (7,831,982)             | (110,056)                  | (697,363,902)             |
| Debt securities issued                                 | (45,262,637)            | -                       | -                          | (45,262,637)              |
| Others   | (20,713,071)            | (179,333)               | (6,128,056)                | (27,020,460)              |
| Total liabilities                                      | <u>(938,979,130)</u>    | <u>(12,643,995)</u>     | <u>(6,288,701)</u>         | <u>(957,911,826)</u>      |
| Net position   | <u>80,918,614</u>       | <u>(893,355)</u>        | <u>21,290</u>              | <u>80,046,549</u>         |
| Off-balance sheet credit commitments                   | <u>149,378,891</u>      | <u>6,212,478</u>        | <u>987,999</u>             | <u>156,579,368</u>        |

Note:

- (1) Financial investments include financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and financial assets measured at amortised cost.



# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

*(Expressed in thousands of RMB, unless otherwise stated)*

## 36 RISK MANAGEMENT (CONTINUED)

### (b) Market risk (Continued)

#### (ii) Currency risk (Continued)

|   | 30 June<br>2021<br>Increase/<br>(decrease) | 31 December<br>2020<br>Increase/<br>(decrease) |
|---|--|--|
| Change in profit after taxation and equity  |  |  |
| Up 100 bps parallel shift in yield curves   | 504  | (1,002)  |
| Down 100 bps parallel shift in yield curves | (504)                                      | 1,002  |

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

- The foreign exchange sensitivity is the gain and loss recognised as a result of one hundred basis points fluctuation in the foreign currency exchange rates against RMB;
- The fluctuation of exchange rates by one hundred basis points is based on the assumption of exchange rates movement over the next 12 months;
- The exchange rates against RMB for the US dollars and other foreign currencies change in the same direction simultaneously, and thus other foreign currencies are converted into US dollars through sensitivity analysis;
- Other variables (including interest rates) remain unchanged; and
- The analysis does not take into account the effect of risk management measures taken by the Group.

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

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

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*(Expressed in thousands of RMB, unless otherwise stated)*

## 36 RISK MANAGEMENT (CONTINUED)

### (c) Liquidity risk

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

The Group centrally manages liquidity risk through a liquidity risk governance structure consisting of Board of Directors, Board of Supervisors, senior management, as well as the liquidity risk management structure consisting of the Asset and Liability Management Committee, Asset and Liability Management Department and Risk Management Department at the head office:

- The Asset and Liability Management Committee is the Bank's liquidity risk management body that is responsible for developing, and regularly assessing and monitoring the implementation of liquidity risk management policies and measures;
- As the leading department in liquidity risk management, the Asset and Liability Management Department is responsible for developing and implementing the relevant system; identifying, measuring, monitoring and controlling the liquidity risk and the implementation of limitations; performing stress testing, risk analysis and reporting; as well as organizing the daily management of the liquidity risk by business departments, and arranges for performance evaluation;
- The Group includes liquidity risk in a comprehensive risk management system. The Risk Management Department initiates ideas on limitation management of the liquidity risk.

The Group manages liquidity risk by managing the term structure of assets and liabilities, as well as dynamically monitoring liquidity indicators such as loan-to-deposit ratio, liquidity ratio, liquidity coverage ratio, excess reserves ratio, inter-bank loan to saving ratio, credit quality ratio, liquidity gap ratio, etc. The Group forecasts liquidity weekly, analyses liquidity monthly, and performs stress testing of liquidity risk quarterly.

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

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

## 36 RISK MANAGEMENT (CONTINUED)

### (c) Liquidity risk (Continued)

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

#### (i) Maturity analysis

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

|   | 30 June 2021              |                                       |                                    |   |  |  |                         | Total                |
|---|---------------------------|---------------------------------------|------------------------------------|---|--|--|-------------------------|----------------------|
|   | Indefinite<br>(Note (ii)) | Repayable<br>on demand<br>(Note (ii)) | Within one<br>month<br>(inclusive) | Between one<br>month and<br>three months<br>(inclusive) | Between<br>three months<br>and one year<br>(inclusive) | Between one<br>year and<br>five years<br>(inclusive) | More than<br>five years |                      |
| <b>Assets</b>   |                           |                                       |                                    |   |  |  |                         |                      |
| Cash and deposits with central bank                       | 73,445,723                | 23,103,985                            | -                                  | -   | -  | -  | -                       | 96,549,708           |
| Deposits with banks and other<br>financial institutions   | 654,435                   | 7,133,130                             | -                                  | -   | 10,027   | -  | -                       | 7,797,592            |
| Placements with banks and other<br>financial institutions | 150,000                   | 7,100,107                             | -                                  | -   | -  | -  | -                       | 7,250,107            |
| Financial assets held under resale<br>agreements          | -                         | -                                     | 3,599,555                          | -   | -  | -  | -                       | 3,599,555            |
| Loans and advances to customers                           | 14,554,154                | 13,538,628                            | 23,403,077                         | 29,274,303  | 261,198,838  | 167,201,676  | 69,276,142              | 578,446,818          |
| Financial investments (Note (1))                          | 16,752,980                | 35,036,742                            | 7,341,868                          | 10,901,388  | 71,030,954   | 95,229,466   | 67,496,776              | 303,790,174          |
| Others  | 14,886,586                | 1,123,300                             | 1,399,668                          | 25,815  | 1,291,273  | 341,391  | 1,511                   | 19,069,544           |
| <b>Total assets</b>                                       | <b>120,443,878</b>        | <b>87,035,892</b>                     | <b>35,744,168</b>                  | <b>40,201,506</b>                                       | <b>333,531,092</b>                                     | <b>262,772,533</b>                                   | <b>136,774,429</b>      | <b>1,016,503,498</b> |

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

## 36 RISK MANAGEMENT (CONTINUED)

### (c) Liquidity risk (Continued)

#### (i) Maturity analysis (Continued)

|   | 30 June 2021              |                                       |                                    |   |  |  |                         | Total                |
|---|---------------------------|---------------------------------------|------------------------------------|---|--|--|-------------------------|----------------------|
|   | Indefinite<br>(Note (ii)) | Repayable<br>on demand<br>(Note (ii)) | Within one<br>month<br>(inclusive) | Between one<br>month and<br>three months<br>(inclusive) | Between<br>three months<br>and one year<br>(inclusive) | Between one<br>year and<br>five years<br>(inclusive) | More than<br>five years |                      |
| <b>Liabilities</b>  |                           |                                       |                                    |   |  |  |                         |                      |
| Borrowings from central bank                              | -                         | -                                     | (4,510,329)                        | -   | (1,269,172)  | -  | -                       | (5,779,501)          |
| Deposits from banks and other<br>financial institutions   | -                         | (17,597,348)                          | (26,914,446)                       | (4,720,603)   | (3,372,513)  | -  | -                       | (52,604,910)         |
| Placements from banks and other<br>financial institutions | -                         | -                                     | (2,804,564)                        | (165,326)   | (609,750)  | -  | -                       | (3,579,640)          |
| Financial assets sold under<br>repurchase agreements      | -                         | -                                     | (51,649,717)                       | (7,800,999)   | (2,438,410)  | -  | -                       | (61,889,126)         |
| Deposits from customers                                   | -                         | (163,444,465)                         | (29,273,948)                       | (14,260,238)  | (274,442,444)  | (264,364,400)  | -                       | (745,785,495)        |
| Debt securities issued                                    | -                         | -                                     | (1,508,545)                        | (15,756,533)  | (18,164,653)   | -  | (6,000,000)             | (41,429,731)         |
| Others  | -                         | (1,737,308)                           | (2,008,815)                        | (1,603,870)   | (18,200,348)   | (606,169)  | (191,208)               | (24,347,718)         |
| <b>Total liabilities</b>                                  | <u>-</u>                  | <u>(182,779,121)</u>                  | <u>(118,670,364)</u>               | <u>(44,307,569)</u>                                     | <u>(318,497,290)</u>                                   | <u>(264,970,569)</u>                                 | <u>(6,191,208)</u>      | <u>(935,416,121)</u> |
| Long/(short) position                                     | <u>120,443,878</u>        | <u>(95,743,229)</u>                   | <u>(82,926,196)</u>                | <u>(4,106,063)</u>                                      | <u>15,033,802</u>                                      | <u>(2,198,036)</u>                                   | <u>130,583,221</u>      | <u>81,087,377</u>    |
| Notional amount of derivatives                            | <u>-</u>                  | <u>-</u>                              | <u>33,342,187</u>                  | <u>60,301,521</u>                                       | <u>181,997,791</u>                                     | <u>51,183,540</u>                                    | <u>100,000</u>          | <u>326,925,039</u>   |

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

*(Expressed in thousands of RMB, unless otherwise stated)*

## 36 RISK MANAGEMENT (CONTINUED)

### (c) Liquidity risk (Continued)

#### (i) Maturity analysis (Continued)

|   | 31 December 2020                |   |                                    |   |  |  |                         | Total                |
|---|---------------------------------|---|------------------------------------|---|--|--|-------------------------|----------------------|
|   | Indefinite<br><i>(Note(ii))</i> | Repayable<br>on demand<br><i>(Note(ii))</i> | Within one<br>month<br>(inclusive) | Between one<br>month and<br>three months<br>(inclusive) | Between<br>three months<br>and one year<br>(inclusive) | Between one<br>year and<br>five years<br>(inclusive) | More than<br>five years |                      |
| <b>Assets</b>   |                                 |   |                                    |   |  |  |                         |                      |
| Cash and deposits with central bank                       | 68,244,016                      | 10,261,900                                  | –                                  | –   | –  | –  | –                       | 78,505,916           |
| Deposits with banks and other<br>financial institutions   | 654,435                         | 11,370,646                                  | 1,019,908                          | 2,149,355   | –  | –  | –                       | 15,194,344           |
| Placements with banks and other<br>financial institutions | 153,574                         | –   | 4,196,513                          | –   | –  | –  | –                       | 4,350,087            |
| Financial assets held under resale<br>agreements          | –                               | –   | 22,119,345                         | –   | –  | –  | –                       | 22,119,345           |
| Loans and advances to customers                           | 16,886,552                      | 3,247,514                                   | 14,616,850                         | 82,967,827  | 156,336,398  | 194,019,219  | 66,612,867              | 534,687,227          |
| Financial investments <i>(Note (1))</i>                   | 10,985,267                      | –   | 16,565,407                         | 13,557,534  | 85,370,244   | 102,910,397  | 128,656,103             | 358,044,952          |
| Others  | 13,963,042                      | 627,226                                     | 8,267,393                          | 190,610   | 1,611,646  | 394,851  | 1,736                   | 25,056,504           |
| <b>Total assets</b>                                       | <u>110,886,886</u>              | <u>25,507,286</u>                           | <u>66,785,416</u>                  | <u>98,865,326</u>                                       | <u>243,318,288</u>                                     | <u>297,324,467</u>                                   | <u>195,270,706</u>      | <u>1,037,958,375</u> |

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

## 36 RISK MANAGEMENT (CONTINUED)

### (c) Liquidity risk (Continued)

#### (i) Maturity analysis (Continued)

|   | 31 December 2020         |                                      |                                    |   |  |  |                         | Total                |
|---|--------------------------|--------------------------------------|------------------------------------|---|--|--|-------------------------|----------------------|
|   | Indefinite<br>(Note(ii)) | Repayable<br>on demand<br>(Note(ii)) | Within one<br>month<br>(inclusive) | Between one<br>month and<br>three months<br>(inclusive) | Between<br>three months<br>and one year<br>(inclusive) | Between one<br>year and<br>five years<br>(inclusive) | More than<br>five years |                      |
| <b>Liabilities</b>  |                          |                                      |                                    |   |  |  |                         |                      |
| Borrowings from central bank                              | -                        | -                                    | -                                  | (6,305)   | (2,809,058)  | -  | -                       | (2,815,363)          |
| Deposits from banks and other<br>financial institutions   | -                        | (23,022,870)                         | (47,152,267)                       | (10,667,522)  | (9,950,047)  | -  | -                       | (90,792,706)         |
| Placements from banks and other<br>financial institutions | -                        | -                                    | (2,243,430)                        | (389,195)   | (2,351,880)  | -  | -                       | (4,984,505)          |
| Financial assets sold under repurchase<br>agreements      | -                        | -                                    | (73,018,276)                       | (10,867,567)  | (5,786,410)  | -  | -                       | (89,672,253)         |
| Deposits from customers                                   | -                        | (177,685,491)                        | (3,127,011)                        | (1,069,384)   | (118,781,689)  | (222,355,568)  | (174,344,759)           | (697,363,902)        |
| Debt securities issued                                    | -                        | -                                    | (3,379,225)                        | (5,774,231)   | (30,109,181)   | -  | (6,000,000)             | (45,262,637)         |
| Others  | -                        | (2,171,191)                          | (862,942)                          | (4,945,635)   | (18,160,096)   | (671,469)  | (209,127)               | (27,020,460)         |
| <b>Total liabilities</b>                                  | <u>-</u>                 | <u>(202,879,552)</u>                 | <u>(129,783,151)</u>               | <u>(33,719,839)</u>                                     | <u>(187,948,361)</u>                                   | <u>(223,027,037)</u>                                 | <u>(180,553,886)</u>    | <u>(957,911,826)</u> |
| Long/(short) position                                     | <u>110,886,886</u>       | <u>(177,372,266)</u>                 | <u>(62,997,735)</u>                | <u>65,145,487</u>                                       | <u>55,369,927</u>                                      | <u>74,297,430</u>                                    | <u>14,716,820</u>       | <u>80,046,549</u>    |
| Notional amount of derivatives                            | <u>-</u>                 | <u>-</u>                             | <u>27,807,700</u>                  | <u>42,120,675</u>                                       | <u>105,354,093</u>                                     | <u>50,758,748</u>                                    | <u>100,000</u>          | <u>226,141,216</u>   |

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

*(Expressed in thousands of RMB, unless otherwise stated)*

## 36 RISK MANAGEMENT (CONTINUED)

### (c) Liquidity risk (Continued)

#### (i) Maturity analysis (Continued)

*Notes:*

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

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

## 36 RISK MANAGEMENT (CONTINUED)

### (c) Liquidity risk (Continued)

#### (ii) Analysis on contractual undiscounted cash flows of non-derivative financial liabilities

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

|   | 30 June 2021                             |                                    |   |  |  |   |
|---|--|------------------------------------|---|--|--|---|
|   | Contractual<br>undiscounted<br>cash flow | Within one<br>month<br>(inclusive) | Between one<br>month and<br>three months<br>(inclusive) | Between three<br>months and<br>one year<br>(inclusive) | Between one<br>year and<br>five years<br>(inclusive) | More than<br>five years<br>and indefinite |
| Borrowings from central bank                              | (5,808,885)                              | (4,513,756)                        | -   | (1,295,129)  | -  | -   |
| Deposits from banks and other<br>financial institutions   | (52,876,431)                             | (44,584,519)                       | (4,782,621)   | (3,509,291)  | -  | -   |
| Placements from banks and<br>other financial institutions | (3,591,886)                              | (2,807,083)                        | (166,703)   | (618,100)  | -  | -   |
| Financial assets sold under<br>repurchase agreements      | (61,962,813)                             | (51,711,291)                       | (7,810,293)   | (2,441,229)  | -  | -   |
| Deposits from customers                                   | (748,243,001)                            | (192,778,933)                      | (14,286,270)  | (274,949,048)  | (266,228,750)  | -   |
| Debt securities issued                                    | (43,751,562)                             | (1,521,204)                        | (15,850,260)  | (18,616,098)   | (1,176,000)  | (6,588,000)                               |
| Other financial liabilities                               | <u>(22,795,569)</u>                      | <u>(3,582,509)</u>                 | <u>(1,459,145)</u>                                      | <u>(17,214,167)</u>                                    | <u>(333,369)</u>                                     | <u>(206,379)</u>                          |
| Total non-derivative financial<br>liabilities             | <u>(939,030,147)</u>                     | <u>(301,499,295)</u>               | <u>(44,355,292)</u>                                     | <u>(318,643,062)</u>                                   | <u>(267,738,119)</u>                                 | <u>(6,794,379)</u>                        |



# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

*(Expressed in thousands of RMB, unless otherwise stated)*

## 36 RISK MANAGEMENT (CONTINUED)

### (c) Liquidity risk (Continued)

#### (ii) Analysis on contractual undiscounted cash flows of non-derivative financial liabilities (Continued)

|   | 31 December 2020                         |                                    |   |  |  |   |
|---|--|------------------------------------|---|--|--|---|
|   | Contractual<br>undiscounted<br>cash flow | Within one<br>month<br>(inclusive) | Between one<br>month and<br>three months<br>(inclusive) | Between three<br>months and<br>one year<br>(inclusive) | Between one<br>year and<br>five years<br>(inclusive) | More than<br>five years<br>and indefinite |
| Borrowings from central bank                              | (2,849,148)                              | -                                  | (6,115)   | (2,843,033)  | -  | -   |
| Deposits from banks and other<br>financial institutions   | (90,972,745)                             | (70,208,628)                       | (10,704,866)  | (10,059,251)   | -  | -   |
| Placements from banks and<br>other financial institutions | (4,984,505)                              | (2,243,430)                        | (389,195)   | (2,351,880)  | -  | -   |
| Financial assets sold under<br>repurchase agreements      | (89,867,240)                             | (73,187,031)                       | (10,881,118)  | (5,799,091)  | -  | -   |
| Deposits from customers                                   | (697,363,909)                            | (180,810,432)                      | (1,723,546)   | (118,671,109)  | (221,983,775)  | (174,175,047)                             |
| Debt securities issued                                    | (49,835,077)                             | (4,547,237)                        | (5,876,065)   | (31,647,775)   | (1,176,000)  | (6,588,000)                               |
| Other financial liabilities                               | <u>(26,325,892)</u>                      | <u>(2,995,841)</u>                 | <u>(4,823,855)</u>                                      | <u>(17,921,343)</u>                                    | <u>(356,269)</u>                                     | <u>(228,584)</u>                          |
| Total non-derivative financial<br>liabilities             | <u>(962,198,516)</u>                     | <u>(333,992,599)</u>               | <u>(34,404,760)</u>                                     | <u>(189,293,482)</u>                                   | <u>(223,516,044)</u>                                 | <u>(180,991,631)</u>                      |

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

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

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*(Expressed in thousands of RMB, unless otherwise stated)*

## 36 RISK MANAGEMENT (CONTINUED)

### (c) Liquidity risk (Continued)

#### *(iii) Analysis on contractual undiscounted cash flows of derivatives*

The Group's derivatives that will be settled on a net basis include:

- Interest rate swaps

The Group's derivatives that will be settled on a gross basis include:

- Option contracts
- Currency swaps
- Foreign exchange forwards
- Precious metal derivatives

The following tables analyse the Group's contractual undiscounted cash flows of derivative financial instruments to be settled on a net and gross basis as at the end of the reporting period.

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

## 36 RISK MANAGEMENT (CONTINUED)

### (c) Liquidity risk (Continued)

#### (iii) Analysis on contractual undiscounted cash flows of derivatives (Continued)

|   | 30 June 2021                             |                                    |   |  |  |   |
|---|--|------------------------------------|---|--|--|---|
|   | Contractual<br>undiscounted<br>cash flow | Within one<br>month<br>(inclusive) | Between one<br>month and<br>three months<br>(inclusive) | Between three<br>months and<br>one year<br>(inclusive) | Between one<br>year and<br>five years<br>(inclusive) | More than five<br>years<br>and indefinite |
| <b>Derivatives settled on net basis</b>   |  |                                    |   |  |  |   |
| Interest rate swaps                       | 32,662                                   | -                                  | -   | -  | 32,662   | -   |
| <b>Derivatives settled on gross basis</b> |  |                                    |   |  |  |   |
| Option contracts                          |  |                                    |   |  |  |   |
| - cash outflow                            | (25,062,365)                             | (10,414,805)                       | (14,594,659)  | (52,901)   | -  | -   |
| - cash inflow                             | 25,081,231                               | 10,421,669                         | 14,602,094  | 57,468   | -  | -   |
| Currency swaps                            |  |                                    |   |  |  |   |
| - cash outflow                            | (3,822,324)                              | (387,606)                          | (2,632,677)   | (802,041)  | -  | -   |
| - cash inflow                             | 3,618,169                                | 388,052                            | 2,487,139   | 742,978  | -  | -   |
| Foreign exchange forwards                 |  |                                    |   |  |  |   |
| - cash outflow                            | (778,057)                                | -                                  | -   | (778,057)  | -  | -   |
| - cash inflow                             | 778,942                                  | -                                  | -   | 778,942  | -  | -   |
| Precious metal derivatives                |  |                                    |   |  |  |   |
| - cash outflow                            | (19,821,319)                             | (1,436,330)                        | -   | (18,384,989)   | -  | -   |
| - cash inflow                             | 18,934,788                               | 1,305,500                          | -   | 17,629,288   | -  | -   |

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

## 36 RISK MANAGEMENT (CONTINUED)

### (c) Liquidity risk (Continued)

#### (iii) Analysis on contractual undiscounted cash flows of derivatives (Continued)

|   | 31 December 2020                         |                                    |   |  |  |   |
|---|--|------------------------------------|---|--|--|---|
|   | Contractual<br>undiscounted<br>cash flow | Within one<br>month<br>(inclusive) | Between one<br>month and<br>three months<br>(inclusive) | Between<br>three months<br>and one year<br>(inclusive) | Between one<br>year and<br>five years<br>(inclusive) | More than<br>five years and<br>indefinite |
| <b>Derivatives settled on net basis</b>   |  |                                    |   |  |  |   |
| Interest rate swaps                       | 38,762                                   | (12)                               | (13)  | -  | 38,787   | -   |
| <b>Derivatives settled on gross basis</b> |  |                                    |   |  |  |   |
| Option contracts                          |  |                                    |   |  |  |   |
| - cash outflow                            | (109,933,626)                            | (14,454,605)                       | (34,755,746)  | (60,710,900)   | (12,375)   | -   |
| - cash inflow                             | 109,185,318                              | 14,456,036                         | 34,758,828  | 59,958,079   | 12,375   | -   |
| Currency swaps                            |  |                                    |   |  |  |   |
| - cash outflow                            | (6,558,987)                              | (2,207,155)                        | (1,483,500)   | (2,868,332)  | -  | -   |
| - cash inflow                             | 6,285,110                                | 2,183,604                          | 1,403,180   | 2,698,326  | -  | -   |
| Foreign exchange forwards                 |  |                                    |   |  |  |   |
| - cash outflow                            | (769,938)                                | -                                  | -   | (769,938)  | -  | -   |
| - cash inflow                             | 794,706                                  | -                                  | -   | 794,706  | -  | -   |
| Precious metal derivatives                |  |                                    |   |  |  |   |
| - cash outflow                            | (21,435,335)                             | -                                  | (3,252,361)   | (18,182,974)   | -  | -   |
| - cash inflow                             | 21,736,711                               | -                                  | 3,393,560   | 18,343,151   | -  | -   |

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

*(Expressed in thousands of RMB, unless otherwise stated)*

## 36 RISK MANAGEMENT (CONTINUED)

### (d) Operational risk

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

The Group has built “Three Lines of Defense for Risk Management” mainly involving business departments, the Compliance Department and the Internal Audit Department in risk management, and established a reporting mechanism between the Compliance Department and business departments, as well as between the head office and branches.

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

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

- establishing and improving the risk management system, strictly separating responsibilities of the front, middle and back office, and optimising business procedures and risk management procedures;
- making use of risk alert system and paying attention to risk position and early risk alert on each aspect of business; updating operational risk guidelines from time to time; carrying out centralised risk management on major business areas so as to reduce business operational risk;
- establishing a supervision system combining “on-site and off-site”, “regular and special”, “self and external” examinations, identifying, monitoring, collecting risk factors and risk signals in the course of business operations, using centralised operational risk management tools, supervising and evaluating the sufficiency and effectiveness of operational risk management;

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

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*(Expressed in thousands of RMB, unless otherwise stated)*

## 36 RISK MANAGEMENT (CONTINUED)

### (d) Operational risk (Continued)

- establishing an expertise grade appraisal system for all employees, and selecting qualified employees through strict qualification examination and professional evaluation in accordance with the expertise and skills required by the various positions; and
- establishing a mechanism for emergency management and business continuity.

### (e) Capital management

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

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

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

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

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

*(Expressed in thousands of RMB, unless otherwise stated)*

## 36 RISK MANAGEMENT (CONTINUED)

### (e) Capital management (Continued)

The Group calculates the capital adequacy ratios as at 30 June 2021 in accordance with the Regulation Governing Capital of Commercial Banks (Provisional) (商業銀行資本管理辦法(試行)) issued by the former CBRC in 2012 and relevant requirements promulgated by the former CBRC as follows:

| <i>Note</i>   | 30 June<br>2021 | 31 December<br>2020 |
|---|-----------------|---------------------|
| Total core tier-one capital                                   |                 |                     |
| – Share capital   | 8,796,680       | 8,796,680           |
| – Qualifying portion of capital reserve                       | 26,931,360      | 26,931,360          |
| – Surplus reserve   | 7,383,979       | 7,283,589           |
| – General reserve   | 14,013,554      | 13,676,444          |
| – Fair value reserve  | (690,446)       | (633,509)           |
| – Provision reserve   | 699,408         | 645,432             |
| – Retained earnings   | 23,361,444      | 22,768,584          |
| – Qualifying portions of non-controlling interests            | 142,549         | 95,423              |
| – Others  | (19,160)        | (16,648)            |
| Core tier-one capital   | 80,619,668      | 79,547,355          |
| Core tier-one capital deductions                              | (232,262)       | (254,841)           |
| Net core tier-one capital                                     | 80,387,106      | 79,292,514          |
| Other tier-one capital  | –               | –                   |
| Net tier-one capital  | 80,387,106      | 79,292,514          |
| Tier-two capital  |                 |                     |
| – Qualifying portions of tier-two capital -instruments issued | 6,000,000       | 6,000,000           |
| – Surplus provision for loan impairment                       | 5,523,113       | 2,325,846           |

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

## 36 RISK MANAGEMENT (CONTINUED)

### (e) Capital management (Continued)

|                                      | Note     | 30 June<br>2021 | 31 December<br>2020 |
|--------------------------------------|----------|-----------------|---------------------|
| Net tier-two capital                 |          | 11,523,113      | 8,325,846           |
| Net capital base                     |          | 91,910,219      | 87,618,360          |
| Total risk weighted assets           | 36(e)(i) | 751,479,725     | 716,353,323         |
| Core tier-one capital adequacy ratio |          | 10.70%          | 11.07%              |
| Tier-one capital adequacy ratio      |          | 10.70%          | 11.07%              |
| Capital adequacy ratio               |          | 12.23%          | 12.23%              |

Notes:

- (i) Both the on-balance and off-balance sheet risk-weighted assets are measured using different risk weights, which are determined according to the credit, market and other risks associated with each asset and counterparty as well as any eligible collateral or guarantees.
- (ii) Pursuant to the Notification on Matters Related to the Implementation of the Regulation Governing Capital of Commercial Banks (Provisional) in the Transitional Period (關於實施《商業銀行資本管理辦法(試行)》過渡期安排相關事項的通知), the former CBRC requires that the capital adequacy ratio, tier-one capital adequacy ratio and core tier-one capital adequacy ratio for commercial banks shall not fall below 10.5%, 8.5% and 7.5% at 31 December 2018.



# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

## 37 FAIR VALUE

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

Fair value estimates are generally subjective in nature, and are made as of a specific point in time based on the characteristics of the financial instruments and relevant market information. The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

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

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

#### (i) *Debt securities investments*

The fair values of debt securities that are traded in an active market are based on their quoted market prices in an active market at the end of the reporting period.

#### (ii) *Receivables and other non-derivative financial assets*

Fair values are estimated as the present value of the future cash flows, discounted at the market interest rates at the end of the reporting period.

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

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*(Expressed in thousands of RMB, unless otherwise stated)*

## **37 FAIR VALUE (CONTINUED)**

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

#### ***(iii) Debt securities issued and other non-derivative financial liabilities***

Fair values of debt securities issued are based on their quoted market prices or the present value of estimated future cash flows. The fair values of other non-derivative financial liabilities are valued at the present value of estimated future cash flows. The discount rates are based on the market interest rates at the end of the reporting period.

#### ***(iv) Derivative financial instruments***

Derivative financial instruments valued using a valuation technique with market observable inputs are mainly interest rate swaps, foreign exchange forwards, swaps and options, etc. The most frequently applied valuation techniques include discounted cash flow model and Black-Scholes model. The models incorporate various inputs including foreign exchange spot and forward rates, foreign exchange rate volatility, interest rate yield curves, etc.

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

*(Expressed in thousands of RMB, unless otherwise stated)*

## 37 FAIR VALUE (CONTINUED)

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

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

|   | 30 June 2021      |                     |                   | Total               |
|---|-------------------|---------------------|-------------------|---------------------|
|   | Level 1           | Level 2             | Level 3           |                     |
| <b>Assets</b>   |                   |                     |                   |                     |
| Derivative financial assets                                       |                   |                     |                   |                     |
| – currency derivatives  | –                 | 115,808             | –                 | 115,808             |
| – interest rate swaps   | –                 | 343,416             | –                 | 343,416             |
| – precious metal derivatives                                      | –                 | –                   | –                 | –                   |
| Financial assets at fair value through profit or loss             |                   |                     |                   |                     |
| – debt instruments  | –                 | 1,689,521           | –                 | 1,689,521           |
| – investment funds  | 16,683,267        | –                   | –                 | 16,683,267          |
| – others  | 52,818            | –                   | 60,757,332        | 60,810,150          |
| Financial assets at fair value through other comprehensive income |                   |                     |                   |                     |
| – debt instruments  | –                 | 22,851,443          | –                 | 22,851,443          |
| – equity instruments  | 1,132,771         | –                   | 6,240,264         | 7,373,035           |
| <b>Total</b>  | <b>17,868,856</b> | <b>25,000,188</b>   | <b>66,997,596</b> | <b>109,866,640</b>  |
| <b>Liabilities</b>  |                   |                     |                   |                     |
| Financial liabilities at fair value through profit or loss        |                   |                     |                   |                     |
| – debt instruments  | –                 | (18,526,981)        | –                 | (18,526,981)        |
| Derivative financial liabilities                                  |                   |                     |                   |                     |
| – currency derivatives  | –                 | (264,103)           | –                 | (264,103)           |
| – interest rate swaps   | –                 | (310,755)           | –                 | (310,755)           |
| – precious metal derivatives                                      | –                 | (1,041,027)         | –                 | (1,041,027)         |
| <b>Total</b>  | <b>–</b>          | <b>(20,142,866)</b> | <b>–</b>          | <b>(20,142,866)</b> |

During the period ended 30 June 2021, there were no significant transfers between instruments in Level 1 and Level 2.

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

## 37 FAIR VALUE (CONTINUED)

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

|   | 31 December 2020  |                     |                   | Total               |
|---|-------------------|---------------------|-------------------|---------------------|
|   | Level 1           | Level 2             | Level 3           |                     |
| <b>Assets</b>   |                   |                     |                   |                     |
| Derivative financial assets                                       |                   |                     |                   |                     |
| – currency derivatives  | –                 | 153,568             | –                 | 153,568             |
| – interest rate swaps   | –                 | 399,295             | –                 | 399,295             |
| – precious metal derivatives                                      | –                 | 552,009             | –                 | 552,009             |
| Financial assets at fair value through profit or loss             |                   |                     |                   |                     |
| – debt instruments  | –                 | 3,014,852           | –                 | 3,014,852           |
| – investment funds  | 36,861,473        | –                   | –                 | 36,861,473          |
| – others  | 7,852             | –                   | 61,055,295        | 61,063,147          |
| Financial assets at fair value through other comprehensive income |                   |                     |                   |                     |
| – debt instruments  | –                 | 23,622,265          | –                 | 23,622,265          |
| – equity instruments  | 156,927           | –                   | 4,099,206         | 4,256,133           |
| Total   | <u>37,026,252</u> | <u>27,741,989</u>   | <u>65,154,501</u> | <u>129,922,742</u>  |
| <b>Liabilities</b>  |                   |                     |                   |                     |
| Financial liabilities at fair value through profit or loss        | –                 | (21,494,042)        | –                 | (21,494,042)        |
| Derivative financial liabilities                                  |                   |                     |                   |                     |
| – currency derivatives  | –                 | (342,886)           | –                 | (342,886)           |
| – interest rate swaps   | –                 | (360,527)           | –                 | (360,527)           |
| – precious metal derivatives                                      | –                 | (65,056)            | –                 | (65,056)            |
| Total   | <u>–</u>          | <u>(22,262,511)</u> | <u>–</u>          | <u>(22,262,511)</u> |

During the year ended 31 December 2020, there were no significant transfers between instruments in Level 1 and Level 2.

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

*(Expressed in thousands of RMB, unless otherwise stated)*

## 37 FAIR VALUE (CONTINUED)

### (c) Level 2 fair value measurement

A majority of the debt instruments classified as level 2 are RMB bonds. The fair value of these bonds are determined based on the valuation results provided by China Central Depository & Clearing Co., Ltd., which are determined based on a valuation technique for which all significant inputs are observable market data. This level also includes a majority of OTC derivative contracts, the most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. Input parameters like ChinaBond interbank yield curves, LIBOR yield curves or counterparty credit risk are sourced from Bloomberg and Reuters. Financial liabilities at fair value through profit or loss mainly includes the financial liabilities related to precious metals, of which the fair value is determined based on the closing price provided by Shanghai Gold Exchange.

### (d) Level 3 fair value measurement

As at 30 June 2021 and 31 December 2020, unobservable inputs such as discount rate and cash flow were used in the valuation of financial assets at fair value classified as Level 3, which were mainly wealth management plan, beneficial investment of trust and equity investments. The fair value of these financial assets fluctuates according to the changes in the unobservable inputs.

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

(i) Cash and deposits with central bank, deposits and placements with/from banks and other financial institutions, financial assets held under resale agreements and sold under repurchase agreements, borrowings from central bank and financial investments measured as amortised cost.

Given that these financial assets and financial liabilities mainly mature within one year or adopt floating interest rates, their carrying amounts approximate their fair value.

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

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*(Expressed in thousands of RMB, unless otherwise stated)*

### 37 FAIR VALUE (CONTINUED)

#### **(e) Fair value of financial assets and liabilities not carried at fair value (Continued)**

##### ***(ii) Loans and advances to customers***

The fair value of loans and advances to customers is estimated based on future cash flows expected to be received which is discounted at current market rates. Majority of the loans and advances to customers are repriced at least annually to the market rate. Accordingly, their carrying values approximate their fair values.

##### ***(iii) Financial assets measured at amortised cost***

The fair values of financial assets measured at amortised cost are estimated on the basis of pricing models or discounted cash flows in the absence of any other relevant observable market data if the market value is not available.

##### ***(iv) Financial assets at fair value through other comprehensive income equity instruments***

Financial assets at fair value through other comprehensive income equity instruments are unlisted shares. There is no active market for these investments and it is the Group's intention to dispose of them as opportunities arise.

##### ***(v) Deposits from customers***

The fair value of checking, savings and short-term money market accounts is the amount payable on demand at the end of the reporting period. The fair value of fixed interest-bearing deposits without quoted market prices is estimated based on discounted cash flows using interest rates for new deposits with similar remaining maturities.

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

*(Expressed in thousands of RMB, unless otherwise stated)*

## 37 FAIR VALUE (CONTINUED)

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

#### (vi) Debt securities issued

Fair values of debt securities issued are based on quoted market prices. For debt securities where quoted market prices are not available, a discounted cash flow model is used to calculate their fair value using current market rates appropriate for debt securities with similar remaining maturities.

The following tables summarise the carrying amounts, the fair value and the analysis by level of the fair value hierarchy of financial assets measured at amortised cost and debt securities issued:

|   | 30 June 2021       |                   |          |                   |            |
|---|--------------------|-------------------|----------|-------------------|------------|
|   | Carrying<br>amount | Fair value        | Level 1  | Level 2           | Level 3    |
| <b>Financial assets</b>                         |                    |                   |          |                   |            |
| Financial assets measured<br>at amortised cost  | 194,382,758        | 196,218,208       | –        | 109,470,204       | 86,748,004 |
| <b>Financial liabilities</b>                    |                    |                   |          |                   |            |
| Debt securities issued                          |                    |                   |          |                   |            |
| – tier two capital bonds and<br>financial bonds | 35,973,186         | 34,739,936        | –        | 34,739,936        | –          |
| – certificates of interbank<br>deposit          | 5,456,545          | 5,372,290         | –        | 5,372,290         | –          |
| <b>Total</b>                                    | <b>41,429,731</b>  | <b>40,112,226</b> | <b>–</b> | <b>40,112,226</b> | <b>–</b>   |

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

### 37 FAIR VALUE (CONTINUED)

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

##### (vi) Debt securities issued (Continued)

|   | 31 December 2020   |                    |          |                    |                   |
|---|--------------------|--------------------|----------|--------------------|-------------------|
|   | Carrying<br>amount | Fair value         | Level 1  | Level 2            | Level 3           |
| <b>Financial assets</b>                         |                    |                    |          |                    |                   |
| Financial assets measured                       |                    |                    |          |                    |                   |
| at amortised cost                               | <u>229,227,082</u> | <u>236,900,710</u> | <u>–</u> | <u>149,121,791</u> | <u>87,778,919</u> |
| <b>Financial liabilities</b>                    |                    |                    |          |                    |                   |
| Debt securities issued                          |                    |                    |          |                    |                   |
| – tier two capital bonds and<br>financial bonds | 35,240,079         | 33,924,716         | –        | 33,924,716         | –                 |
| – certificates of interbank<br>deposit          | <u>10,022,558</u>  | <u>9,972,983</u>   | <u>–</u> | <u>9,972,983</u>   | <u>–</u>          |
| <b>Total</b>                                    | <u>45,262,637</u>  | <u>43,897,699</u>  | <u>–</u> | <u>43,897,699</u>  | <u>–</u>          |



# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

## 38 COMMITMENTS AND CONTINGENT LIABILITIES

### (a) Credit commitments

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

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

|                                | 30 June<br>2021    | 31 December<br>2020 |
|--------------------------------|--------------------|---------------------|
| Bank acceptances               | 126,047,108        | 112,713,060         |
| Letters of guarantees          | 19,294,553         | 15,383,277          |
| Unused credit card commitments | 16,135,596         | 14,610,528          |
| Letters of credit              | 13,017,120         | 13,872,503          |
| Total                          | <u>174,494,377</u> | <u>156,579,368</u>  |

The Group may be exposed to credit risk in all the above credit businesses. As the facilities may expire without being drawn upon, the total of the contractual amounts shown above is not representative of expected future cash outflows.

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

### 38 COMMITMENTS AND CONTINGENT LIABILITIES (CONTINUED)

#### (b) Credit risk-weighted amount

|  | 30 June<br>2021 | 31 December<br>2020 |
|--|-----------------|---------------------|
| Credit risk-weighted amount of contingent liabilities<br>and commitments | 41,048,168      | 48,514,713          |

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

#### (c) Capital commitments

As at 30 June 2021 and 31 December 2020, the authorised capital commitments of the Group are as follows:

|                                 | 30 June<br>2021 | 31 December<br>2020 |
|---------------------------------|-----------------|---------------------|
| Contracted but not paid for     | 426,960         | 436,221             |
| Approved but not contracted for | 35,174          | 23,613              |
| Total                           | 462,134         | 459,834             |

#### (d) Outstanding litigations and disputes

As at 30 June 2021 and 31 December 2020, there are no significant legal proceedings outstanding against the Bank and/or its subsidiaries.

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

### 38 COMMITMENTS AND CONTINGENT LIABILITIES (CONTINUED)

#### (e) Pledged assets

|                       | 30 June<br>2021 | 31 December<br>2020 |
|-----------------------|-----------------|---------------------|
| Investment securities | 92,966,512      | 104,523,006         |
| Discounted bills      | 16,776,118      | 23,406,284          |
| Total                 | 109,742,630     | 127,929,290         |

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

The Group maintains statutory deposit reserves with the PBOC as required (Note 14). These deposits are not available for the Group's daily operations.

The Group's pledged assets in relation to the purchase of bills under resale agreements can be sold or repledged. As at 30 June 2021 and 31 December 2020, the pledged assets were not sold or repledged, which it has an obligation to repurchase on due.

### 39 INVOLVEMENT WITH UNCONSOLIDATED STRUCTURED ENTITIES

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

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

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

### 39 INVOLVEMENT WITH UNCONSOLIDATED STRUCTURED ENTITIES (CONTINUED)

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

The following tables set out an analysis of the carrying amounts of interests held by the Group as at 30 June 2021 and 31 December 2020 in the structured entities sponsored by third party institutions, as well as an analysis of the line items in the statement of financial position in which relevant assets are recognised:

|  | 30 June 2021              |                           |                           |
|--|---------------------------|---------------------------|---------------------------|
|  | Financial investments     | Carrying amount           | Maximum exposure          |
| Investment management products managed by securities companies | 63,133,821                | 63,133,821                | 63,133,821                |
| Investment management products under trust scheme              | <u>81,028,332</u>         | <u>81,028,332</u>         | <u>81,028,332</u>         |
| Total  | <u><u>144,162,153</u></u> | <u><u>144,162,153</u></u> | <u><u>144,162,153</u></u> |

|  | 31 December 2020          |                           |                           |
|--|---------------------------|---------------------------|---------------------------|
|  | Financial investments     | Carrying amount           | Maximum exposure          |
| Investment management products managed by securities companies | 65,268,458                | 65,268,458                | 65,268,458                |
| Investment management products under trust scheme              | <u>78,562,601</u>         | <u>78,562,601</u>         | <u>78,562,601</u>         |
| Total  | <u><u>143,831,059</u></u> | <u><u>143,831,059</u></u> | <u><u>143,831,059</u></u> |

The maximum exposures to loss in the above investment management products and wealth management products are the carrying amounts of the assets held by the Group at the end of the reporting period in accordance with the line items of these assets recognised in the statement of financial position.

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

*(Expressed in thousands of RMB, unless otherwise stated)*

## 39 INVOLVEMENT WITH UNCONSOLIDATED STRUCTURED ENTITIES (CONTINUED)

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

The types of unconsolidated structured entities sponsored by the Group include non-principal-guaranteed wealth management products. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors. These structured entities are financed through the issue of notes to investors. Interest held by the Group includes fees charged by providing management services.

During the six months ended 30 June 2021, the amount of fee and commission income received from the above mentioned structured entities by the Group is RMB323.51 million (six months ended 30 June 2020: RMB388.43 million).

As at 30 June 2021, the amount of assets held by unconsolidated non-principal-guaranteed wealth management products which are sponsored by the Group is RMB53,221 million (31 December 2020: RMB60,745 million).

During the six months ended 30 June 2021, the aggregated amount of non-principal-guaranteed wealth management products sponsored and issued by the Group after 1 January 2021, but matured before 30 June 2021, is RMB1,001 million (six months ended 30 June 2020: RMB4,529 million).

## 40 CONSOLIDATED STRUCTURED ENTITIES

The Group has consolidated certain structured entities which are principal-guaranteed wealth management products. When assessing whether to consolidate structured entities, the Group reviews all facts and circumstances to determine whether the Group, as manager, is acting as agent or principal. These factors considered include scope of the manager's decision-making authority, rights held by other parties. The Group does not hold any shares of the principal-guaranteed wealth management products, however, the Group has the authority to exercise the right of making investment decisions as a main administrator, and the proportion of the aggregate economic interests of the Group in the structured entities is high. The Group concludes that these structured entities shall be consolidated.

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

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*(Expressed in thousands of RMB, unless otherwise stated)*

### 41 FIDUCIARY ACTIVITIES

The Group commonly acts as a trustee, or in other fiduciary capacities, that result in its holding or managing assets on behalf of individuals, trusts and other institutions. These assets and any gains or losses arising thereon are not included in these financial statements as they are not the Group's assets.

As at 30 June 2021, the entrusted loans balance of the Group is RMB1,738 million (31 December 2020: RMB1,804 million).

### 42 TRANSFERRED FINANCIAL ASSETS

For those in which the Group has neither transferred nor retained substantially all the risks and rewards of the transferred credit assets, and retained control of the credit assets, the Group recognises the assets on the statement of financial position in accordance with the Group's continuing involvement and the rest is derecognised. The extent of the Group's continuing involvement is the extent of the risks and rewards undertaken by the Group with value changes of the transferred financial assets. The amount at the time of transfer of the original credit assets, which the Group determined that it has continuing involvement through acquiring some tranches, was RMB0 million as at 30 June 2021 (31 December 2020: RMB3,878 million) and the carrying amount of assets that the Group continues to recognise on the statement of financial position was RMB0 million as at 30 June 2021 (31 December 2020: RMB199 million).

### 43 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

The Group has recently received relevant documents in relation to the share transfer between Northeast Pharmaceutical Group Co., Ltd. (Northeast Pharmaceutical Group) and Shenyang Shengjing Financial Holdings Investment Co., Ltd. (Shengjing Finance Holdings), subsidiaries of the State-owned Assets Supervision and Administration Commission of Shenyang People's Government ("Shenyang SASAC") and Evergrande Group (Nan Chang) Co., Ltd. (Evergrande Nan Chang). Northeast Pharmaceutical Group and Shengjing Finance Holdings acquired 137,833,335 domestic shares and 28,833,335 domestic shares of the Group from Evergrande Nan Chang at a consideration of RMB6 per share (the Equity Transfer), accounting for approximately 1.57% and 0.33% of the total shares in issue of the Group, respectively.

On 17 August 2021, the board of directors of the Group resolved to approve and support that key state-owned enterprises in Shenyang gradually increase their shareholding of the Group in batches. As at the approval date of the financial statements, the Equity Transfer is in progress.

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

## 44 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTED FOR THE SIX MONTHS ENDED JUNE 30, 2021

Up to the date of issue of these financial statements, a number of amendments, new standards and interpretations are issued which are not yet effective for the six months ended June 30, 2021 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

|   | <b>Effective for<br/>accounting period<br/>beginning on or after</b> |
|---|--|
| <i>Amendments to IFRS 3, Reference to the Conceptual Framework</i>  | January 1, 2022  |
| <i>Amendments to IAS 16, Property, Plant and Equipment: Proceeds before Intended Use</i>                                      | January 1, 2022  |
| <i>Amendments to IAS 37, Onerous Contracts – Cost of Fulfilling a Contract</i>  | January 1, 2022  |
| <i>Annual Improvements to IFRSs 2018–2020 Cycle</i>   | January 1, 2022  |
| <i>Amendments to IAS 8, Accounting policies, changes in accounting estimates and errors</i>                                   | January 1, 2023  |
| <i>Amendments to IAS 1, Presentation of financial statements and IFRS Practice Statement 2, Making materiality judgements</i> | January 1, 2023  |

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

# UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

(Expressed in thousands of RMB, unless otherwise stated)

The information set out below does not form part of the consolidated financial statements, and is included herein for information purpose only.

## 1 LIQUIDITY COVERAGE RATIO AND LEVERAGE RATIO

### (a) Liquidity coverage ratio

|   | As at 30 June 2021 | Average for the six months ended 30 June 2021 | As at 31 December 2020 | Average for the year ended 31 December 2020 |
|---|--------------------|---|------------------------|---|
| Liquidity coverage ratio (RMB and foreign currency) | <u>150.35%</u>     | <u>147.83%</u>                                | <u>145.30%</u>         | <u>146.61%</u>                              |

The above liquidity coverage ratio is calculated in accordance with the formula promulgated by the former CBRC and based on the financial information prepared in accordance with the requirements of the Accounting Standards for Business Enterprises and other relevant regulations issued by the Ministry of Finance (“MOF”).

Pursuant to the Administrative Measures for Liquidity Risk Management of Commercial Banks, the liquidity coverage ratio of commercial banks shall reach 100% by the end of 2018.

The Hong Kong Banking (Disclosure) Rules (the “Rules”) took effect on 1 January 2007. It requires the disclosure of an average liquidity coverage ratio, which is the arithmetic mean of the liquidity coverage ratio for each calendar quarter. The Group prepares the liquidity coverage ratio on a semi-annual basis and the disclosed average liquidity coverage ratio is the arithmetic mean of two consecutive liquidity coverage ratio as at 30 June and 31 December.



## UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

### 1 LIQUIDITY COVERAGE RATIO AND LEVERAGE RATIO (CONTINUED)

#### (b) Leverage ratio

|                | 30 June<br>2021 | 31 December<br>2020 |
|----------------|-----------------|---------------------|
| Leverage ratio | <u>6.99%</u>    | <u>6.75%</u>        |

Pursuant to the Leverage Ratio Management of Commercial Banks (Amended) issued by the former CBRC and was effective since 1 April 2015, a minimum leverage ratio 4% is required.

The above liquidity coverage ratio and leverage ratio is calculated in accordance with the formula promulgated by the former CBRC and based on the financial information prepared in accordance with the requirements of the Accounting Standards for Business Enterprises and other relevant regulations issued by the MOF.

### 2 CURRENCY CONCENTRATIONS

|                   | 30 June 2021                   |                                |                            |                           |
|-------------------|--------------------------------|--------------------------------|----------------------------|---------------------------|
|                   | US Dollars<br>(RMB Equivalent) | HK Dollars<br>(RMB Equivalent) | Others<br>(RMB Equivalent) | Total<br>(RMB Equivalent) |
| Spot assets       | 7,227,375                      | 2,167,486                      | 940,866                    | 10,335,727                |
| Spot liabilities  | <u>(6,822,402)</u>             | <u>(2,141,607)</u>             | <u>(937,854)</u>           | <u>(9,901,863)</u>        |
| Net long position | <u>404,973</u>                 | <u>25,879</u>                  | <u>3,012</u>               | <u>433,864</u>            |

## UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

### 2 CURRENCY CONCENTRATIONS (CONTINUED)

|                   | 31 December 2020               |                                |                            |                           |
|-------------------|--------------------------------|--------------------------------|----------------------------|---------------------------|
|                   | US Dollars<br>(RMB Equivalent) | HK Dollars<br>(RMB Equivalent) | Others<br>(RMB Equivalent) | Total<br>(RMB Equivalent) |
| Spot assets       | 11,750,640                     | 5,234,983                      | 1,075,008                  | 18,060,631                |
| Spot liabilities  | <u>(12,643,995)</u>            | <u>(5,216,950)</u>             | <u>(1,071,751)</u>         | <u>(18,932,696)</u>       |
| Net long position | <u>(893,355)</u>               | <u>18,033</u>                  | <u>3,257</u>               | <u>(872,065)</u>          |

### 3 INTERNATIONAL CLAIMS

The Group is principally engaged in business operations within Mainland China, and regards all claims on third parties outside Mainland China and claims dominated in foreign currency on third parties in Mainland China as international claims.

International claims include loans and advances to customers, deposits with central bank, deposits and placements with banks and other financial institutions, and investments in debt securities.

## UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

### 3 INTERNATIONAL CLAIMS (CONTINUED)

A country or geographical area is reported where it constitutes 10% or more of the aggregate amount of international claims, after taking into account any risk transfers. Risk transfers are only made if the claims are guaranteed by a party in a country which is different from that of the counterparty or if the claims are on an overseas branch of a bank whose Head Office is located in another country.

|                         | As at 30 June 2021 |  |                         | Total            |
|-------------------------|--------------------|--|-------------------------|------------------|
|                         | Official sector    | Banks and other financial institutions | Non-bank private sector |                  |
| Asia Pacific            | 272,925            | 752,409                                | 1,915,702               | 2,941,036        |
| North and South America | –                  | 2,197,381                              | –                       | 2,197,381        |
| Europe                  | –                  | 74,953                                 | –                       | 74,953           |
| <b>Total</b>            | <b>272,925</b>     | <b>3,024,743</b>                       | <b>1,915,702</b>        | <b>5,213,370</b> |

|                         | As at 31 December 2020 |  |                         | Total             |
|-------------------------|------------------------|--|-------------------------|-------------------|
|                         | Official sector        | Banks and other financial institutions | Non-bank private sector |                   |
| Asia Pacific            | 334,819                | 10,849,441                             | 2,211,530               | 13,395,790        |
| North and South America | –                      | 17,838                                 | –                       | 17,838            |
| Europe                  | –                      | 480,860                                | –                       | 480,860           |
| <b>Total</b>            | <b>334,819</b>         | <b>11,348,139</b>                      | <b>2,211,530</b>        | <b>13,894,488</b> |

## UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

(Expressed in thousands of RMB, unless otherwise stated)

### 4 OVERDUE LOANS AND ADVANCES BY GEOGRAPHICAL SEGMENTS

|                 | 30 June<br>2021 | 31 December<br>2020 |
|-----------------|-----------------|---------------------|
| Northeast China | 23,463,775      | 13,499,200          |
| North China     | 12,064,584      | 12,405,636          |
| Others          | 1,803,442       | 950,527             |
| Total           | 37,331,801      | 26,855,363          |

### 5 GROSS AMOUNT OF OVERDUE LOANS AND ADVANCES FOR MORE THAN 90 DAYS

|  | 30 June<br>2021 | 31 December<br>2020 |
|--|-----------------|---------------------|
| Gross loans and advances which have been overdue with respect to either principal or interest for periods of |                 |                     |
| – between 3 and 6 months (inclusive)   | 3,452,605       | 3,022,512           |
| – between 6 months and 1 year (inclusive)  | 2,194,102       | 2,979,035           |
| – over 1 year  | 12,156,626      | 10,138,011          |
| Total  | 17,803,333      | 16,139,558          |
| As a percentage of total gross loans and advances  |                 |                     |
| – between 3 and 6 months (inclusive)   | 0.59%           | 0.55%               |
| – between 6 months and 1 year (inclusive)  | 0.37%           | 0.55%               |
| – over 1 year  | 2.07%           | 1.85%               |
| Total  | 3.03%           | 2.95%               |

## DEFINITION

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

|   |   |
|---|---|
| “Articles of Association”                       | the articles of association of the Bank, as amended from time to time   |
| “Bank”, “our Bank”, or “Shengjing Bank” or “we” | Shengjing Bank Co., Ltd. (盛京銀行股份有限公司), a joint stock limited company incorporated in the PRC on 10 September 1997 in accordance with PRC laws, and, if the context requires, includes its predecessors, subsidiaries, branches and sub-branches |
| “Board” or “Board of Directors”                 | the board of Directors of the Bank  |
| “Board of Supervisors”                          | the board of Supervisors of the Bank  |
| “CBIRC”   | China Banking and Insurance Regulatory Commission   |
| “CBIRC Liaoning Bureau”                         | China Banking and Insurance Regulatory Commission Liaoning Bureau   |
| “CSRC”  | China Securities Regulatory Commission  |
| “Director(s)”                                   | the director(s) of the Bank   |
| “Domestic Shares”                               | ordinary shares issued by the Bank, with a nominal value of RMB1.00 each, which are subscribed for or credited as paid in full in Renminbi  |
| “H Share Registrar”                             | Computershare Hong Kong Investor Services Limited   |
| “H Shares”                                      | overseas-listed shares in the share capital of the Bank, with a nominal value of RMB1.00 each, which are listed on the Main Board of the Hong Kong Stock Exchange   |
| “HK\$”  | Hong Kong dollars, the lawful currency of Hong Kong   |
| “Hong Kong”                                     | the Hong Kong Special Administrative Region of the PRC  |

## DEFINITION (CONTINUED)

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|                            |  |
|----------------------------|--|
| “Hong Kong Stock Exchange” | The Stock Exchange of Hong Kong Limited  |
| “Listing Rules”            | the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited                       |
| “Macau”                    | the Macau Special Administrative Region of the PRC   |
| “PBOC” or “Central Bank”   | the People’s Bank of China   |
| “PRC”                      | the People’s Republic of China, and for the purpose of this report only, excluding Hong Kong, Macau and Taiwan |
| “Reporting Period”         | the six months ended 30 June 2021  |
| “RMB or Renminbi”          | Renminbi, the lawful currency of the PRC   |
| “SFO”                      | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended from time to time      |
| “Shareholder(s)”           | the shareholder(s) of the Bank   |
| “Shares”                   | the Domestic Shares and the H Shares   |
| “Supervisor(s)”            | the supervisor(s) of the Bank  |
| “%”                        | per cent   |



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🌐 [www.shengjingbank.com.cn](http://www.shengjingbank.com.cn)



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