



**渤海银行**  
CHINA BOHAI BANK

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

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

Stock Code : 9668

**2021**  
INTERIM REPORT

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# Definitions

Articles of Association	the Articles of Association of CHINA BOHAI BANK CO., LTD.
Bank, our Bank, Company, our Company	CHINA BOHAI BANK CO., LTD. (渤海銀行股份有限公司), a joint stock company established on December 30, 2005 in the PRC with limited liability pursuant to the relevant PRC laws and regulations, and its H Shares were listed on the Hong Kong Stock Exchange (Stock Code: 9668)
CBIRC	China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會)
CBRC	the former China Banking Regulatory Commission (中國銀行業監督管理委員會)
Central Bank	the People's Bank of China
China Accounting Standards for Business Enterprises	Accounting Standards for Business Enterprises – Basic Standards, specific accounting standards, application guidance and interpretations to the Accounting Standards for Business Enterprises and other regulations issued by the Ministry of Finance of the PRC on and after February 15, 2006
CSRC	China Securities Regulatory Commission (中國證券監督管理委員會)
Domestic Shares	ordinary shares issued by the Bank with a nominal value of RMB1.00 each, which are subscribed for or credited as paid up in Renminbi
H Shares	the overseas listed foreign shares issued by the Bank with a nominal value of RMB1.00 each, which are subscribed for and traded in Hong Kong Dollars and listed and traded on the Hong Kong Stock Exchange
HKEX	Hong Kong Exchanges and Clearing Limited
Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
IFRS	International Financial Reporting Standards and International Accounting Standards ("IAS"), the related standards, amendments and interpretations issued by the International Accounting Standards Board ("IASB")
Listing Rules	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
Model Code	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules
Reporting Date	the date on which this interim report was considered and approved by the Board of Directors of the Bank
Reporting Period	the six months ended June 30, 2021
SASAC	the State-owned Assets Supervision and Administration Commission of the State Council (中華人民共和國國務院國有資產監督管理委員會)
SFO	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
the Fourth "Five-Year Plan"	the Plan for Development Strategy of CHINA BOHAI BANK CO., LTD. (2021-2025) (渤海銀行股份有限公司 2021-2025 年發展戰略規劃)
Tianjin SASAC	the State-owned Assets Supervision and Administration Commission of Tianjin People's Government

## Important Notice

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

The Bank considered and approved the Interim Report 2021 of the Bank at the 25th meeting of the fifth session of the Board of Directors held on August 27, 2021. 17 Directors should attend the meeting, among which 17 Directors actually attended, of which: Mr. LI Yi, an executive Director, authorized Mr. DU Gang, an executive Director, to exercise the voting right on his behalf. 5 Supervisors of the Bank attended the meeting as non-voting delegates.

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

As considered and approved at the 2020 annual general meeting, the Bank has distributed cash dividends for 2020 of RMB0.85 (tax inclusive) per 10 shares, totaling RMB1,509.77 million (tax inclusive), to all shareholders whose names appear on the register of members on May 27, 2021. The Bank does not propose to distribute dividend or capitalize the capital reserve for the interim period in 2021.

The Bank's 2021 interim financial report is unaudited.

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

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

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

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

# Corporate Profile

- I. **Legal Chinese Name:** 渤海銀行股份有限公司 (Abbreviation: “渤海銀行”)
- II. **Legal English Name:** CHINA BOHAI BANK CO., LTD. (Abbreviation: “CBHB”)
- III. **Legal Representative:** LI Fuan
- IV. **Authorized Representatives:** DU Gang and SO Shuk Yi Betty
- V. **Secretary to the Board of Directors:** DU Gang  
**Joint Company Secretaries:** DU Gang and SO Shuk Yi Betty
- VI. **Registered Address and Office Address:** 218 Haihe East Road, Hedong District, Tianjin, China  
**Postcode:** 300012  
**International Website:** www.cbhb.com.cn  
**Customer Service and Complaints Hotline:** (86) 95541, (86) 400 888 8811  
**E-mail:** IR@cbhb.com.cn  
**Tel:** (86) 22-5878 9668  
**Fax:** (86) 22-5831 6529
- VII. **Principal Place of Business in Hong Kong:** Suites 1201-1209 and 1215-1216, 12/F, Two International Finance Centre, Central, Hong Kong
- VIII. **Websites for Information Disclosure:** Website of the HKEX (www.hkexnews.hk) and website of the Bank (www.cbhb.com.cn)  
**Place where the interim report is kept:** Office of the Board of Directors of the Bank
- IX. **Listing Stock Exchange of H Shares:** Hong Kong Stock Exchange  
**Stock Short Name:** CBHB  
**Stock Code:** 9668
- X. **Share Registrar**  
Domestic Shares: China Securities Depository and Clearing Corporation Limited  
No. 17 Tai Ping Qiao Street, Xicheng District, Beijing  
H Shares: Computershare Hong Kong Investor Services Limited  
Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong
- XI. **Legal Advisors**  
As to PRC Laws: Commerce & Finance Law Offices  
12-14th Floor, China World Office 2, No.1 Jianguomenwai Avenue, Beijing  
As to Hong Kong Laws: Paul Hastings  
22/F, Bank of China Tower, 1 Garden Road, Central, Hong Kong
- XII. **Auditors**  
Domestic Accounting Firm: KPMG Huazhen LLP  
8/F, Tower E2, Oriental Plaza, 1 East Chang’an Avenue, Dongcheng District, Beijing  
International Accounting Firm: KPMG  
8th Floor, Prince’s Building, 10 Chater Road, Central, Hong Kong
- XIII. **Compliance Advisor:** Haitong International Capital Limited  
Room 3001-3006 and 3015-3016, One International Finance Centre, Central, Hong Kong
- XIV. **Other Relevant Information**  
Initial Registration Date: December 30, 2005  
Unified Social Credit Code: 911200007109339563  
Financial License Institution Serial Number: B0017H112000001

# Summary of Accounting Data and Business Data

## I. KEY ACCOUNTING DATA AND FINANCIAL INDICATORS

(Unit: RMB'000)

	January to June 2021	January to June 2020	Increase (decrease) (%)
Operating results data:			
Operating income	15,802,869	16,045,199	(1.51)
Profit before taxation	6,720,782	6,285,339	6.93
Net profit	5,344,565	5,046,711	5.90
Indicators per share (RMB):			
Basic earnings per share attributable to ordinary Shareholders of the Bank	0.30	0.35	(14.29)
Diluted earnings per share attributable to ordinary Shareholders of the Bank	0.30	0.35	(14.29)
Financial ratios <sup>(1)</sup> (%):			
Average return on total assets <sup>(2)</sup>	0.72	0.85	a decrease of 0.13 percentage point
Weighted average return on net assets <sup>(3)</sup>	12.48	15.35	a decrease of 2.87 percentage points
	June 30, 2021	December 31, 2020	Increase (decrease) (%)
Scale indicators:			
Total assets	1,560,327,530	1,393,523,125	11.97
Gross loans and advances to customers <sup>(4)</sup>	976,828,197	887,537,545	10.06
Total liabilities	1,453,124,227	1,290,277,295	12.62
Gross deposits from customers <sup>(4)</sup>	846,729,827	746,725,783	13.39
Total equity	107,203,303	103,245,830	3.83
Net assets per share attributable to ordinary Shareholders of the Bank <sup>(5)</sup> (RMB)	4.91	4.69	4.69

- Notes: (1) Interim financial ratios are all annualized.
- (2) Average return on total assets equals net profit divided by average value of total assets at the beginning and end of the period.
- (3) Weighted average return on net assets is calculated pursuant to the Compilation Rules for Information Disclosures by Companies that Offer Securities to the Public (No. 9): Calculation and Disclosure of Rate of Return on Equity and Earnings per Share (2010 Revision) (《公開發行證券的公司信息披露編報規則第9號—淨資產收益率和每股收益的計算及披露(2010年修訂)》) issued by the CSRC.
- (4) Gross loans and advances to customers and gross deposits from customers exclude interests accrued.
- (5) Net assets per share attributable to ordinary Shareholders of the Bank equals equity attributable to holders of ordinary shares of the Bank at the end of the period, which has excluded other equity instruments, divided by total share capital at the end of the period.

## II. SUPPLEMENTARY FINANCIAL INDICATORS

(Unit: %)

	January to June 2021	January to June 2020	Changes	January to June 2019
Profitability indicators <sup>(1)</sup> :				
Net interest spread <sup>(2)(3)</sup>	1.79	2.24	a decrease of 0.45 percentage point	1.92
Net interest margin <sup>(2)(4)</sup>	1.92	2.43	a decrease of 0.51 percentage point	2.06
Cost-to-income ratio <sup>(5)</sup>	27.55	25.78	an increase of 1.77 percentage points	29.83
	June 30, 2021	December 31, 2020	Changes	June 30, 2020
Asset quality indicators:				
NPL ratio <sup>(6)</sup>	1.76	1.77	a decrease of 0.01 percentage point	1.78
Allowance coverage ratio <sup>(7)</sup>	160.55	158.80	an increase of 1.75 percentage points	187.98
Allowance to gross loan ratio <sup>(8)</sup>	2.82	2.81	an increase of 0.01 percentage point	3.35
Capital adequacy indicators <sup>(9)</sup> :				
Capital adequacy ratio	12.76	12.08	an increase of 0.68 percentage point	11.43
Tier-one capital adequacy ratio	10.75	11.01	a decrease of 0.26 percentage point	10.18
Core tier-one capital adequacy ratio	8.73	8.88	a decrease of 0.15 percentage point	7.85

- Notes:
- (1) Interim profitability indicators are all annualized.
  - (2) Since year of 2020, the Bank reclassified the installment income of credit cards from fee and commission income to interest income, and restated the data for the relevant periods.
  - (3) Net interest spread is calculated as the difference between the average yield on total interest-earning assets and the average cost of total interest-bearing liabilities.
  - (4) Net interest margin is calculated by dividing net interest income by the average balance of total interest-earning assets.
  - (5) Cost-to-income ratio is calculated by dividing total operating expenses (excluding tax and surcharges, etc.) by total operating income.
  - (6) NPL ratio equals the balance of non-performing loans divided by gross loans and advances to customers (excluding accrued interest).
  - (7) Allowance coverage ratio equals the sum of allowance for impairment losses on the loans measured at amortised cost and allowance for impairment losses on the loans measured at fair value through other comprehensive income divided by the NPL balances.
  - (8) Allowance to gross loan ratio equals the sum of allowance for impairment losses on the loans measured at amortised cost and allowance for impairment losses on the loans measured at fair value through other comprehensive income divided by gross loans and advances to customers (excluding accrued interest).
  - (9) We calculate the capital adequacy ratios for each tier according to the Capital Administrative Measures for Commercial Banks (Provisional) (《商業銀行資本管理辦法(試行)》), China Accounting Standards for Business Enterprises (中國企業會計準則) and other relevant regulations.

# Management Discussion and Analysis

## I. ECONOMIC, FINANCIAL AND REGULATORY ENVIRONMENT OF THE FIRST HALF OF 2021

### **The global economy has been recovering steadily with increasing financial vulnerabilities**

Since 2021, with greater global vaccination coverage, the active response of different countries by introducing easing policies and the gradual relaxation of the previous lock-down policies, benefiting from the leadership of China and the United States, the global economy has entered a path of recovery. Affected by the pandemic control situation, the degree of economic policy support and structural factors, the recovery speeds of major economies have clearly differentiated. The continued loose fiscal and monetary policies of different countries in response to the pandemic have brought inflationary pressures and accumulation of debt risks, and the vulnerability and volatility of financial markets have elevated, which, to a certain extent, have brought more complexity to economic recovery.

### **The national economy has strengthened and made progress amid stability, while consumption has recovered significantly**

Overall, China's economy continued to recover steadily with a year-on-year growth of 12.7% of its GDP in the first half of the year, and the quality of operation was further improved. Production demand has increased, while employment and prices have stabilized within a reasonable range. There was strong support from the new impetus, and the national economy has strengthened and made progress amid stability. With the continuous policy efforts to expand domestic demand and stimulate consumption, domestic consumption has recovered rapidly, playing a significant role in driving economic growth. Commodity retail has been growing steadily, face-to-face consumption has been picking up faster, and emerging businesses have maintained a growth momentum. However, given the continuous evolution of the pandemic across the world, there are greater uncertainties on economic policies, and China's economic development still faces challenges from the external environment.

### **The scale of monetary credit and social financing increased moderately, and liquidity was reasonable and sufficient**

2021 is the opening year of the "14th Five-Year Plan". The finance industry has further consolidated the results of pandemic prevention and control and economic development, contributing to the construction of a new development pattern. The scale of social financing maintained a reasonable growth, RMB loans increased substantially, and the overall financing costs of the real economy declined at a steady pace. Since 2021, China's monetary policy has remained reasonable and appropriate, promoting the progress of interest rate liberalization, improving the interest rate formation and transmission mechanism, and maintaining reasonable and sufficient liquidity. In addition, the finance industry has actively increased the financial support for key areas such as green and low carbon, technological innovation and rural revitalization to boost high-quality economic development.

### **Preventing and resolving financial risks, and supporting the development of the real economy**

In the first half of 2021, the lingering pandemic, international inflation and increasing non-performing loans have led to the accumulation of risks in the financial market. The banking regulation authorities adhered to the general principle of "seeking progress amid stability", paid attention to the rebound of non-performing assets and capital replenishment in the post-pandemic period, forestalled systematic financial risks, strengthened look-through supervision, and enhanced the overall financial service efficiency of the banking industry. The CBIRC actively took measures to guide commercial banks to make fee reduction and interest concessions for the real economy with notable results. The rebound of real economy profits has also improved the quality of bank assets, gradually forming a virtuous circle of financial and real economy development.



## II. DEVELOPMENT STRATEGIES

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

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

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

## III. SCOPE OF PRINCIPAL BUSINESSES

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

## IV. GENERAL OPERATING CONDITIONS

During the Reporting Period, focusing on achieving its goal of high-quality development, the Bank deeply implemented new development concepts, accelerated the construction of a new development pattern, and closely integrated the requirements for serving the real economy, deepening financial reforms and preventing financial risks. In addition, it actively adjusted and optimized the asset-liability structure, fully promoted innovation, transformation and development, and continuously promoted the transformation and upgrading of financial technology. The major business scale indicators continued to maintain relatively rapid growth, while achieving a steady increase in profitability and sustaining stable asset quality.

### Steady growth in the size of assets and liabilities

As of the end of the Reporting Period, the Bank's total assets reached RMB1,560.328 billion, an increase of RMB166.804 billion or 11.97% from the end of the previous year; of which, the Bank's net loans and advances to customers amounted to RMB953.839 billion, an increase of RMB86.718 billion or 10.00% from the end of the previous year. Total liabilities amounted to RMB1,453.124 billion, an increase of RMB162.847 billion or 12.62% from the end of the previous year; of which, deposits from customers amounted to RMB857.65 billion, an increase of RMB99.414 billion or 13.11% from the end of the previous year. The sizes of deposits and loans both maintained relatively rapid growth.

## Continuous optimization of credit business structure

During the Reporting Period, the Bank actively promoted the efficient implementation of various strategic initiatives, concentrated on strengthening the financial support for manufacturing technology innovation, transformation and upgrading, as well as technology-based small and medium-sized manufacturing enterprises. Meanwhile, it actively innovated credit management mechanisms and financial product systems in conformity to the characteristics of the manufacturing industry, centered on the new industrial chain and innovation chain of manufacturing industry, and continuously promoted the growth of credit size for manufacturing enterprises. As of the end of the Reporting Period, the Bank's total loans for the manufacturing industry amounted to RMB97.031 billion, an increase of RMB18.458 billion or 23.49% from the end of the previous year. Furthermore, the Bank increased credit support for energy conservation and environmental protection enterprises and projects such as energy conservation and emission reduction, circular economy and clean energy, so as to promote the development of green credit business in an all-round manner. As of the end of the Reporting Period, the Bank's green credit balance amounted to RMB26.589 billion, an increase of 33.74% from the end of the previous year.

## Effective asset quality control

As of the end of the Reporting Period, the Bank's non-performing loan balance amounted to RMB17.186 billion, a slight increase of RMB1.472 billion from the end of the previous year, and the non-performing loan ratio was 1.76%, a decrease of 0.01 percentage point from the end of the previous year. Allowance for loans loss was adequate. The impairment provision for loans of the Bank amounted to RMB27.592 billion, an increase of RMB2.639 billion from the end of the previous year. The impairment provision for bonds, non-bonds and inter-bank investments amounted to RMB8.753 billion. The impairment provision for off-balance sheet credit commitments amounted to RMB691 million. The allowance to gross loan ratio was 2.82%, and the allowance coverage ratio was 160.55%. The asset quality remained stable and the allowance indicators met the regulatory requirements.

## Steady improvement of profitability

During the Reporting Period, the Bank made great efforts to increase revenue and reduce expenditures, and strived to improve the level of refined operation and management, achieving a cumulative net profit of RMB5.345 billion, a year-on-year increase of 5.90%.

## V. ANALYSIS OF FINANCIAL STATEMENTS

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

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

During the Reporting Period, the Bank realized a net profit of RMB5,345 million, representing a year-on-year increase of 5.90%.

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

(Unit: RMB'000)

	January to June 2021	January to June 2020	Change	Increase (decrease) (%)
Net interest income	13,543,866	14,032,245	(488,379)	(3.48)
Net non-interest income	2,259,003	2,012,954	246,049	12.22
Operating income	15,802,869	16,045,199	(242,330)	(1.51)
Operating expenses	(4,711,555)	(4,417,196)	(294,359)	6.66
Impairment losses on assets	(4,370,532)	(5,342,664)	972,132	(18.20)
Profit before taxation	6,720,782	6,285,339	435,443	6.93
Income tax	(1,376,217)	(1,238,628)	(137,589)	11.11
Net profit	5,344,565	5,046,711	297,854	5.90
Total comprehensive income	5,467,243	4,883,918	583,325	11.94

Note: Since year of 2020, the Bank reclassified the installment income of credit cards from fee and commission income to interest income, and restated the data in this section for the relevant periods.

## 2. Net interest income

During the Reporting Period, the net interest income of the Bank amounted to RMB13,544 million, representing a year-on-year decrease of 3.48%.

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

During the Reporting Period, the net interest spread of the Bank was 1.79%, representing a year-on-year decrease of 0.45 percentage point; and the net interest margin was 1.92%, representing a year-on-year decrease of 0.51 percentage point.

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

(Unit: RMB'000)

	January to June 2021			January to June 2020		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Assets:						
Loans and advances to customers	939,474,634	24,787,026	5.32	768,044,965	22,537,782	5.90
Financial investments	316,137,252	5,827,615	3.72	267,787,571	5,791,865	4.35
Deposits with the central bank	76,021,917	500,715	1.33	74,617,658	523,206	1.41
Deposits with banks and other financial institutions	49,624,250	134,996	0.55	25,012,475	122,915	0.99
Placements with banks and other financial institutions	17,998,532	127,886	1.43	12,294,122	172,445	2.82
Financial assets held under resale agreements	21,451,867	209,351	1.97	14,912,331	107,554	1.45
<b>Total interest-earning assets</b>	<b>1,420,708,452</b>	<b>31,587,589</b>	<b>4.48</b>	<b>1,162,669,122</b>	<b>29,255,767</b>	<b>5.06</b>
	Average balance	Interest expense	Average cost (%)	Average balance	Interest expense	Average cost (%)
Liabilities:						
Deposits from customers	773,769,940	9,800,775	2.55	695,553,221	9,357,563	2.71
Deposits from banks and other financial institutions	177,038,911	2,535,084	2.89	84,183,177	1,112,701	2.66
Placements from banks and other financial institutions	48,422,676	248,013	1.03	25,246,348	312,517	2.49
Financial assets sold under repurchase agreements	31,891,175	357,824	2.26	20,682,921	187,733	1.83
Debt securities issued	249,658,522	4,006,618	3.24	207,401,093	3,366,466	3.26
Borrowing from the central bank	73,620,994	1,095,409	3.00	54,447,253	886,542	3.27
<b>Total interest-bearing liabilities</b>	<b>1,354,402,218</b>	<b>18,043,723</b>	<b>2.69</b>	<b>1,087,514,013</b>	<b>15,223,522</b>	<b>2.82</b>
Net interest income		13,543,866			14,032,245	
Net interest spread			1.79			2.24
Net interest margin			1.92			2.43

**(2) Interest income**

During the Reporting Period, the interest income of the Bank amounted to RMB31,588 million, representing a year-on-year increase of 7.97%, among which the interest income arising from loans and advances to customers amounted to RMB24,787 million, representing a year-on-year increase of 9.98%; the interest income arising from deposits with the central bank, deposits with banks and other financial institutions and placements with banks and other financial institutions totaled RMB764 million, representing a year-on-year decrease of 6.72%; the interest income arising from financial assets held under resale agreements amounted to RMB209 million, representing a year-on-year increase of 94.65%; and the interest income arising from financial investments amounted to RMB5,828 million, representing a year-on-year increase of 0.62%.

*Interest income arising from loans and advances to customers*

During the Reporting Period, the Bank's interest income arising from loans and advances to customers amounted to RMB24,787 million, representing a year-on-year increase of 9.98%, primarily due to an increase in the average balance of loans and advances to customers as compared to the same period of the previous year.

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

(Unit: RMB'000)

	January to June 2021			January to June 2020		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Corporate loans and advances	564,281,463	13,060,719	4.67	499,992,529	13,582,539	5.46
Personal loans	330,339,978	10,982,217	6.70	247,693,515	8,601,845	6.98
Discounted bills	44,853,193	744,090	3.35	20,358,921	353,398	3.49
<b>Loans and advances to customers</b>	<b>939,474,634</b>	<b>24,787,026</b>	<b>5.32</b>	<b>768,044,965</b>	<b>22,537,782</b>	<b>5.90</b>

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

During the Reporting Period, the Bank's interest income arising from deposits with the central bank, deposits with banks and other financial institutions and placements with banks and other financial institutions totaled RMB764 million, representing a year-on-year decrease of 6.72%; and the interest income arising from financial assets held under resale agreements amounted to RMB209 million, representing a year-on-year increase of 94.65%.

*Interest income arising from financial investments*

During the Reporting Period, the Bank's interest income arising from financial investments amounted to RMB5,828 million, representing a year-on-year increase of 0.62%.



## (3) Interest expense

During the Reporting Period, the Bank's interest expense amounted to RMB18,044 million, representing a year-on-year increase of 18.53%.

*Interest expense on deposits from customers*

During the Reporting Period, the Bank's interest expense on deposits from customers amounted to RMB9,801 million, representing a year-on-year increase of 4.74%.

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

(Unit: RMB'000)

	January to June 2021			January to June 2020		
	Average balance	Interest expense	Average cost (%)	Average balance	Interest expense	Average cost (%)
<b>Corporate deposits</b>	<b>512,518,213</b>	<b>6,826,822</b>	<b>2.69</b>	<b>414,013,256</b>	<b>5,208,002</b>	<b>2.53</b>
Of which: Demand deposits	165,435,728	697,112	0.85	161,883,881	565,918	0.70
Time deposits	347,082,485	6,129,710	3.56	252,129,375	4,642,084	3.70
<b>Personal deposits</b>	<b>117,544,141</b>	<b>1,635,023</b>	<b>2.81</b>	<b>71,173,365</b>	<b>966,364</b>	<b>2.73</b>
Of which: Demand deposits	33,107,631	55,903	0.34	23,620,801	41,746	0.36
Time deposits	84,436,510	1,579,120	3.77	47,552,564	924,618	3.91
Pledged deposits and others	143,707,586	1,338,930	1.88	210,366,600	3,183,197	3.04
<b>Deposits from customers</b>	<b>773,769,940</b>	<b>9,800,775</b>	<b>2.55</b>	<b>695,553,221</b>	<b>9,357,563</b>	<b>2.71</b>

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

During the Reporting Period, the Bank's interest expense on borrowing from the central bank, deposits from banks and other financial institutions and placements from banks and other financial institutions totaled RMB3,879 million, representing a year-on-year increase of 67.77%; interest expense on financial assets sold under repurchase agreements amounted to RMB358 million, representing a year-on-year increase of 90.60%.

*Interest expense on debt securities issued*

During the Reporting Period, the Bank's interest expense on debt securities issued amounted to RMB4,007 million, representing a year-on-year increase of 19.02%.

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

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

(Unit: RMB'000)

	January to June 2021 vs. January to June 2020 due to changes in volume	January to June 2021 vs. January to June 2020 due to changes in rate	Net increase/ (decrease) (%)
Loans and advances to customers	4,458,268	(2,209,024)	9.98
Financial investments	872,348	(836,598)	0.62
Deposits with the central bank	7,111	(29,602)	(4.30)
Deposits with banks and other financial institutions	66,656	(54,575)	9.83
Placements with banks and other financial institutions	40,183	(84,742)	(25.84)
Financial assets held under resale agreements	63,344	38,453	94.65
<b>Changes in interest income</b>	<b>5,507,910</b>	<b>(3,176,088)</b>	<b>7.97</b>
Deposits from customers	995,081	(551,869)	4.74
Deposits from banks and other financial institutions	1,326,368	96,015	127.83
Placements from banks and other financial institutions	118,280	(182,784)	(20.64)
Financial assets sold under repurchase agreements	125,988	44,103	90.60
Debt securities issued	660,722	(20,570)	19.02
Borrowing from the central bank	281,767	(72,900)	23.56
<b>Changes in interest expense</b>	<b>3,508,206</b>	<b>(688,005)</b>	<b>18.53</b>
<b>Changes in net interest income</b>	<b>1,999,704</b>	<b>(2,488,083)</b>	<b>(3.48)</b>

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

### 3. Net non-interest income

During the Reporting Period, the net non-interest income of the Bank amounted to RMB2,259 million, representing a year-on-year increase of RMB246 million or 12.22%, among which the net fee and commission income amounted to RMB1,117 million, representing a year-on-year decrease of RMB308 million, and other net non-interest income amounted to RMB1,142 million, representing a year-on-year increase of RMB554 million.

#### (1) Net fee and commission income

During the Reporting Period, the net fee and commission income of the Bank amounted to RMB1,117 million, representing a year-on-year decrease of 21.61%, primarily due to the decrease in the agency service and custodian service fee income.

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

(Unit: RMB'000)

	January to June 2021	January to June 2020	Increase (decrease) (%)
<b>Fee and commission income</b>	<b>2,204,688</b>	<b>2,417,742</b>	<b>(8.81)</b>
Of which: Agency service fees	918,022	1,175,843	(21.93)
Settlement and clearing fees	472,576	310,206	52.34
Custodian service fees	297,186	420,017	(29.24)
Consulting service fees	238,328	222,832	6.95
Credit commitments and asset management fees	219,333	219,387	(0.02)
Bank card fees	32,438	28,582	13.49
Others	26,805	40,875	(34.42)
<b>Fee and commission expense</b>	<b>1,087,297</b>	<b>992,342</b>	<b>9.57</b>
Of which: Information service fees	968,013	895,575	8.09
Agency service fees	37,710	31,799	18.59
Settlement and clearing fees	21,273	15,144	40.47
Bank card fees	19,479	7,104	174.20
Consulting service fees	17,760	35,395	(49.82)
Others	23,062	7,325	214.84
<b>Net fee and commission income</b>	<b>1,117,391</b>	<b>1,425,400</b>	<b>(21.61)</b>

**(2) Other net non-interest income**

During the Reporting Period, other net non-interest income of the Bank amounted to RMB1,142 million, representing a year-on-year increase of 94.30%, primarily due to an increase in gains arising from investment securities.

The following table sets forth other net non-interest income of the Bank for the periods indicated:

(Unit: RMB'000)

	January to June 2021	January to June 2020	Increase (decrease) (%)
Net trading losses	(106,233)	(9,655)	N/A
Net gains arising from investment securities	1,186,055	578,423	105.05
Other operating income	61,790	18,786	228.92
<b>Total</b>	<b>1,141,612</b>	<b>587,554</b>	<b>94.30</b>

**4. Operating expenses**

During the Reporting Period, the operating expenses of the Bank amounted to RMB4,712 million, representing a year-on-year increase of 6.66%.

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

(Unit: RMB'000)

	January to June 2021	January to June 2020	Increase (decrease) (%)
Staff costs	2,827,668	2,793,394	1.23
Depreciation and amortisation	711,267	714,522	(0.46)
Taxes and surcharges	219,382	214,146	2.45
Interest expense on lease liabilities	80,100	78,506	2.03
Other general and administrative expenses	873,138	616,628	41.60
<b>Total</b>	<b>4,711,555</b>	<b>4,417,196</b>	<b>6.66</b>

**5. Impairment losses on assets**

The Bank strictly followed the regulatory requirements to provide impairment losses on credit based on the principle of prudence. During the Reporting Period, the impairment losses on credit provided by the Bank amounted to RMB4,371 million, representing a decrease of 18.20% as compared to the same period of the previous year, among which the provision for impairment losses on loans and advances to customers amounted to RMB6,194 million, the impairment losses reversed on financial investments amounted to RMB1,574 million, and other impairment losses reversed amounted to RMB249 million.

**6. Income tax**

During the Reporting Period, the income tax of the Bank amounted to RMB1,376 million and the effective tax rate was 20.48%. The income tax increased primarily due to an increase in the profit before taxation of the Bank during the Reporting Period.



## (II) Balance Sheet Items

### 1. Items of assets

As of the end of the Reporting Period, the total assets of the Bank amounted to RMB1,560,328 million, representing an increase of 11.97% as compared to the end of the previous year, which was mainly due to an increase in asset scale led by the rapid development of loans and advances to customers and financial investments.

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

(Unit: RMB'000)

	June 30, 2021		December 31, 2020		Increase (decrease) (%)
	Amount	Proportion (%)	Amount	Proportion (%)	
Cash and deposits with the central bank	96,693,442	6.20	96,548,417	6.93	0.15
Deposits with banks and other financial institutions	69,870,163	4.48	27,805,363	2.00	151.28
Placements with banks and other financial institutions and financial assets held under resale agreements	7,363,770	0.47	6,063,668	0.43	21.44
Derivative financial assets	490,517	0.03	232,498	0.02	110.98
Loans and advances to customers	953,838,630	61.13	867,120,217	62.22	10.00
Financial investments	409,914,387	26.27	375,926,746	26.98	9.04
Property and equipment	3,521,097	0.23	3,630,154	0.26	(3.00)
Deferred tax assets	9,724,046	0.62	8,664,618	0.62	12.23
Other assets	8,911,478	0.57	7,531,444	0.54	18.32
<b>Total assets</b>	<b>1,560,327,530</b>	<b>100.00</b>	<b>1,393,523,125</b>	<b>100.00</b>	<b>11.97</b>

#### (1) Loans and advances to customers

As of the end of the Reporting Period, the Bank's gross loans and advances to customers (including discounts) amounted to RMB976,828 million, representing an increase of 10.06% as compared to the end of the previous year.

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

(Unit: RMB'000)

	June 30, 2021		December 31, 2020		Increase (decrease) (%)
	Amount	Proportion (%)	Amount	Proportion (%)	
Corporate loans and advances	569,684,331	58.32	546,118,850	61.53	4.32
Discounted bills	66,949,948	6.85	31,046,668	3.50	115.64
Personal loans	340,193,918	34.83	310,372,027	34.97	9.61
<b>Gross loans and advances to customers</b>	<b>976,828,197</b>	<b>100.00</b>	<b>887,537,545</b>	<b>100.00</b>	<b>10.06</b>
Interests accrued	4,455,012		4,408,520		
<b>Total</b>	<b>981,283,209</b>		<b>891,946,065</b>		

## (2) Financial investments

As of the end of the Reporting Period, the financial investments of the Bank amounted to RMB409,914 million, representing an increase of 9.04% as compared to the end of the previous year.

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

(Unit: RMB'000)

	June 30, 2021		December 31, 2020		Increase (decrease) (%)
	Amount	Proportion (%)	Amount	Proportion (%)	
Financial investments measured at fair value through profit or loss	88,803,652	21.67	72,597,497	19.31	22.32
Financial investments measured at fair value through other comprehensive income	77,892,511	19.00	61,813,595	16.44	26.01
Financial investments measured at amortised cost	243,218,224	59.33	241,515,654	64.25	0.70
<b>Total</b>	<b>409,914,387</b>	<b>100.00</b>	<b>375,926,746</b>	<b>100.00</b>	<b>9.04</b>

Further details of the Bank's financial investments are set forth in "Review Report and Interim Financial Report – Notes to the Unaudited Interim Financial Statements" in this report.

## (3) Financial derivatives transactions

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

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

(Unit: RMB'000)

	June 30, 2021			December 31, 2020		
	Contractual/ notional amount	Fair value		Contractual/ notional amount	Fair value	
		Assets	Liabilities		Assets	Liabilities
Interest rate swaps	216,258,792	40,142	(30,752)	130,258,400	82,861	(73,125)
Exchange rate swaps	35,445,597	117,801	(296,107)	25,338,865	16,575	(255,739)
Exchange rate forwards	28,221,930	315,598	(267,115)	6,921,165	123,941	(115,620)
Precious metal swaps	2,658,255	–	(239,158)	2,739,600	–	(82,149)
Option contracts	1,703,913	16,976	(14,386)	1,725,576	9,121	(6,531)
<b>Total</b>	<b>284,288,487</b>	<b>490,517</b>	<b>(847,518)</b>	<b>166,983,606</b>	<b>232,498</b>	<b>(533,164)</b>

## 2. Items of liabilities

As of the end of the Reporting Period, the total liabilities of the Bank amounted to RMB1,453,124 million, representing an increase of 12.62% as compared to the end of the previous year, which was mainly due to an increase in total liabilities led by the increase of deposits from customers and debt securities issued.

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

(Unit: RMB'000)

	June 30, 2021		December 31, 2020		Increase (decrease) (%)
	Amount	Proportion (%)	Amount	Proportion (%)	
Borrowing from the central bank <sup>Note</sup>	72,455,956	4.99	71,592,485	5.55	1.21
Deposits from banks and other financial institutions	151,807,022	10.45	130,273,359	10.10	16.53
Placements from banks and other financial institutions	61,723,545	4.25	31,920,614	2.47	93.37
Derivative financial liabilities	847,518	0.06	533,164	0.04	58.96
Financial assets sold under repurchase agreements	15,661,750	1.08	52,406,083	4.06	(70.11)
Deposits from customers	857,649,637	59.02	758,235,794	58.77	13.11
Income tax payable	1,032,463	0.07	2,485,405	0.19	(58.46)
Debt securities issued	274,813,013	18.91	225,154,090	17.45	22.06
Other liabilities	17,133,323	1.17	17,676,301	1.37	(3.07)
<b>Total liabilities</b>	<b>1,453,124,227</b>	<b>100.00</b>	<b>1,290,277,295</b>	<b>100.00</b>	<b>12.62</b>

Note: As of June 30, 2021, borrowing from the central bank of RMB72,455,956,000 included the principal amount at a fixed interest rate of RMB71,000,000,000, and the interest payable on the borrowing from the central bank of RMB1,455,956,000.

### Deposits from customers

As of the end of the Reporting Period, the gross deposits from customers of the Bank amounted to RMB846,730 million, representing an increase of 13.39% as compared to the end of the previous year.

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

(Unit: RMB'000)

	June 30, 2021		December 31, 2020		Increase (decrease) (%)
	Amount	Proportion (%)	Amount	Proportion (%)	
<b>Corporate deposits</b>	<b>575,718,891</b>	<b>67.99</b>	<b>476,289,401</b>	<b>63.78</b>	<b>20.88</b>
Of which: Demand deposits	164,129,801	19.38	187,615,249	25.12	(12.52)
Time deposits	411,589,090	48.61	288,674,152	38.66	42.58
<b>Personal deposits</b>	<b>130,778,022</b>	<b>15.45</b>	<b>101,942,200</b>	<b>13.65</b>	<b>28.29</b>
Of which: Demand deposits	48,848,497	5.77	20,467,078	2.74	138.67
Time deposits	81,929,525	9.68	81,475,122	10.91	0.56
Pledged deposits	140,060,573	16.54	168,289,715	22.54	(16.77)
Fiscal deposits	112,803	0.01	119,136	0.02	(5.32)
Inward and outward remittances	59,538	0.01	85,331	0.01	(30.23)
<b>Gross deposits from customers</b>	<b>846,729,827</b>	<b>100.00</b>	<b>746,725,783</b>	<b>100.00</b>	<b>13.39</b>
Interests accrued	10,919,810		11,510,011		
<b>Total</b>	<b>857,649,637</b>		<b>758,235,794</b>		

**3. Total equity**

As of the end of the Reporting Period, the total equity of the Bank amounted to RMB107,203 million, representing an increase of RMB3,957 million or 3.83% as compared to the end of the previous year, primarily due to an increase of net profit during the Reporting Period.

**4. Pledge of assets**

Details for the pledge of assets of the Bank as of the end of the Reporting Period are set out in "Review Report and Interim Financial Report – Notes to the Unaudited Interim Financial Statements" in this report.

**5. Overdue and outstanding debts**

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

**VI. ANALYSIS OF CAPITAL ADEQUACY RATIOS**

As of the end of the Reporting Period, the Bank calculated the capital adequacy ratios at all levels in accordance with the Capital Administrative Measures for Commercial Banks (Provisional) (《商業銀行資本管理辦法(試行)》) promulgated by the CBRC and other relevant regulatory requirements, among which, the core tier-one capital adequacy ratio was 8.73%, the tier-one capital adequacy ratio was 10.75% and the capital adequacy ratio was 12.76%, all of which were in compliance with the regulatory requirements.

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

(Unit: RMB'000)

	June 30, 2021	December 31, 2020
Core tier-one capital	87,241,699	83,572,689
Core tier-one capital regulatory deductions	(1,153,879)	(468,892)
Net core tier-one capital	86,087,820	83,103,797
Other tier-one capital	19,961,604	19,961,604
Net tier-one capital	106,049,424	103,065,401
Tier-two capital	19,801,826	10,056,377
Of which: Qualifying portion of tier-two capital instruments enjoying favorable policies during the transitional period	408,562	817,124
Tier-two capital regulatory deductions	–	–
Net capital	125,851,250	113,121,778
Capital adequacy ratio (%)	12.76	12.08
Tier-one capital adequacy ratio (%)	10.75	11.01
Core tier-one capital adequacy ratio (%)	8.73	8.88

Note: Capital adequacy ratio equals net capital/risk-weighted assets\*100%. See table below for details of risk-weighted assets.



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

(Unit: RMB'000)

	June 30, 2021	December 31, 2020
Credit risk-weighted assets	930,236,234	881,225,155
Of which: On-balance sheet credit risk	869,415,828	819,831,605
Off-balance sheet credit risk	59,750,613	60,787,483
Counterparty credit risk	1,069,793	606,067
Market risk-weighted assets	3,576,459	2,622,352
Operational risk-weighted assets	52,259,283	52,259,283
<b>Total risk-weighted assets</b>	<b>986,071,976</b>	<b>936,106,790</b>

According to the information disclosure requirements on asset securitization in Appendix 15 of the Capital Administrative Measures for Commercial Banks (Provisional) (《商業銀行資本管理辦法(試行)》), as of the end of the Reporting Period, the Bank's on-balance sheet credit risk exposure included RMB50.828 billion of on-balance sheet asset securitization risk exposure and RMB10.166 billion of risk-weighted assets.

## VII. LEVERAGE RATIO

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

(Unit: RMB'000)

	June 30, 2021	December 31, 2020
Tier-one capital	107,203,303	103,534,293
Tier-one capital deductions	(1,153,879)	(468,892)
Total adjusted on-balance sheet and off-balance sheet assets	1,826,677,785	1,630,457,496
Of which: Total adjusted on-balance sheet assets	1,556,386,095	1,388,973,883
Total adjusted off-balance sheet assets	265,903,731	238,803,364
Others <sup>Note</sup>	4,387,959	2,680,249
Leverage ratio (%)	5.81	6.32

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

## VIII. SEGMENT REPORTING

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

(Unit: RMB'000)

	January to June 2021		January to June 2020	
	Operating income	Profit before taxation	Operating income	Profit before taxation
Corporate banking	7,261,562	833,571	7,228,214	1,788,822
Retail banking	5,633,688	2,046,752	3,911,595	826,393
Financial markets	2,780,026	3,867,363	4,874,362	3,726,015
Others	127,593	(26,904)	31,028	(55,891)
<b>Total</b>	<b>15,802,869</b>	<b>6,720,782</b>	<b>16,045,199</b>	<b>6,285,339</b>

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

(Unit: RMB'000)

	January to June 2021		January to June 2020	
	Operating income	Profit before taxation	Operating income	Profit before taxation
Northern and Northeastern China	9,207,509	4,481,326	9,825,268	4,422,103
Eastern China	2,846,451	2,226,634	2,576,826	483,786
Central and Southern China	2,803,938	(548,926)	2,645,814	573,298
Western China	944,971	561,748	997,291	806,152
<b>Total</b>	<b>15,802,869</b>	<b>6,720,782</b>	<b>16,045,199</b>	<b>6,285,339</b>

## IX. LOAN QUALITY ANALYSIS

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

(Unit: RMB'000)

	June 30, 2021		December 31, 2020	
	Amount	Percentage (%)	Amount	Percentage (%)
Normal loans	935,080,024	95.73	846,131,237	95.34
Special mention loans	24,562,244	2.51	25,692,529	2.89
NPLs	17,185,929	1.76	15,713,779	1.77
Of which: Substandard loans	7,323,173	0.75	8,633,726	0.97
Doubtful loans	6,973,228	0.71	4,852,977	0.55
Loss loans	2,889,528	0.30	2,227,076	0.25
<b>Gross loans and advances to customers</b>	<b>976,828,197</b>	<b>100.00</b>	<b>887,537,545</b>	<b>100.00</b>

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

(Unit: RMB'000)

	June 30, 2021				December 31, 2020			
	Amount	Percentage (%)	NPL amount	NPL ratio (%)	Amount	Percentage (%)	NPL amount	NPL ratio (%)
Corporate loans and advances	569,684,331	58.32	13,147,582	2.31	546,118,850	61.53	12,728,869	2.33
Of which: Short-term								
corporate loans	251,669,578	25.76	6,160,922	2.45	202,826,916	22.85	8,116,015	4.00
Medium-and long-term								
corporate loans	318,014,753	32.56	6,986,660	2.20	343,291,934	38.68	4,612,854	1.34
Discounted bills	66,949,948	6.85	-	-	31,046,668	3.50	-	-
Of which: Bank acceptance bills	62,029,139	6.35	-	-	24,189,841	2.73	-	-
Commercial acceptance bills	4,920,809	0.50	-	-	6,856,827	0.77	-	-
Personal loans	340,193,918	34.83	4,038,347	1.19	310,372,027	34.97	2,984,910	0.96
Of which: Residential and								
commercial housing loans	184,354,861	18.87	710,038	0.39	167,701,283	18.90	500,713	0.30
Personal consumer loans	113,772,731	11.65	2,932,152	2.58	117,005,285	13.18	2,139,312	1.83
Personal business loans	42,066,326	4.31	396,157	0.94	25,665,459	2.89	344,885	1.34
<b>Gross loans and advances to customers</b>	<b>976,828,197</b>	<b>100.00</b>	<b>17,185,929</b>	<b>1.76</b>	<b>887,537,545</b>	<b>100.00</b>	<b>15,713,779</b>	<b>1.77</b>

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

(Unit: RMB'000)

	June 30, 2021				December 31, 2020			
	Amount	Percentage (%)	NPL amount	NPL ratio (%)	Amount	Percentage (%)	NPL amount	NPL ratio (%)
Lease and business services	182,819,279	18.72	1,674,144	0.92	171,383,263	19.31	3,135,737	1.83
Manufacturing	97,030,546	9.93	4,239,186	4.37	78,572,827	8.85	3,841,511	4.89
Real estate	93,698,974	9.59	3,696,379	3.94	111,774,970	12.59	2,385,067	2.13
Water conservancy, environment and public facilities management	61,690,858	6.32	57,076	0.09	57,281,338	6.45	59,876	0.10
Wholesale and retail	51,433,541	5.27	852,606	1.66	46,695,083	5.26	1,781,545	3.82
Construction	24,944,421	2.55	1,256,333	5.04	25,998,522	2.93	284,057	1.09
Transportations and communications, storage and post	17,969,714	1.84	643,443	3.58	15,266,620	1.72	42,528	0.28
Mining	10,860,002	1.11	184,837	1.70	10,576,481	1.19	184,837	1.75
Production and supply of electricity, heat, gas and water	8,364,017	0.86	4,939	0.06	8,434,143	0.95	4,939	0.06
Finance	7,044,399	0.72	50	-	5,220,010	0.59	500,000	9.58
Agriculture, forestry, animal husbandry and fishery	2,685,915	0.27	-	-	2,381,667	0.27	-	-
Education	2,573,638	0.26	-	-	2,712,058	0.31	-	-
Hygiene and social welfare	2,229,189	0.23	170,000	7.63	2,588,730	0.29	170,000	6.57
Others	6,339,838	0.65	368,590	5.81	7,233,138	0.82	338,772	4.68
<b>Gross corporate loans and advances</b>	<b>569,684,331</b>	<b>58.32</b>	<b>13,147,582</b>	<b>2.31</b>	<b>546,118,850</b>	<b>61.53</b>	<b>12,728,869</b>	<b>2.33</b>

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

(Unit: RMB'000)

	June 30, 2021				December 31, 2020			
	Amount	Percentage (%)	NPL amount	NPL ratio (%)	Amount	Percentage (%)	NPL amount	NPL ratio (%)
Northern and Northeastern China	406,241,526	41.59	8,041,180	1.98	389,592,957	43.89	6,510,978	1.67
Eastern China	241,310,525	24.70	3,533,665	1.46	211,867,272	23.87	2,242,715	1.06
Central and Southern China	242,175,722	24.79	5,439,391	2.25	209,862,150	23.65	6,445,485	3.07
Western China	87,100,424	8.92	171,693	0.20	76,215,166	8.59	514,601	0.68
<b>Gross loans and advances to customers</b>	<b>976,828,197</b>	<b>100.00</b>	<b>17,185,929</b>	<b>1.76</b>	<b>887,537,545</b>	<b>100.00</b>	<b>15,713,779</b>	<b>1.77</b>

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

(Unit: RMB'000)

	June 30, 2021				December 31, 2020			
	Amount	Percentage (%)	NPL amount	NPL ratio (%)	Amount	Percentage (%)	NPL amount	NPL ratio (%)
Collateralized loans	305,202,924	31.24	5,030,519	1.65	294,096,608	33.14	3,313,043	1.13
Pledged loans	128,434,085	13.15	2,416,369	1.88	95,062,754	10.71	3,131,023	3.29
Guaranteed loans	275,034,010	28.16	6,482,397	2.36	275,929,006	31.09	6,876,835	2.49
Unsecured loans	201,207,230	20.60	3,256,644	1.62	191,402,509	21.56	2,392,878	1.25
Discounted bills	66,949,948	6.85	-	-	31,046,668	3.50	-	-
<b>Gross loans and advances to customers</b>	<b>976,828,197</b>	<b>100.00</b>	<b>17,185,929</b>	<b>1.76</b>	<b>887,537,545</b>	<b>100.00</b>	<b>15,713,779</b>	<b>1.77</b>

## (VI) Distribution of Loans by Overdue Period

As of the end of the Reporting Period, the Bank's overdue loans amounted to RMB32,975.98 million, representing an increase of RMB8,325.77 million as compared to the end of the previous year.

(Unit: RMB'000)

	June 30, 2021		December 31, 2020	
	Amount	Percentage (%)	Amount	Percentage (%)
Overdue within three months	17,240,654	1.77	10,606,590	1.20
Overdue more than three months to one year	6,902,362	0.71	8,270,669	0.93
Overdue more than one year to three years	6,248,677	0.64	4,069,444	0.46
Overdue more than three years	2,584,284	0.26	1,703,509	0.19
<b>Total overdue loans</b>	<b>32,975,977</b>	<b>3.38</b>	<b>24,650,212</b>	<b>2.78</b>
<b>Gross loans and advances to customers</b>	<b>976,828,197</b>	<b>100.00</b>	<b>887,537,545</b>	<b>100.00</b>



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

(Unit: RMB'000)

Borrowers	Industry	June 30, 2021			
		Amount	NPL amount	% of net capital base	% of gross loans
Customer A	Manufacturing	11,520,334	–	9.15	1.18
Customer B	Lease and business services	9,171,803	–	7.29	0.94
Customer C	Manufacturing	8,734,530	–	6.94	0.89
Customer D	Manufacturing	6,457,300	–	5.13	0.66
Customer E	Real estate	5,820,000	–	4.62	0.59
Customer F	Lease and business services	5,638,248	–	4.48	0.58
Customer G	Manufacturing	5,553,708	–	4.41	0.57
Customer H	Manufacturing	5,459,997	–	4.34	0.56
Customer I	Manufacturing	4,843,783	–	3.85	0.50
Customer J	Lease and business services	4,841,000	–	3.85	0.50
<b>Total</b>	–	<b>68,040,703</b>	–	<b>54.06</b>	<b>6.97</b>

## (VIII) Restructured Loans

Restructured loans refer to those loans that the financial status of the relevant borrowers deteriorates, or that borrowers are not capable of repaying and therefore certain clauses on the loan contract are adjusted. As at June 30, 2021 and December 31, 2020, the Bank's balance of restructured loans amounted to RMB3,652 million and RMB4,928 million, respectively.

## (IX) Repossessed Assets

During the Reporting Period, the Bank had no repossessed assets.

## (X) Disposal of Non-Performing Assets

As of the end of the Reporting Period, the Bank had disposed of RMB8,942 million of non-performing assets through means such as cash collection, write-off of bad debts, and bankruptcy reorganization.

## (XI) Allowance for Loan Impairment

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

(Unit: RMB'000)

	For the six months ended June 30, 2021	For the six months ended June 30, 2020
Opening balance	24,825,848	23,600,871
Charge	6,173,687	4,781,651
Transfer out	(3,019,363)	(867,071)
Write-off	(582,386)	(299,216)
Recoveries	52,226	84,139
Exchange rate changes and others	(5,433)	2,978
<b>Closing balance</b>	<b>27,444,579</b>	<b>27,303,352</b>

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

(Unit: RMB'000)

	For the six months ended June 30, 2021	For the six months ended June 30, 2020
Opening balance	127,184	37,215
Charge	20,487	33,958
Transfer out	–	–
Write-off	–	–
Recoveries	–	–
Exchange rate changes and others	–	–
<b>Closing balance</b>	<b>147,671</b>	<b>71,173</b>

## (XII) Large Risk Exposure

The Bank has strictly implemented the regulatory requirements of the Measures for the Administration of the Large Risk Exposures of Commercial Banks (《商業銀行大額風險暴露管理辦法》) and effectively promoted the management of large risk exposures. During the Reporting Period, the Bank has gradually established a large risk exposure management system, improved the large risk exposure management regime, continuously monitored changes in large risk exposures, and periodically submitted statistical reports to regulatory authorities. Meanwhile, the large risk exposure management system has been constructed to explore the real-time monitoring and early warning of large risk exposures. During the Reporting Period, all large risk exposures of the Bank at the end of each quarter met regulatory requirements.

## X. MAIN BUSINESS OPERATION AND MANAGEMENT

### (I) Corporate Banking Business

During the Reporting Period, our corporate banking has insisted on the fundamental purpose of serving national development strategies by finance, and continued to improve the quality and efficiency of serving real economy, took the responsibilities and mission on our shoulder, to deeply engage in inclusive micro and small finance, and orderly carried out the works in promoting customer expansion, maintaining and increasing deposits, optimization of and adjustment to the business structure etc., so as to constantly consolidate our ability in financial risk prevention and control. The operations of each corporate banking business maintained steady and sound development.

#### *Customer building*

During the Reporting Period, the corporate banking centered on customers, strengthened customer building, continuously expanded the Bank's basic customer base, and consolidated the customer base of corporate banking business. Through identifying customer classification and specifically conducting the professional marketing for targeted customers, significant progress was made in the relationship building of various types of customers, including corporate banking customers, institutional customers and group customers. By creating a diversified product and service system, the Bank provided enterprises with high-quality and efficient financial services, and laid a solid foundation for increasing deposits and the number of customers, in order to achieve win-win situation for customers and the Bank.

#### *Liability business*

During the Reporting Period, the corporate banking firmly adhered to the operation philosophy of "building a bank founded on the deposits", focused on the development of corporate deposits, strengthened deposit marketing organizations, explored on the growth potential of customer deposits, vigorously expanded institutional deposits and green deposits, thereby achieving a steady growth of corporate deposits. As of the end of the Reporting Period, the gross corporate deposits amounted to RMB575.719 billion, representing an increase of 20.88% as compared to the end of the previous year.

#### *Asset business*

During the Reporting Period, the corporate banking resolutely implemented the national macro-control policies and a series of regulatory requirements on management and control. The corporate banking continued to accelerate business transformation and adjust the credit structure by increasing support for various aspects such as manufacturing, private enterprises, green industries, small and micro enterprises, and the rural areas, agriculture and farmers, and by strictly controlling the investment in real estate and industries with heavy pollution, high energy consumption or overcapacity. As of the end of the Reporting Period, the gross corporate loans amounted to RMB569.684 billion, representing an increase of 4.32% as compared to the end of the previous year.

#### *Asset custodian business*

During the Reporting Period, we made steady progress in the custodian business. As of the end of the Reporting Period, the custodian and outsourcing business reached a scale of RMB1,866.701 billion, and yielded a revenue of RMB297 million. According to the latest statistics in June 2021 from the China Banking Association, the Bank ranks 19th among all 27 qualified custodian banks in terms of total assets in custody, and 19th in terms of custodian fee income. We have obtained the custodian qualification for securities investment funds and insurance funds, qualification for engaging in private equity fund business outsourcing services, and depository qualification for pre-collected funds of single-purpose commercial prepaid card. Our custody services cover 21 products of 9 categories.

### **Transaction banking business**

During the Reporting Period, we made steady progress in the transaction banking business. In the first half of the year, the Bank realized international settlement of USD54.857 billion, representing a year-on-year increase of 132.88%. The Bank's transaction banking intermediary business realized an income of RMB689 million, representing a year-on-year increase of 34.21%; the period-end balance of three off-balance sheet businesses (bank acceptances, letters of credit, letters of guarantees) was RMB306.169 billion, representing a year-on-year increase of 11.58%. The supply chain business and cash management business developed in an orderly manner, the revamp of corporate online banking was steadily advanced, and the customer experience continued to improve.

### **Inclusive finance business**

Focusing on the central government's overall requirements of "Stable Performance in Six Key Areas (namely, employment, the finance sector, foreign trade, foreign investment, domestic investment, and market expectations) (六穩)" and "Security in Six Key Aspects (namely, job, basic living needs, operations of market entities, food and energy security, stable industrial and supply chains, and the normal functioning of primary-level governments) (六保)", the Bank improved its political awareness and took on more responsibilities. Taking the provision of service to the real economy as the starting point and the ultimate goal, the Bank revised its credit guidelines and business guidelines and policies, strengthened differentiated management and credit allocation to key regions and industries, sped up the integration of online and offline businesses, streamlined business processes, improved service efficiency and standards, and promoted the continued rapid development of inclusive finance business. Its strategic transformation achieved initial success. As of the end of the Reporting Period, the Bank had an inclusive finance loan balance of RMB54.854 billion, representing an increase of RMB18.343 billion or 50.24% as compared to the previous year. We secured 129,400 inclusive finance loan customers, representing an increase of 43,100 (new standards of the CBIRC) as compared to the previous year.

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

During the Reporting Period, regarding retail banking business, the Bank constantly concentrated on the construction of a technological and ecological bank, stuck to the overall work concept of "integration of self-development and jointly-developed ecosystems and two empowerments", "two transformations and three activations", adhered to the customer-centric principle, enhanced the improvement of wealth business operation and management capabilities, carried out consumer finance business surrounding product innovation and channel optimization, deepened marketing and expansion with "Ecosystems + Scenarios + Products + Services", optimized customer structure, and made effective progress in various retail businesses, with the annual growth rates of personal deposits and personal loans among the forefront of joint-stock commercial banks.

### **Asset business**

Relying on financial technology, the Bank established a digital risk control system, accelerated product innovation as well as research and development, and strived to achieve an innovative transformation with full coverage of product service systems, scenarios and channels. During the Reporting Period, the Bank's retail asset business maintained rapid and stable growth. Firstly, the Bank utilized data to guide the iterative optimization of risk control strategies, which significantly improved data-driven anti-fraud and credit risk assessment capabilities. Secondly, the Bank increased product R&D efforts, building the "Bohai E Loans" (渤海銀E貸) brand and launching the "Golden Lending Loan" (金領貸) product to achieve traditional transformation and innovative optimization through the integration of product entrances, the establishment of data models, the development of scenarios and channels, and the reconstruction of business processes. Thirdly, the Bank strengthened technological empowerment and launched the Bohai "Cloud Mortgage" (雲按揭) business, laying a foundation for the comprehensively digital, online and intelligent traditional personal loan business. Fourthly, the Bank promoted the gradual transformation of platform cooperation business from the "parasitic dependence" and "resident and embedded" model to the "symbiosis and co-construction" and "self-built integration" model. As of the end of the Reporting Period, the bank-wide personal loans totaled RMB340.194 billion, representing an increase of RMB29.822 billion or 9.61% as compared to the end of the previous year.

### **Liability business**

The Bank insisted on “building a bank founded on the basis of deposit” (存款立行), grasped the core needs of mid-to-high-end customer groups, enriched the hierarchical product lineage, consolidated the market, built systems, strengthened support, created brands, and promoted the stable and rapid scale up of the liability business. Firstly, the Bank launched customized fixed-term deposit products with special themes to guide customers to convert funds and develop a saving habit through small and high-frequency deposit transactions. Secondly, the Bank carried out a pilot project for the transformation and improvement of outlets’ capacity, so as to realize the positioning and layering of account managers, as well as seamless collaboration between outlet operations and retail. Consequently, the production capacity of the pilot outlets was significantly improved. Thirdly, the Bank launched themed cards integrating products, services, rights and interests, for example, a themed card featuring agency payroll services and senior citizen cards, and created a brand channel linking customers directionally. As of the end of the Reporting Period, the bank-wide personal deposits totaled RMB130.778 billion, representing an increase of RMB28.836 billion or 28.29% as compared to the end of the previous year.

### **Personal wealth management services**

The Bank sorted out the wealth management product genealogy in multiple dimensions, continued to launch featured products with exclusivity for new customers/newcomers, infinite exclusivity and other distinctive customer groups, and launched a series of charity wealth management products to fulfill social responsibilities. At the end of June 2021, the asset portfolio wealth management balance amounted to RMB205.43 billion, representing an annual increase of RMB9.06 billion, a year-on-year rise of RMB38.27 billion and a growth rate of 4.6%. Among which, net wealth management increased by RMB15.01 billion, accounting for 165.6% of the increase. Income-based financial management decreased by RMB5.94 billion from the beginning of the year. T+0 wealth management recorded a drop of RMB5.58 billion from the beginning of the year.

### **Agency businesses**

The Bank vigorously developed the agency businesses through enhancing the production capacity of outlets and building an elite account manager team. As of the end of the Reporting Period, the retail agency business balance amounted to RMB8.56 billion, representing an annual increase of RMB1.02 billion. Among which, the trust agency business balance amounted to RMB2.57 billion, representing an annual increase of RMB460 million. The insurance agency business balance amounted to RMB790 million, representing an annual increase of RMB230 million. The non-monetary funds business balance amounted to RMB1.508 billion, representing an annual increase of RMB928 million. The monetary funds of “Tianjinbao” (添金寶) amounted to RMB3.656 billion.

### **Credit card business**

Firstly, the Bank further subdivided customer groups, and continued to promote the launch of new products, such as family-themed credit cards for families. Secondly, the Bank established the entire process of Internet marketing to acquire customers, improving our ability of independent customer acquisition. As of the end of June 2021, 72,700 credit cards were newly added through Internet marketing. Thirdly, the Bank fully upgraded the credit card APP to improve the response speed and smoothness of the APP. As of the end of June 2021, the number of credit card APP users amounted to 179,200, representing an annual increase of 69,200 users. As of the end of the Reporting Period, the accumulated number of credit cards issued amounted to 771,800, representing a rise of 51.07% as compared to the end of the previous year.



### ***Channel construction***

The Bank promoted a multi-directional and three-dimensional channel layout, and created a blood vessel network for the ecological layout of the retail business. Firstly, it accelerated the construction progress of “Light Boat Plan” (輕舟計劃), a plan to build comprehensive light outlets, to expand the number of existing physical outlets, optimize the layout of outlets, and improve the ability to attract and serve offline customers. In the first half of 2021, a total of 34 comprehensive light outlets were built. As of the end of the Reporting Period, the total number of external business outlets of the Bank reached 261, representing an increase of 22 as compared to the end of the previous year. Secondly, it rapidly increased the unit production capacity of branches, with growth of deposits and the sales volume of wealth management products per outlet ranking among the highest of joint-stock commercial banks. Thirdly, taking “Service + Operation + Business” as the business development positioning, the Bank accelerated the transformation of the customer service center into a remote banking channel, and diverted potential customers offline through active outbound marketing, jointly driving effective growth in customer scale and new funds.

### ***Customer development***

Adhering to the core value of “customer first”, the Bank adopted refined management on the entire life cycle of customers, deeply developing channels for customer expansion, products for customer acquisition, transactions for customer activation, experiences for customer stickiness, and services for customer retention. The Bank extensively expanded traditional offline radiating regions, strengthened online platforms to divert customers to offline outlets, optimized business processes, and satisfied all-round financial needs of customers to the greatest extent, including cash management, payment and settlement, savings protection, wealth management investment, and asset allocation. It also drove the conversion of static savings customers into dynamic trading customers, and increased customer product coverage and value contribution. As of the end of June 2021, the number of bank-wide individual customers reached 8,647,200, representing an increase of 818,600 and a growth rate of 10.46%. The number of mid- to high-end customers amounted to 453,800, representing an increase of 38,500 and a growth rate of 9.27%, a year-on-year increase of 37,200. The number of bank-wide private bank customers amounted to 4,940, representing an increase of 1,924 and a growth rate of 63.79%.

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

During the Reporting Period, in the face of the complicated and changeable situation in China and overseas, our financial market working lines adapted to the macroeconomic situation and regulatory guidance, and continued to promote business transformation and product innovation vigorously. In terms of assets, the Bank strongly promoted standardized asset allocation and the proportion of low-risk weighted assets, constantly optimizing the asset structure. In terms of liabilities, it actively advanced the marketing of inter-bank liabilities, tapped existing customers, and expanded new customers, at the same time strengthening capital market research and judgment in order to accomplish the dual goals of growth in financing scale and effective control over the financing cost. In terms of products and services, the Bank focused on new product research and development, improved the product system, and enhanced the professional service level of agency business.

### ***Financial management business***

In the last year of “New Asset Management Regulations”, we adapted our wealth management business to regulatory requirements to deeply promote business transformation and upgrading, vigorously improve investment and research capabilities, continuously enrich our product categories, and further optimize our asset allocation. At the end of the Reporting Period, the balance of existing wealth management products amounted to RMB224.322 billion, representing an increase of 8.61% as compared to the same period of the previous year.

### ***Treasury business***

The Bank actively carried out inter-bank liability marketing, tapped existing customers, expanded new customers, at the same time strengthening capital market research and judgment to achieve the dual goals of growth in financing scale and effective control over the financing cost. The Bank paid close attention to market trends, deeply explored the currency, bonds, foreign exchange and precious metal trading operations, and actively participated in the market, with both transaction volume and ranking of various products improving. During the Reporting Period, the Bank successively won awards such as “Innovative Active Dealer” (創新活躍交易商) and “Best Progress Award” (最佳進步獎) issued by the China Foreign Exchange Trade System (CFETS). The Bank performed extraordinarily as an underwriter of treasury bonds and policy bank financial bonds. Among which, it ranked 14th in terms of the underwriting scale of financial bonds issued by Agricultural Development Bank of China, and 27th in terms of the underwriting scale of financial bonds issued by China Development Bank. In addition, it was recognized as a core member of the underwriting syndicate, with the volume of bond transactions ranking among the best in the domestic banking industry. It ranked the 17th in terms of foreign currency market transaction.

### ***Agency business***

The Bank strengthened market research, focused on R&D of new products and optimized product system to promote the development of agency product business. It built an agency business product manager team and conducted business training to improve the service professionalism. It leveraged the advantages of interaction between headquarters and branches to provide customers with comprehensive solutions and improve the comprehensive income of the business.

### ***Interbank business***

During the Reporting Period, apart from prevention and control of financial risks as well as adaption to the regulatory guidance, the Bank advanced the transformation of inter-bank business, focused on promoting standardized and low-risk weighted asset, and reduced the scale of non-standard assets on the balance sheet. The Bank increased the absorption of interbank debts and expanded the scale of interbank debt customers. The Bank regularized interbank cooperation, returned to the ultimate source of interbank business and supported the development of real economy.

### ***Bills business***

The Bank accurately followed the trend of the bill market in 2021, timely seized the favorable trading opportunities, actively conducted transactions in bill markets, improved the income level of bill transactions, and extensively contacted all kinds of transaction entities in the bill market, thus increasing the market influence of the Bank.

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

During the Reporting Period, we continued to accelerate the asset-light transformation of our investment banking business, and steadily promoted the bonds underwriting business and non-debt investment banking business. For product innovation, in the first half of the year, the Bank mainly underwrote the rural revitalization bonds, green bonds, entrepreneurship and innovation bonds, and panda bonds for the first time, with innovation capability enhancing continuously. Looking ahead, our investment banking segment will continue to expand its market, product and customer coverage with debt undertaking business, as well as domestic and overseas mergers and acquisitions, capital markets, matchmaking and other non-debt investment banking businesses, thus creating value for shareholders and customers.

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

As of the end of the Reporting Period, the Chinese and foreign banks and other financial peer clients has provided credit lines that can satisfy the stable development of the Bank’s businesses. A total of 254 Chinese and foreign banks and non-bank financial institutions had credit lines in the Bank. In terms of agent bank construction, as of the end of the Reporting Period, we had a total of 508 banks as our agent in 69 countries and regions.

## (IV) Financial Technology Business

In the first half of 2021, the Bank continued to implement the development strategy of a technological ecological bank, strived to improve the financial technology capabilities and the output of platform ecological service capabilities, strengthened the empowerment of financial technology, and accelerated the construction of ecological scenarios, constantly advancing the construction of an ecological bank.

**Firstly, the Bank further developed ecological scenarios and improved financial service capabilities in multiple fields.** During the Reporting Period, the Bank actively explored ecological scenarios such as human resources, property, education and industrial Internet, and continued to improve the product and service capabilities of Bohai Champion Commerce (渤商赢). Aiming at the human resources field, we launched a comprehensive solution of "Human Resources + Internet + Finance", exported standardized products and services to the human resources vertical industries, and rapidly expanded the scale of services, effectively assisting traditional human service organizations in the Internet adoption, online, and digitalized upgrade to achieve win-win cooperation. The program has been implemented through the "Strait Human Cloud" (海峡人力云) project in the Chinese Strait Talent Market. For the real estate sector, we launched smart real estate solutions. Based on technology platforms, digital tools and financial products, and with financial services as the starting point, we opened the door to serve customers in the public sector and activated the ecological linkage of the community through financial products such as special deposits and consumer loans, as well as personalized value-added services combined with consumption scenarios. Focusing on the education industry, we launched smart education solutions. On the basis of the "earnest money" of deposit products, we carried out personalized upgrades for the education and training industry, and brought comprehensive benefits to the Bank while ensuring the safety of customers' funds. We targeted the industrial internet field and launched comprehensive solutions. Relying on the Bank's core financial capabilities and technological capabilities such as blockchain, big data, remote video and artificial intelligence, as well as ecological resources such as the Bank's corporate customer base and industrial platforms, we created a closed-loop scenario platform system to provide the underlying account system and corporate financial services for corporate customers on the industrial Internet platform. At present, the Bank docked with around 100 platforms in the industrial internet field, covering numerous industries such as logistics, security, medical care, supply chain finance and steel trading.

**Secondly, the Bank accelerated smart transformation and strengthened the smart construction of electronic channels.** We continued to promote the construction of the new version of the mobile banking project, optimized the financial service system, focused on building a non-financial service ecosystem, gave full play to the advantages of channel, self-operated, and platform resources, built a special scene for Bohai Bank, and made every effort to create a mobile portal APP with core features of "digitalization", "intelligence", "aggregate high-quality equity" and "immersive customer experience". We established an online teller intelligent interactive capability management platform to achieve the triple-play capability output of "Interactive Service + Intelligent Analysis + Precision Marketing" through the use of AI, big data analysis, virtual digital human, 5G and other advanced technologies. At the same time, we deepened the concept of "Internet of Things + Banking", planned professional solutions for home Alot management terminals, and created an AI bank capable of "listening and speaking, thinking and understanding".

**Thirdly, the Bank expanded payment scenarios and continued to improve payment and settlement service capabilities.** We continued to expand the online application scenarios of electronic accounts, removed the "last mile" obstacle for electronic accounts, and created a new Type II account service function with UnionPay SASS platform to enrich the online functions of Type II and Type III accounts. We actively carried out the Corporate Token transformation of UnionPay channels, and the upgrade and transformation of services of merchant-acquiring side in respect to UnionPay payment channels. We continuously strengthened the optimization and upgrade of online payment functions, and improved the construction of online payment channels, thus promoting the development of mobile payment business. Meanwhile, we extensively cooperated with numerous leading payment institutions in receiving payments, concentrated on merchant expansion with respect to corporate and retail customers, and achieved remarkable results in expanding business scale.

## (V) The Construction of Branches

During the Reporting Period, the Bank steadily promoted the implementation of the “Light Boat Plan” (輕舟計劃), and newly opened 28 sub-branch-level institutions. Two tier-one branches (Guiyang and Kunming branches) and two tier-two branches (Taizhou and Datong branches) planned to be opened during the year were under construction synchronously.

During the Reporting Period, the Bank’s branches focused on optimizing and improving the layout, as well as technological empowerment and efficiency transformation. At the same time, learning from the development path of benchmarking joint-stock inter-bank branches, we continuously optimized the regional development strategy of our branches, tilted network construction resources to key regions and key cities through focused support for core key large cities at provincial-level and development of central cities at prefecture-level, and actively improved the outlet density in core areas and the level of digital intelligent technology, with an aim to promote outlets to undertake and guide the value enhancement of online ecological diversion customers, so as to provide effective support for the transformation and development of the Bank.

As at the end of the Reporting Period, the Bank’s outlets have covered 23 provinces, municipalities and autonomous regions, 5 sub-provincial cities (cities separately listed in the original plan) and 1 Special Administrative Region in China. The Bank has established outlets in 61 key cities nationwide (including Tianjin, Beijing, Hangzhou, Taiyuan, Chengdu, Jinan, Shanghai, Shenzhen, Nanjing, Dalian, Guangzhou, Changsha, Shijiazhuang, Wuhan, Hohhot, Fuzhou, Hefei, Zhengzhou, Xi’an, Changchun, Chongqing, Shenyang, Xiamen, Haikou, Qingdao, Ningbo, Nanning and Nanchang) and the Hong Kong Special Administrative Region. The Bank has established 34 tier-one branches (including 3 tier-one branches directly administered by our head office in Suzhou, Qingdao and Ningbo Branches and 1 overseas branch), 31 tier-two branches and 162 sub-branches. The total number of outlets reached 261, including 227 branches and sub-branches, and 34 small and micro community sub-branches.

## (VI) Information Technology Construction

2021 is the year for the Bank to establish and commence the Fourth “Five-Year Plan”. Focusing on the working philosophy of financial technology transformation of “dual-core structure, data-driven, intelligent operation and maintenance, agile and proactive”, the Bank aimed to create an “invisible, non-inductive and ubiquitous ecosystem bank”. By fostering and developing our own financial technology professional capabilities and enriching the financial technological service mode with diversified technologies such as artificial intelligence, biometrics and big data, the Bank comprehensively promoted its transformation to a digital bank for providing specialized and customized services to customers.

During the Reporting Period, the Bank implemented the operation and development strategy of an ecosystem bank, and continued to recruit more talents and put greater investments in resources. As at the end of Reporting Period, the number of technological personnel has increased by 42% over the same period of last year, realizing the technological personnel accounted to 6.03% of the total number of employees. Technology investment amounted to RMB370 million. By comprehensively promoting the construction of “digital transformation and middle platform architecture project” in the bank and focusing on the structural transformation objective of creating “agile” front office, “fast” middle office and “strong” back office, the Bank constructed a new generation of platform-oriented, modularized and service-oriented distributed core system. By focusing on the promotion of constructing projects such as self-developed supply chain platform, retail financial ecosystem, risk system, personal mobile banking APP, unified staff intelligent office APP, enterprise big data platform, Boyin Smart Brain and big data academy, the Bank strengthened its technological, proactive and agile service and continued to empower the business and product innovation.

During the Reporting Period, the Bank secured efficient work under the new situation, strengthened operation management and promoted the construction of the “intra-city trinal active” data centres. With “online”, “automated”, “intelligent” and “service-oriented” as its core objective, the Bank created an operation and maintenance middle platform unified with “monitoring”, “management” and “control”. The Bank expedited the automation transformation process, introduced intelligent operation and maintenance calculation, continued to improve and optimize each monitoring and control tool, strengthened each operation, monitoring and control platform tool to provide critical early-warning capabilities, and formulated cross-department emergency united action protection mechanism. The ability of ensuring the stable operation of the system was continuously improved, with the overall system availability rate being 99.9%.

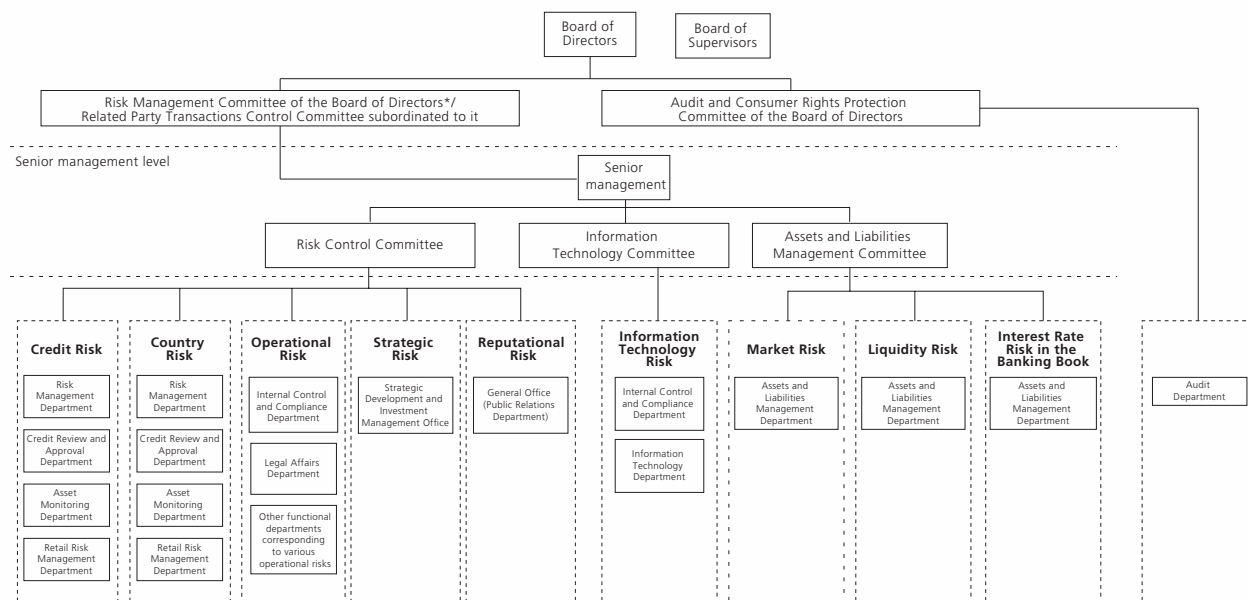
## (VII) Business of Hong Kong Branch

The Hong Kong branch of the Bank was established in 2020 and is the first overseas branch officially established by the Bank. The Hong Kong branch, as a fully licensed bank, can operate a full range of commercial banking services. At present, it mainly focuses on wholesale banking. The Hong Kong branch’s business is based on cross-border linkage business, focusing on opportunities such as the “Belt and Road”, RMB internationalization, and the construction of the Guangdong-Hong Kong-Macao Greater Bay Area to help enhance the Bank’s international business and provide one-stop services for domestic and foreign customers, including a wide range of wholesale banking services and products, such as comprehensive bank accounts, cross-border renminbi, deposits, settlement, trade financing, bilateral loans, syndicated loans, import and export agency payments, forfaiting, letter of credit discounts, onshore guarantees for offshore loans, offshore debt under onshore guarantee, mortgage financing etc. At the same time, it can participate in interbank funds, bonds and foreign exchange market transactions. As at the end of the Reporting Period, the total assets of the Hong Kong branch of the Bank amounted to HK\$5.543 billion.

## XI. COMPREHENSIVE RISK MANAGEMENT

Strictly maintaining the bottom line of risk management, upholding the risk management culture and philosophy featuring “comprehensive, proactive, agile and effective (全面、主动、敏捷、到位)”, and adhering to the “prudent” risk appetite, the Bank continuously improves its ability to prevent and mitigate financial risks, strengthens the characteristics of technology-driven, customer-driven, innovation-driven and data-driven, and further improves the level of refinement, standardization, digitalization and process of risk management, thereby promoting business transformation and upgrading with smart and agile risk control capabilities, and effectively guaranteeing the stable, balanced and sustainable development of the Bank’s various businesses.

### (I) Risk Management Structure



Risk management functional departments of the subsidiaries and branches  
Business department

The Board of Directors of the Bank is responsible for the ultimate responsibility for comprehensive risk management. The Risk Management Committee of the Bank is set up under the Board of Directors, which is responsible to the Board of Directors. The Board of Supervisors of the Bank is responsible for the supervision of comprehensive risk management and is responsible for supervising the performance of the Board of Directors and senior management in risk management and the rectification. The senior management shall assume the responsibilities for implementing comprehensive risk management and implementing the resolutions of the Board of Directors.

\* Approved by the Board of Directors, the Risk Management Committee of the Board of Directors was renamed as the Risk Management and Green Finance Committee of the Board of Directors on August 27, 2021.



The Bank has senior management personnel (the chief risk officer) in charge of risk management, who shall be responsible for leading the relevant departments of the risk management line to carry out work under the risk management framework of the Bank. The chief risk officer maintains independence and can directly report the overall risk management to the Board of Directors.

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

## (II) Credit Risk

During the Reporting Period, the Bank further improved the credit risk management system, strengthened basic management, adjusted the credit structure, strictly adhered to the bottom line of risk, served the real economy, struck a balance between stable growth and risk prevention, thereby achieving healthy and stable asset quality, as well as steady and controllable credit risks.

Improving the efficiency of basic management. The Bank implemented unified comprehensive credit granting, upgraded and renovated eight important functions such as credit risk management and customer relations, and introduced more than 20 supporting regulations and systems to realize quantitative management and control of risk limits throughout the entire process from customer application, approval, credit use to post-loan links. We promoted the construction of the collateral management system, planned and implemented online dynamic management and monitoring of the entire process of collateral access, evaluation, monitoring and disposal. We improved the corporate credit approval system, implemented the lead approvers meeting decision system, and adopted the "Four unifications" operation model of unified acceptance, unified distribution, unified approval and unified management, strictly preventing risks such as multiple credit grants and excessive credit grants. We promoted the online and intelligent approval of retail inclusive business in an orderly manner.

Optimizing the credit structure adjustment. The Bank vigorously developed inclusive financial services, served private enterprises, accelerated the cultivation of new advantages in green finance, supported the high-quality development of the manufacturing industry, strengthened the management of real estate loan concentration, and served the rural areas, agriculture and farmers as well as rural revitalization. We focused on key support areas and key restricted areas, formulated tiered credit policies of "encourage, maintain, control and compress", improved credit guidelines for 33 industries, researched and designed quantitative analysis models, set quantitative range targets for industry investments, guided and promoted asset structure adjustment. We formulated credit risk limit plans to specify the "ceiling" of the total credit risk control of key industries, regions and businesses, and firmly abided by the risk boundary.

Upgrading the system model tools. The Bank established a real estate credit business decision support model and government debt solvency evaluation model, and promoted the extensive application of such models in credit business marketing, approval decision-making, post-loan monitoring and other scenarios, thereby providing grounds for quantitative decision-making. We improved the two-dimensional rating system composed of customer ratings and debt ratings, and added 16 domestic customer rating models to provide quantitative reference for management decisions in pre-loan marketing, access, pricing, mid-loan approval and post-loan management, performance appraisal, provision management. We strengthened the construction of risk management information system, and improved the five intelligent risk identification capabilities of key risk point identification, financial report risk identification, external risk information integration application, customer risk profile and credit structure portfolio view, further supporting system functions of intelligent risk management.

Strengthening post-loan management and monitoring. The Bank improved the systematic management of post-grant supervision work, enhanced the tracking and analysis of key customer monitoring reports, post-loan inspection reports, and financial statement entry. We implemented dynamic management in list-style, continuously tracking, monitoring and supervising key customers. We implemented the ten-level asset quality classification management in accordance with the principle of prudence, further consolidating asset quality. As of the end of the Reporting Period, the Bank had an NPL ratio of 1.76% with stable asset quality and controllable credit risks in general. We continued to fully implement new financial instrument standards, followed the principles of prudence, timeliness, effectiveness and objectivity to make allowances for impairment financial assets incorporated into the impairment provision scope, and further increased the impairment provision, ensuring that the Bank enhances its ability to offset risks in an unfavorable environment where economic growth continues to slow down. As of the end of the Reporting Period, the total balance of the Bank's impairment provision on financial assets was RMB37.036 billion, an increase of RMB813 million from the end of the previous year.

### (III) Liquidity Risk

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

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

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

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

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

During the Reporting Period, the Bank's liquidity remained reasonably adequate with stable and controllable liquidity risk level, each liquidity regulatory indicator was met or beyond regulatory requirements, and major monitoring indicators operated smoothly. As of the end of June 2021, the Bank's liquidity ratio reached 68.65%, representing a significant increase of 15.25 percentage points as compared to the end of the previous year; the liquidity coverage ratio was 162.63%, representing a significant increase of 52.95 percentage points as compared to the end of the previous year; the net stable funding ratio was 106.73%, representing an increase of 3.40 percentage points as compared to the end of the previous year; the liquidity matching ratio was 116.64%, representing an increase of 7.80 percentage points as compared to the end of the previous year.

According to the requirements of the Measures for the Disclosure of Information on Net Stable Funding Ratio by Commercial Banks (《商業銀行淨穩定資金比例信息披露辦法》), the following table sets out the Bank's net stable funding ratio indicator, available stable funds for the numerator item, and stable funds required for the denominator item at the end of June and March 2021:

(Unit: RMB'000)

	June 30, 2021	March 31, 2021
Net stable funding ratio (%)	106.73	104.85
Available stable funding (in RMB)	913,949,942	870,775,891
Required stable funding (in RMB)	856,301,517	830,511,906

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

(Unit: RMB'000)

	June 30, 2021	December 31, 2020
Liquidity coverage ratio (%)	162.63	109.68
Qualified high-quality liquid assets (in RMB)	134,585,905	105,927,448
Net cash outflow in the next 30 days (in RMB)	82,757,649	96,574,432

#### (IV) Market Risk (including interest rate risk in the banking book)

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

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

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

In respect of the interest rate risk in the banking book, the Bank primarily applies quantitative methodologies such as gap management, sensitivity analysis and duration analysis to manage it. The Bank optimized an active and static net interest margin analysis system and constantly reinforced the judgment of interest rate trends on the basis of quantitative model and qualitative analysis for providing decision-making basis for the allocation of asset-liability structure. As for trading books, the Bank mainly measures and controls through Basis Point Value, value at risk (VAR), position limit, duration and stop-loss limits to ensure that the anticipated income of the trading books matches the trading exposure. In response to exchange rate risk, the Bank sets market risk limits, and effectively manages on-balance sheet foreign exchange risk exposure through derivative financial instruments, such as exchange rate swaps and exchange rate forwards, so as to keep the Bank's total foreign currency exposures to a low level. During the Reporting Period, in accordance with regulatory standards, the Bank's interest rate risk measurement indicator, namely the maximum economic value change under the framework of standardized measurement, accounted for 6.32% of tier 1 capital, and the cumulative foreign exchange exposure ratio was 0.90%. Both the interest rate risk and the exchange rate risk were kept within the internal limits and controllable on the whole.

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

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

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

(Unit: RMB'000)

	Less than three months	Between three months and one year	Between one year and five years	More than five years	Non-interest bearing	Total
Total assets	454,673,279	705,502,308	293,952,795	50,499,195	55,699,953	1,560,327,530
Total liabilities	559,211,724	522,404,244	326,042,643	10,783,945	34,681,671	1,453,124,227
<b>Total interest rate sensitivity gap</b>	<b>(104,538,445)</b>	<b>183,098,064</b>	<b>(32,089,848)</b>	<b>39,715,250</b>	<b>21,018,282</b>	<b>107,203,303</b>

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

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

(Unit: RMB'000)

	(Decrease)/Increase on June 30, 2021
Change in net profit	
Up 100 bps parallel shift in yield curves	(363,818)
Down 100 bps parallel shift in yield curves	363,818
Change in equity	
Up 100 bps parallel shift in yield curves	327,851
Down 100 bps parallel shift in yield curves	(327,851)



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

- Interest rate movements at June 30, 2021 apply to all non-derivative financial instruments of the Bank;
- At the end of June 30, 2021, an interest rate movement of 100 basis points at the end of the period is based on the assumption of interest rates movement over the next 12 months;
- There is a parallel shift in the yield curve with the changes in interest rates;
- There are no other changes to the assets and liabilities portfolio;
- Other variables (including exchange rates) remain unchanged; and
- The analysis does not take into account the effect of risk management measures taken by the Bank;

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

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

The following table sets forth the Bank's foreign exchange rate risk exposure as at June 30, 2021:

(Unit: RMB'000)

	RMB	USD equivalent to RMB	Other currency equivalent to RMB	Aggregate RMB
Total assets	1,399,105,529	154,116,951	7,105,050	1,560,327,530
Total liabilities	1,253,395,901	189,895,623	9,832,703	1,453,124,227
<b>Net exposure amount of balance sheet</b>	<b>145,709,628</b>	<b>(35,778,672)</b>	<b>(2,727,653)</b>	<b>107,203,303</b>

## (V) Operational Risk

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

During the Reporting Period, the Bank continued to improve and strengthen the operational risk management system consisting of three lines of defense, comply with regulatory requirements, and take the prevention and control of major operational risk events as the management objective, as well as further standardize the methods and processes of operational risk management and strengthen operational risk management initiative. In accordance with the risk-oriented principle, the Bank strengthened the inspection and supervision on key institutions, key positions, key businesses and key links. The Bank organized the operational risk management tools, and updated and improved the indicators in a timely manner. It launched the "Internal Control and Compliance Management Construction Year" activity, and actively promoted supervision, inspection and rectification to continuously improve the long-term management mechanism. It also carried out special management actions for compliance risks, and focused on rectifying the problems of "repeated investigations and repeated offenders" and "investigation on the wrong offenders", continued to improve the operational risk case database and carried out a series of training to actively create a sound operational risk management culture.

## (VI) Capital Management

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

As of the end of the Reporting Period, capital adequacy ratio indicators at all levels of the Bank met the minimum capital requirements, reserve capital requirements and counter-cyclical capital requirements of the CBIRC. The capital adequacy ratio was 12.76%, representing an increase of 0.68 percentage point from the end of last year; the tier-one capital adequacy ratio was 10.75%, representing a decrease of 0.26 percentage point from the end of last year; the core tier-one capital adequacy ratio was 8.73%, representing a decrease of 0.15 percentage point from the end of last year. Capital adequacy ratios at all levels experienced changes as compared with the end of last year, mainly due to: firstly, the Bank continued to consolidate endogenous capital replenishment and focused on endogenous profit retention. The retained earnings totaled RMB58.567 billion, up by 6.45% from the beginning of the year; secondly, the Bank completed the issuance of RMB9 billion tier 2 capital bonds at the beginning of the year. After deducting issuance expense, the proceeds raised were fully utilized for the replenishment of the Bank's tier 2 capital, further improving the original capital structure and driving a significant increase in the capital adequacy ratio index; thirdly, the Bank declared cash dividend to shareholders in May 2021. Hence, the growth rate of net core tier-one capital was lower than the growth rate of risk-weighted assets during the same period.

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

## (VII) Information Technology Risk

In accordance with regulatory requirements such as comprehensive risk management and internal control, as well as internal requirements such as risk appetite and information technology risk management policies, the Bank implemented the financial technology transformation and development strategy, effectively performed its duties on the three lines of defense of information technology risk management, continuously improved information technology risk management methods, management mechanism, and continued to promote the rectification of information technology risk issues. During the Reporting Period, there were no major information system emergencies (level III) or above. The information technology risk was controllable as a whole, and the information technology risk preference had not been broken, providing a guarantee for the realization of the financial technology strategic goals.

## **(VIII) Compliance Risk**

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

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

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

During the Reporting Period, the Bank adhered to the long-term compliance management concept of "system first, process first, people-oriented, and implementation-focused", identified compliance risks prudently and kept the bottom line of compliance. Through horizontal classification, vertical classification and whole process sorting, the Bank systematically sorted out and evaluated the institutional norms in implementation, clarified the boundaries of effective regulations and logical levels, and promoted the continuous improvement of internal regulations. In addition, the Bank deepened the compliance review with system review as the main body, strictly controlled the advance pass of compliance risks, and organically combined compliance risk management with case prevention and control, anti-money laundering management and operational risk management. In response to adjustments and changes in the regulatory environment and laws and regulations, the Bank strengthened policy analysis, research and judgment, enhanced risk warning, implemented various regulatory policies, and prevented compliance risk by issuing express and summary of new regulations, legal compliance environmental reports, regulations compilation, internalization of external regulations and other measures; ensured that innovative businesses operate in compliance with laws and regulations by proactively identifying, evaluating and mitigating the compliance risk of new products, new businesses and major projects; increased supervision and inspection of key areas, strengthened problem rectification and accountability, and improved the effectiveness of compliance management.

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

During the Reporting Period, the Bank comprehensively promoted the construction of anti-money laundering governance capabilities, thoroughly implemented the "risk-based" anti-money laundering regulatory requirements, and earnestly performed anti-money laundering obligations and social responsibilities. Under the framework of the establishment of a large-scale compliance system, the Bank improved the effectiveness of anti-money laundering work in various aspects such as system construction, data governance, and system optimization, and continuously improved its political position to consolidate the main responsibility. The Bank issued the "Guidelines for Anti-Money Laundering and Counter-Terrorist Financing of Bohai Bank's Cross-border Business (Trial)" and other systems to further consolidate the foundation of anti-money laundering. The Bank organized normalized anti-money laundering publicity training, promoted practice through learning, and devoted itself to cultivating a highly sophisticated professional team. Furthermore, the Bank solidly promoted the management of KYC and the management and control of high-risk areas, and comprehensively reconstructed the money-laundering risk assessment system based on the integration of customers, products and institution. It also carried out monthly activities for promoting the prevention of illegal fund-raising to actively fulfill social responsibilities, and maintain financial stability and social harmony.

## (IX) Strategic Risk

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

The Bank deeply studied the important spirit and instructions of the party, the state and Tianjin Municipal Party Committee and Government, timely followed up the latest major national strategic deployments and specific requirements, accurately studied and judged the macroeconomic situation at home and abroad, linked up and down, implemented policies accurately, actively responded to the challenges of the epidemic and seized opportunities of on-line and digital development, so as to effectively carry out strategic risk management and promote high-quality development of Bohai Bank.

The Bank adhered to the new development concept, grasped the new development stage, integrated into the new development pattern, and implemented the preparation of the Fourth "Five-Year Plan". Combining the actual situation of the Bank, the Bank further clarified its long-term development direction and its phased goals during the Fourth "Five-Year Plan" period. With the strategic vision of becoming a modern treasury manager with the best experience, the Bank was committed to providing customers with comprehensive financial service solutions with warmth, creating sustainable and stable value for shareholders, and creating the most suitable development platform for employees. The Bank persisted in the comprehensive transformation to retail banking, transaction banking and light banking, and continuously enhanced the ability to serve the national strategy, the real economy and the people's better life.

The Bank insisted on strengthening and enhancing the implementation of strategies. The Bank undertook the high-level needs of the strategy with project management, and established and improved the implementation mechanism of the Fourth "Five-Year Plan". At the same time, the Bank established an effective and powerful incentive and restraint mechanism to establish a strong relationship between top-level design, strategic measures, annual business plans and agile projects, continued to strengthen the connection between the Fourth "Five-Year Plan" and technological planning and promoted the integrated transformation of strategy and technology. Furthermore, it coordinated strategic planning, capacity requirements, business modeling and IT implementation on the basis of the Fourth "Five-Year Plan" overall strategic plan to form a cross-promotion of the overall plan and the preparation of the financial technology special plan, enhance its digital capability, and promote the rapid release of business value.

## (X) Reputational Risk

Reputational risk refers to the risk of negative evaluation by stakeholders due to the Bank's operation, management and other behaviors or external events. The reputational impact on the Bank is generally caused by poor management of various risks such as credit risk, market risk, liquidity risk, operational risk, technology risk, strategic risk, or caused by uncontrollable external emergencies, such as social, ethnic and environmental risks.

A good reputation is essential to the development of commercial banks' management activities. The Bank always attaches great importance to reputation risk management and regards reputation risk management as an important task to ensure the normal development of business, create a harmonious public opinion environment, maintain a good image of the company and the industry, and perform corporate citizenship responsibilities.

During the Reporting Period, the Bank fully implemented the “Measures for the Management of Reputational Risks of Banking and Insurance Institutions (Trial)”, strengthened the management of reputation risk sources, continuously improved reputation risk management mechanisms and system construction, and insisted on incorporating reputation risks into corporate governance and comprehensive risk management systems; regularly carried out the investigation of public opinion risk points for the whole bank (including relevant branches), and effectively performed public opinion risk point research and judgment, early warning and preparation for response plans; continued to perform daily monitoring of public opinion, optimized the news release process, and proactively, timely and accurately responded to public opinion concerns, took multiple measures to defuse risks, properly and actively managed the entire process of public opinion post-evaluation and reputation restoration; strengthened the awareness of reputation risk prevention for all employees, and regularly held reputation risk management training and practical drills to improve the reputation risk management and control of branches and public opinion response and disposal capabilities, and strengthened the establishment of the reputation risk management team of the whole bank. During the Reporting Period, the Bank’s reputation risk management level was steadily improved, effectively maintaining its own image and good brand reputation.

During the Reporting Period, the Bank’s ranking in the 2021 “Top 1000 Global Banks” published by The Banker, a British magazine, continued to climb for the tenth consecutive year: its global ranking up by 22 to the 111th, ranking among domestic banks also up from the 24th last year to the 22nd. In the banking awards organized and sponsored by authoritative media, the Bank has won numerous awards. It successively won the “China Annual Risk Data and Analysis Technology Implementation” award from Asian Banker, the “Blue Chip Main Board GEM Rising Star Award in Listed Company Excellence Award” from the Hong Kong Economic Journal, the “Top Ten Blockchain Application Innovation” Award from The Chinese Banker, the “Annual Golden Bull Wealth Management Bank” Award from China Securities Journal, the “Annual Financial Service Innovative Bank” Award from 21st Century Business Herald, the “Annual Financial Technology Progress” Award and the “Annual Inclusive Finance Outstanding Contribution” Award from Daily Economic News, the “Annual Green Finance” Award and the “Outstanding National Commercial Bank” Award from Financial Circle, the “Corporate Governance Model” Award from Hexun.com and other important awards.

## (XI) Country Risk

The Bank incorporated country risk management into its comprehensive risk management system. The Board of Directors is responsible for the ultimate responsibility for the effectiveness of monitoring country risks. The senior management is responsible for implementing the country risk management policies approved by the Board of Directors.

The Bank continued to strengthen management on country risks. Pursuant to the Country Risk Management Measures of CHINA BOHAI BANK CO., LTD. which specified the objects, responsibilities and procedures, rating methods and risk limit management methods of country risk management, we established a country risk reporting, supervision and inspection mechanism. During the Reporting Period, the Bank mainly focused on RMB business, the proportion of cross-border foreign-related business increased year by year, and the Bank’s cross-border counterparties were mainly concentrated in developed countries. The Bank’s assets involving country risk exposure are small in size, so the country risk is controllable and the overall level is low.



## **XII. OUTLOOK FOR THE SECOND HALF OF 2021**

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

Looking forward to the second half of 2021, from an international perspective, the global pandemic prevention and control situation, international inflation trends, global monetary policy orientation represented by the Federal Reserve, and geopolitical games have all become important factors affecting economic trends in the second half of the year. Although the evolution of the pandemic remains uncertain, with the rapid spread of vaccines and the continuous implementation of stimulus policies, global economic is steadily recovering. However, the loose monetary policies of the Federal Reserve and other developed economies have significantly raised commodity prices, triggered international inflation, and brought pressure on capital outflows and increased financial market volatility in developing countries.

From a domestic perspective, the economy will continue its good recovery in the post-epidemic period. According to the latest IMF forecast data, PRC's economic growth rate in 2021 is expected to reach over 8%. Although the economic data in the second quarter was slightly lower than expected, the main macro indicators are still in a reasonable range, and the possibility of having excessive stimulus or tightening of macro policies in the second half of the year is low. Monetary policy will remain basically neutral to ensure continuity, stability and sustainability. Fiscal expenditures are leaning toward people's livelihood, new infrastructure, and key projects such as water conservancy and transportation under the "14th Five-Year Plan".

As the domestic epidemic prevention and control has achieved major results, the operating conditions of the banking industry will continue to improve, business scale will maintain a high growth rate, profitability will continue to improve, asset quality will generally remain stable, and capital adequacy ratios will remain at a relatively good level. The pressure on core Tier 1 capital still exists. Under the guidance of national policies and supervision, bank funds will flow more into areas such as green transformation, technological innovation, rural revitalization, and small, medium and micro enterprises, and the ability to serve the real economy will be further enhanced.

### **(II) Guiding Ideology and Main Measures of the Bank's Business Development in the Second Half of 2021**

In the second half of 2021, the Bank's business development guiding ideology is: sticking to the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, fully implementing the spirits of the 19th National Congress of the Communist Party of China, the 2nd, 3rd, 4th and 5th Plenary Sessions of the 19th Central Committee of the Communist Party of China, earnestly implementing the deployments of the Central Economic Work Conference, insisting on the overall work keynote of seeking progress while maintaining stability, setting foot on the new development stage, adhering to the new development philosophy, building the new development layout, adhering to the business philosophy of "thriving bank by customers, developing bank by deposit, enriching bank by assets, strengthening bank by technology, leading bank by innovation and protecting bank by risk control", using the innovation and transformation as the fundamental energy, proactively integrating into national strategies, using high-quality party building to promote high-quality development, continuing to fully promote the sustainable, stable and healthy development of various tasks.

Major work measures: Firstly, further deepening and strengthening the leadership of party building. Focusing on party building to promote development, the Bank will integrate party building into the whole process and all fields of business development, closely integrate party building with actual work, and continuously improve financial service capabilities. Secondly, comprehensively enhancing marketing impetus. The Bank will promote strategic transformation throughout the Bank to strengthen corporate banking business, expand retail business and tap into the financial market business, ensuring the steady growth of various businesses. Thirdly, further promoting business transformation and development. Adhering to the values of "customer first, struggle-oriented, agility as the essence, and innovation as the soul", the Bank will accelerate the formation of a three-pronged business development pattern in the corporate banking, retail banking and financial markets. Fourthly, consolidating efforts to build a firm bottom line of risk and compliance building. Upholding the principle of risk diversification, insisting on compliance operations and compliance awareness cultivation, and starting from management of sources of business risks, the Bank will strengthen comprehensive risk management capabilities, accelerate the mitigation of credit risks and promote the disposal of non-performing assets through a variety of channels, in order to ensure the stable and healthy development of the Bank. Fifthly, fully promoting the construction of digital Bohai service. Staying focus on technology-driven and value creation, the Bank will actively promote the strategy of data middle platform, improve agile service capabilities, and continue to deepen the integration of technology and business development. Sixthly, persisting in guidance by innovation to break through bottlenecks and strengthen guarantees. By continuously stimulating the vitality of innovation, the Bank will accelerate the progress of product innovation and strengthen the management of innovative projects, so as to realize the efficient linkage among customer expansion, customer acquisition, customer revitalization, customer stabilization and customer stickiness in driving the steady growth of core indicators. Seventhly, further promoting high-quality development and refined management. The Bank will continue to deepen the incentive and restraint mechanism, accelerate the introduction and training of talents, strengthen the capital saving and optimization, and continue to improve the efficiency of capital use. At the same time, the Bank will also further strengthen and improve the production safety management. Eighthly, making every effort to promote the construction of a large operating system. The Bank will accelerate the construction of integrated light-weight outlets under the "Light Boat Plan (輕舟計劃)", optimize the distribution of outlets, push forward the establishment of an outlet-oriented value creation system, strengthen customer service functions through multiple channels and dimensions, and continue to improve customer experience.

# Changes in Share Capital and Information on Shareholders

## I. CHANGES IN ORDINARY SHARES

There was no change in the Bank's ordinary shares during the Reporting Period. The Bank's ordinary shares are as follows:

	December 31, 2020		Changes during the Reporting Period (shares)	June 30, 2021	
	Number (shares)	Percentage (%)		Number (shares)	Percentage (%)
Domestic Shares	11,561,445,000	65.09	–	11,561,445,000	65.09
H Shares	6,200,555,000	34.91	–	6,200,555,000	34.91
<b>Total ordinary shares</b>	<b>17,762,000,000</b>	<b>100.00</b>	<b>–</b>	<b>17,762,000,000</b>	<b>100.00</b>

Note: As of the end of the Reporting Period, the Bank had 85 shareholders, including 11 holders of Domestic Shares and 74 holders of H Shares.

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

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

Name of Shareholder	Nature of Shareholder	Changes during the Reporting Period (shares)	Number of shares held at the end of the period (shares)	Shareholding percentage (%)	Class of Shares
TEDA Investment Holding Co., Ltd. <sup>(1)</sup>	State-owned legal person	–	3,612,500,000	20.34	Domestic Shares
HKSCC Nominees Limited <sup>(2)</sup>	Overseas legal person	16,500	3,311,777,990	18.65	H Shares
Standard Chartered Bank (Hong Kong) Limited	Overseas legal person	–	2,888,555,000	16.26	H Shares
China Shipping Investment Co., Ltd.	State-owned legal person	–	1,975,315,000	11.12	Domestic Shares
State Development & Investment Corp., Ltd.	State-owned legal person	–	1,686,315,000	9.49	Domestic Shares
China Baowu Steel Group Corporation Limited	State-owned legal person	–	1,686,315,000	9.49	Domestic Shares
Oceanwide Industry Co., Ltd.	Domestic non-state-owned legal person	–	1,370,706,739	7.72	Domestic Shares
Tianjin Shanghui Investment Holding Company Limited	Domestic non-state-owned legal person	–	1,156,000,000	6.51	Domestic Shares
Shine Enterprise (Tianjin) Co., Ltd.	Domestic non-state-owned legal person	–	29,424,331	0.17	Domestic Shares
Tianjin Xianghe Enterprise Management Consulting Co., Ltd.	Domestic non-state-owned legal person	–	14,712,166	0.08	Domestic Shares
Tianjin Firstwood Co., Ltd.	Domestic non-state-owned legal person	–	14,712,166	0.08	Domestic Shares

Notes: (1) TEDA Investment Holding Co., Ltd. confirmed that, as of the end of the Reporting Period, in addition to the 3,612,500,000 Domestic Shares of the Bank directly held, Jinlian (Tianjin) Finance Lease Co., Ltd., one of its subsidiaries, also held 48,438,000 H Shares of the Bank through HKSCC Nominees Limited. As such, TEDA Investment Holding Co., Ltd. and its subsidiary held a total of 3,660,938,000 shares of the Company, representing shareholding of 20.61%.

(2) The shares held by HKSCC Nominees Limited as agent are the total amount of shares in the Bank's H-share investors' accounts traded on the trading platform of HKSCC Nominees Limited.

### III. INFORMATION OF SUBSTANTIAL SHAREHOLDERS UNDER THE INTERIM MEASURES FOR THE EQUITY MANAGEMENT OF COMMERCIAL BANKS PROMULGATED BY THE CBRC

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

Name of Shareholder	Controlling Shareholder	Actual controller	Pledged or frozen Shares held in the Bank	Nominated Directors/ Supervisors
TEDA Investment Holding Co., Ltd. <sup>(2)</sup>	Tianjin SASAC	Tianjin SASAC	1,000,000,000 Shares pledged	Nominated Director
Standard Chartered Bank (Hong Kong) Limited	Standard Chartered PLC	Standard Chartered PLC	–	Nominated Director
China Shipping Investment Co., Ltd.	COSCO SHIPPING Development Co., Ltd.	SASAC	–	Nominated Director
State Development & Investment Corp., Ltd.	SASAC	SASAC	–	Nominated Director
China Baowu Steel Group Corporation Limited	SASAC	SASAC	–	Nominated Director
Oceanwide Industry Co., Ltd.	China Oceanwide Holdings Group Co., Ltd.	LU Zhiqiang	–	Nominated Director
Tianjin Shanghui Investment Holding Company Limited	–	–	–	Nominated Director

Note: (1) During the Reporting Period, each substantial shareholder of the Bank did not authorize any other person to or accept any other person's authorization to hold shares of the Bank, and there were no other ultimate beneficiaries; the Bank is not aware of concerted action among the aforementioned shareholders.

(2) As of the Reporting Date, TEDA Investment Holding Co., Ltd. has pledged 1,799,437,100 shares of the Bank.

The Bank has treated its substantial shareholders and their controlling shareholders, actual controllers, related parties, persons acting in concert and ultimate beneficiaries, totaling 1,329 enterprises as related parties of the Bank. For details on related party transactions, please refer to "Review Report and Interim Financial Report – Notes to the Unaudited Interim Financial Statements: Related parties" in this report.

### IV. CONTROLLING SHAREHOLDERS AND ACTUAL CONTROLLERS

During the Reporting Period, the Bank had no controlling shareholders and actual controllers.

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

As of the end of the Reporting Period, to the best knowledge of the Directors or chief executives of the Bank, according to the register kept under Section 336 of the SFO, the following persons (other than the Directors, Supervisors and chief executives of the Bank) had or were deemed to have interests and short positions in the Shares or underlying Shares of the Bank which would be required to be disclosed to our Bank and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of Shareholder	Nature of interest	Class of Shares	Long positions/ short positions	Number of Shares directly or indirectly held (shares)	Interest in the Bank (%)	The relevant class of Shares (%)
TEDA Investment Holding Co., Ltd. (天津泰達投資控股有限公司)	Beneficial owner	Domestic Shares	Long positions	3,612,500,000	20.34	31.25
	Interest in controlled corporations <sup>(1)</sup>	H Shares	Long positions	48,438,000	0.27	0.78
Standard Chartered PLC (渣打集團有限公司) <sup>(2)</sup>	Interest in controlled corporations	H Shares	Long positions	2,888,555,000	16.26	46.59
Standard Chartered Bank (Hong Kong) Limited (渣打銀行(香港)有限公司)	Beneficial owner	H Shares	Long positions	2,888,555,000	16.26	46.59
China COSCO Shipping Corporation Limited (中國遠洋海運集團有限公司) <sup>(3)</sup>	Interest in controlled corporations	Domestic Shares	Long positions	1,975,315,000	11.12	17.09
China Shipping Group Company Limited (中國海運集團有限公司) <sup>(3)</sup>	Interest in controlled corporations	Domestic Shares	Long positions	1,975,315,000	11.12	17.09
COSCO SHIPPING Development Co., Ltd. (中遠海運發展股份有限公司) <sup>(3)</sup>	Interest in controlled corporations	Domestic Shares	Long positions	1,975,315,000	11.12	17.09
China Shipping Investment Co., Ltd. (中海集團投資有限公司)	Beneficial owner	Domestic Shares	Long positions	1,975,315,000	11.12	17.09
State Development & Investment Corp., Ltd. (國家開發投資集團有限公司)	Beneficial owner	Domestic Shares	Long positions	1,686,315,000	9.49	14.59
China Baowu Steel Group Corporation Limited (中國寶武鋼鐵集團有限公司)	Beneficial owner	Domestic Shares	Long positions	1,686,315,000	9.49	14.59
LU Zhiqiang (盧志強) <sup>(4)</sup>	Interest in controlled corporations	Domestic Shares	Long positions	1,370,706,739	7.72	11.86
HUANG Qiongzhi (黃瓊姿) <sup>(4)</sup>	Interest of spouse	Domestic Shares	Long positions	1,370,706,739	7.72	11.86
Tohigh Holdings Co., Ltd. (通海控股有限公司) <sup>(4)</sup>	Interest in controlled corporations	Domestic Shares	Long positions	1,370,706,739	7.72	11.86
Oceanwide Group Co., Ltd. (泛海集團有限公司) <sup>(4)</sup>	Interest in controlled corporations	Domestic Shares	Long positions	1,370,706,739	7.72	11.86
China Oceanwide Holdings Group Co., Ltd. (中國泛海控股集團有限公司) <sup>(4)</sup>	Interest in controlled corporations	Domestic Shares	Long positions	1,370,706,739	7.72	11.86
Oceanwide Industry Co., Ltd. (泛海實業股份有限公司)	Beneficial owner	Domestic Shares	Long positions	1,370,706,739	7.72	11.86
Guangzhou Qiushi Asset Management Co., Ltd. (廣州秋石資產管理有限公司) <sup>(5)</sup>	Interest in controlled corporations	Domestic Shares	Long positions	1,156,000,000	6.51	10.00



Name of Shareholder	Nature of interest	Class of Shares	Long positions/ short positions	Number of Shares directly or indirectly held (shares)	Interest in the Bank (%)	The relevant class of Shares (%)
Huatian Investment Co., Ltd. (華田投資有限公司) <sup>(5)</sup>	Interest in controlled corporations	Domestic Shares	Long positions	1,156,000,000	6.51	10.00
Tianjin Rongsheng Xinye Investment and Development Co., Ltd. (天津融昇鑫業投資發展有限公司) <sup>(5)</sup>	Interest in controlled corporations	Domestic Shares	Long positions	1,156,000,000	6.51	10.00
Tianjin Shanghui Investment Holding Company Limited (天津商匯投資(控股)有限公司)	Beneficial owner	Domestic Shares	Long positions	1,156,000,000	6.51	10.00
Yichang HEC Health Pharmaceutical Co., Ltd. (宜昌東陽光健康藥業有限公司)	Beneficial owner	H Shares	Long positions	322,920,500	1.82	5.21

Notes: (1) The interests is held by TEDA Investment Holding Co., Ltd. through its wholly-owned subsidiary, namely Jinlian (Tianjin) Finance Lease Co., Ltd.

(2) Standard Chartered Bank (Hong Kong) Limited is wholly-owned by Standard Chartered PLC. As such, Standard Chartered PLC is deemed to be interested in all the Shares held by Standard Chartered Bank (Hong Kong) Limited for the purpose of the SFO.

(3) China Shipping Investment Co., Ltd. is wholly-owned by COSCO SHIPPING Development Co., Ltd., which is in turn owned by China Shipping Group Company Limited as to approximately 39.28%. China Shipping Group Company Limited is wholly-owned by China COSCO Shipping Corporation Limited. As such, each of China COSCO Shipping Corporation Limited, China Shipping Group Company Limited and COSCO SHIPPING Development Co., Ltd. is deemed to be interested in all the Shares held by China Shipping Investment Co., Ltd. for the purpose of the SFO.

(4) Oceanwide Industry Co., Ltd. is owned by China Oceanwide Holdings Group Co., Ltd. and Oceanwide Group Co., Ltd. as to 60% and 40%, respectively. China Oceanwide Holdings Group Co., Ltd. is owned by Oceanwide Group Co., Ltd. and Tohigh Holdings Co., Ltd. as to 98% and 2%, respectively. Oceanwide Group Co., Ltd. is wholly-owned by Tohigh Holdings Co., Ltd. Tohigh Holdings Co., Ltd. is owned by Mr. LU Zhiqiang as to 77.14%.

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

(5) Tianjin Shanghui Investment Holding Company Limited is owned by Tianjin Rongsheng Xinye Investment and Development Co., Ltd. as to 43.90%, which is in turn owned by Huatian Investment Co., Ltd. as to 71.32%. Huatian Investment Co., Ltd. is owned as to 95% by Guangzhou Qiushi Asset Management Co., Ltd.

As such, each of Guangzhou Qiushi Asset Management Co., Ltd., Huatian Investment Co., Ltd. and Tianjin Rongsheng Xinye Investment and Development Co., Ltd. is deemed to be interested in all the Shares held by Tianjin Shanghui Investment Holding Company Limited for the purpose of the SFO.

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

## VI. ISSUANCE AND LISTING OF EQUITY SECURITIES

During the Reporting Period, the Bank has not issued any new shares.

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

During the Reporting Period, the Bank has not purchased, sold or redeemed any listed securities of the Bank.

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

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

As of the Reporting Date, the Directors, Supervisors and members of senior management of the Bank are as follows:

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

The Board of Supervisors of the Bank consists of five Supervisors, including two employees' representative Supervisors: Mr. WANG Chunfeng (chairman of the Board of Supervisors) and Mr. MA Shuming, and three external Supervisors: Mr. QI Ershi, Mr. DIAO Qinyi and Mr. HUI Yung Chris.

The senior management of the Bank consists of five members, including: Mr. QU Hongzhi, the president, Mr. DU Gang (secretary to the Board of Directors), Mr. ZHAO Zhihong (chief risk officer), Mr. XIE Kai and Mr. JIN Chao, the vice presidents.

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

### Changes in Directors

The 18th meeting of the fifth session of the Board of Directors of the Bank reviewed and approved that Mr. ZHANG Bingjun would no longer serve as the non-executive Director of the Bank due to the adjustment of work position, which came into effect from March 29, 2021. After the resignation took effect, Mr. ZHANG Bingjun also ceased to serve as a member of the Nomination and Remuneration Committee under the Board of the Bank.

On May 17, 2021, the 2020 annual general meeting of the Bank elected Mr. WANG Zhiyong as non-executive Director of the Bank. The qualification of Mr. WANG Zhiyong is subject to the approval by the CBIRC.

### Changes in Supervisors

On March 31, 2021, Mr. FENG Jiankuan resigned with immediate effect as the vice chairman of the Board of Supervisors, member of the Supervision Committee under the Board of Supervisors and employees' representative Supervisor due to reaching the retirement age.

On August 18, 2021, Mr. FAN Zhigui resigned with immediate effect as the employees' representative Supervisor and member of the Nomination Committee under the Board of Supervisors upon reaching the retirement age.

On August 18, 2021, Mr. MA Shuming was elected to be the employees' representative Supervisor for the fifth session of the Board of Supervisors by the 18th meeting of the second session of staff representative meeting for the term until the expiry of the fifth session of the Board of Supervisors. Mr. MA Shuming will not receive additional remuneration from the Bank for his role as an employees' representative supervisor of the Bank. Pursuant to the contract entered into by Mr. MA and the Bank, the remuneration to be received by him (including salaries, bonuses, etc.) during his tenure as the secretary to the party committee and president of the Tianjin Binhai New District sub-branch and a concurrent director of the office of the Board of Supervisors of the Bank is determined upon annual assessment by the relevant internal departments of the Bank in accordance with the relevant laws and regulations, the Bank's operating performance, the remuneration policy of the Bank and relevant performance appraisal measures.

## Changes in members of senior management

To be in line with the Bank's market-oriented open selection of professional managers for senior management and corresponding work reallocation, the 20th meeting of the fifth session of the Board of Directors of the Bank considered and approved the resignation of Mr. QU Hongzhi as the president of the Bank with effect from May 28, 2021; the resignation of Mr. DU Gang and Mr. ZHAO Zhihong as the vice presidents of the Bank with effect from May 28, 2021; and the resignation of Mr. LI Yi and Mr. WU Siqi as the vice presidents of the Bank with effect from July 30, 2021.

On May 28, 2021, at the 20th meeting of the fifth session of the Board of Directors of the Bank Mr. QU Hongzhi was appointed as a professional manager to serve as the president of the Bank, Mr. DU Gang, Mr. ZHAO Zhihong, Mr. ZHU Yingyu, Mr. XIE Kai and Mr. JIN Chao were appointed as the professional managers to serve as the vice presidents of the Bank. Their terms of office will be for a period of three years commencing from May 28, 2021, with Mr. ZHU Yingyu, Mr. XIE Kai and Mr. JIN Chao assuming their duties from the date of the approval of their qualifications by the CBIRC. On July 30, 2021, the CBIRC approved the qualifications of Mr. XIE Kai and Mr. JIN Chao as the vice presidents, while the qualification of Mr. ZHU Yingyu as vice president is subject to the approval by the CBIRC.

### III. CHANGES IN THE INFORMATION OF DIRECTORS, SUPERVISORS AND MEMBERS OF SENIOR MANAGEMENT

#### Changes in the Biographies of Directors, Supervisors and Members of Senior Management

Mr. LI Fuan, the chairman of the Bank, serves as the vice president of Tianjin Federation of Enterprises and the vice president of Tianjin Entrepreneur Association.

Mr. CUI Xuesong, a non-executive Director of the Bank, ceased to be the assistant to general manager of TEDA Investment Holding Co., Ltd., chairman of Tianjin TEDA Asset Operating and Management Co., Ltd. (天津泰達資產運營管理有限公司) and director of TEDA Hong Kong Property Company Limited (泰達香港置業有限公司).

Mr. ZHANG Xifang, a non-executive Director of the Bank, ceased to serve as the executive director of China Oceanwide Holdings Group Co., Ltd., a vice chairman and the president of Oceanwide Holdings Co., Ltd., the chairman of the board of directors of Oceanwide Investment Group Co., Ltd. and Oceanwide Equity Investment Management Co., Ltd., and the director of Oceanwide Industry Co., Ltd.

Mr. LI Yi, an executive Director of the Bank, ceased to be a member of the party committee of the Bank.

#### Other Information to be Disclosed Pursuant to the Requirements of Rule 13.51B(1) of the Listing Rules

Ms. YUAN Wei, a non-executive Director of the Bank, serves as a committee member of the Audit and Consumer Rights Protection Committee of the Board of Directors of the Bank, which came into effect from August 27, 2021.

Mr. YE Baishou, a non-executive Director of the Bank, ceased to be a committee member of the Audit and Consumer Rights Protection Committee of the Board of Directors of the Bank, which came into effect from August 27, 2021.

The allowances for the independent non-executive Directors and the external Supervisors were approved to be increased to RMB350,000 (pre-tax). No allowances were paid to other non-executive Directors and Shareholders' representative Supervisors. This adjustment is applicable to the allowances settlement of Directors and Supervisors for 2020, and will be followed for the subsequent years.

The Board of Directors has approved Mr. QU Hongzhi, as a professional manager, to serve as the president of the Bank for a term of three years since May 28, 2021. The remuneration to be received by Mr. QU (including salaries, bonuses, etc.) as the president is determined upon annual assessment by the Board in accordance with the relevant laws and regulations, the Bank's operating performance, the Bank's relevant remuneration policy for professional managers and performance appraisal measures.

Save as disclosed in this report, no information on Directors or Supervisors is subject to disclosure in accordance with paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules.

## IV. Directors, Supervisors and Chief Executives' Interests in the Bank

As of the end of the Reporting Period, none of our Directors, Supervisors and chief executives of the Bank had any interests or short positions in the Shares, underlying Shares or debentures of the Bank or its associated corporations (as defined in Part XV of the SFO) which were required to be entered in the register kept by the Bank pursuant to section 352 of the SFO, or which were required to be notified to the Bank and the Hong Kong Stock Exchange pursuant to the Model Code.

## V. STAFF

As of the end of the Reporting Period, the total number of employees has increased by 390 from the end of the previous year to 10,837, including 5,225 male employees and 5,612 female employees. The age structure, educational background and professional post structure of the employees are as follows:

### (I) Age Structure of Employees

Age	Number of employees	Structure (%)
Aged 30 or below	2,348	21.66
Aged 31-35	3,396	31.34
Aged 36-40	2,458	22.68
Aged 41-45	1,184	10.93
Aged 46-50	946	8.73
Aged over 50	505	4.66
<b>Total</b>	<b>10,837</b>	<b>100.00</b>

### (II) Educational Background of Employees

Educational background/degree	Number of employees	Structure (%)
Postgraduate/Master's degree and above	2,525	23.30
Undergraduate/Bachelor's degree	8,000	73.82
College and lower	312	2.88
<b>Total</b>	<b>10,837</b>	<b>100.00</b>

### (III) Professional Post Structure of Employees

Professional post	Number of employees	Structure (%)
Corporate banking	2,482	22.90
Retail banking	2,701	24.93
Financial markets	248	2.29
Financial technology	126	1.16
Finance and assets & liabilities	283	2.61
Risk management	800	7.38
Audit, legal, internal control & compliance	347	3.20
Business operation	1,970	18.18
Information technology	653	6.03
Others	1,227	11.32
<b>Total</b>	<b>10,837</b>	<b>100.00</b>

## VI. REMUNERATION POLICY FOR EMPLOYEES

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

The Bank's post-employment benefit plans are defined contribution plans. Defined contribution plans are post-employment benefit plans under which the Bank pays fixed contributions into a separate fund and will have no obligation to pay further contributions. The Bank's post-employment benefits mainly include the social pension schemes, unemployment insurance and annuity plan. In particular, the pension schemes and unemployment insurance are calculated at the applicable rates based on the amounts stipulated by the government, while the annuity is contributed to the annuity plan in proportion to the employees' gross salaries in the prior year. The amounts based on the above calculations are recognised as liabilities in the accounting period in which the service has been rendered by the employees, with corresponding amounts charged to the profit or loss.

## VII. STAFF TRAINING

As of the Reporting Period, the Bank was committed to organize trainings for the transformational development of the Bank based on the overall concept of "leading the bank-building with party-building spirit and promoting reform with bank-building", through the continual education on the party's history for the celebration of the 100th anniversary of the founding of the CPC, with the interpretations of the policies combining with the beginning plan of the country's "14th Five-Year Plan" and with the formulation and implementation of the Bank's Fourth "Five-Year Plan". According to the plan of training system, the standing account of projects implementation was set up during the Reporting Period and the training system and the online training platform were improved in order to achieve online employee management and big data analysis. At the same time, internal and external cooperation was strengthened to diversify and enrich the training system, so that different types of business needs and various level of training requirements are met. The Bank also explored training methods and effectiveness focusing on areas including data application ability, improvement of branch productivity, product design and management.

As of the Reporting Period, the Bank organized the education on the CPC's history and different levels of interpretations of the "14th Five-Year Plan" with 410 employees received the offline trainings and 33,324 employees received the online trainings. 140 employees received transformational training from Huawei senior management seminar. The Bank also invited experts and scholars from the Party School of the Central Committee of CPC, the Ministry of Finance, the People's Bank of China and universities and professional institutions to give lectures and seminars. The Bank also purchased online courses on topics including CPC's history, financial technology, big data, artificial intelligence to enrich our online training contents in order to fulfill different training needs of the employees.



## VIII. BRANCHES

Head Office/Branch	Number of employees	Address	Tier-two branches and sub-branches under jurisdiction	Number of employees in the institutions under jurisdiction
Head Office	1,750	218 Haihe East Road, Hedong District, Tianjin	–	–
Tianjin Branch	360	8-15/F, Part 1/F, Part 2/F, China Bohai Bank Tower, 218 Haihe East Road, Hedong District, Tianjin	0/27	621
Tianjin Binhai New District Branch	159	North District, Financial Street, No. 9 Shengda Street, Tianjin Economic and Technological Development Area	0/06	112
Tianjin Pilot Free Trade Zone Branch	27	No. 3 Building, Financial Center, No. 158 West 3rd Road, Tianjin Pilot Free Trade Zone (Airport Economic Area)	0/01	22
Beijing Branch	337	1F-3F, East Tower C, Chemsunny World Trade Center, 28 Fuxingmennei Street, Xicheng District, Beijing	1/18	391
Hangzhou Branch	191	Bohai Bank Building, No. 117 Tiyuchang Road, Xiacheng District, Hangzhou City, Zhejiang Province	3/12	295
Taiyuan Branch	199	No. 308, Changzhi Road, Xiaodian District, Taiyuan City, Shanxi Province	1/06	139
Chengdu Branch	194	No. 87, Jinrongcheng South Road, High-Tech Zone, Chengdu City, Sichuan Province	1/07	173
Jinan Branch	205	Building 3, Lushang Olympic City, 9777 Jingshi East Road, Jinan City, Shandong Province	4/06	255
Shanghai Branch	176	No. 68 Yincheng Middle Road, Pudong New Area, Shanghai	0/11	182
Shanghai Pilot Free Trade Zone Branch	93	No. 1229 Century Avenue, Shanghai Pilot Free Trade Zone	–	–
Shenzhen Branch	172	No. 4009 Shennan Avenue, Futian District, Shenzhen, Guangdong Province	0/09	149
Shenzhen Qianhai Branch	117	Block B, CNOOC Building (Shenzhen), No. 3168 Houhaibin Road, Nanshan District, Shenzhen, Guangdong Province	0/01	8
Nanjing Branch	219	No. 213 Jiangdong Middle Road, Jianye District, Nanjing City, Jiangsu Province	5/10	386
Suzhou Branch	172	Jianwu Financial Center Building, No. 710 Zhongyuan Road, Suzhou Industrial Park, Jiangsu Province	0/04	53
Dalian Branch	177	Yifang Building, No. 9 Yan'an Road, Zhongshan District, Dalian City, Liaoning Province	1/07	181
Guangzhou Branch	200	Nanya Zhonghe Plaza, 57 Linjiang Avenue, Tianhe District, Guangzhou City, Guangdong Province	4/08	294
Changsha Branch	194	Jiasheng Business Plaza, No. 289 Laodong West Road, Changsha City, Hunan Province	3/03	125
Shijiazhuang Branch	171	18 Zhonghua South Street, Shijiazhuang City, Hebei Province	3/05	205
Wuhan Branch	208	No. 29 Xinhua Road, Jiangnan District, Wuhan City, Hubei Province	2/05	150
Hohhot Branch	110	No. 85 Xinhua East Street, Xincheng District, Hohhot, Inner Mongolia Autonomous Region	1/02	71
Fuzhou Branch	126	Huaban Building, No. 363 Jiangbin Middle Avenue, Taijiang District, Fuzhou City, Fujian Province	1/01	48

Head Office/Branch	Number of employees	Address	Tier-two branches and sub-branches under jurisdiction	Number of employees in the institutions under jurisdiction
Hefei Branch	106	No. 269 Suixi Road, North First Ring, Hefei City, Anhui Province	0/01	21
Zhengzhou Branch	180	No. 88 Jinshui East Road, Zhengdong New District, Zhengzhou City, Henan Province	0/04	66
Xi'an Branch	144	No. 36 Jinye Road, High-Tech Zone, Xi'an City, Shaanxi Province	0/01	16
Changchun Branch	97	No. 2699 Xi'an Road, Lvyuan District, Changchun City, Jilin Province	0/01	8
Chongqing Branch	97	Building 2, Lifan Center, No. 6, Juxiyan Square, Jiangbei District, Chongqing	0/02	23
Shenyang Branch	96	No. 32 Yingbin Street, Shenhe District, Shenyang City, Liaoning Province	1/01	28
Xiamen Pilot Free Trade Zone Branch	69	Building A, Cross-strait Trade Center, No. 1-9 Yunan 4th Road, Xiamen Area of China (Fujian) Pilot Free Trade Zone, Xiamen City, Fujian Province	0/01	11
Haikou Branch	71	S5 Podium Building, Guorui City, No. 11 Guoxing Avenue, Meilan District, Haikou City, Hainan Province	–	–
Qingdao Branch	82	Office Building T8, Shangshi Center, 195 East Hong Kong Road, Laoshan District, Qingdao City, Shandong Province	0/01	6
Ningbo Branch	66	1F-3F, Emeke Building, No. 188 Dazha Road, Jiangbei District, Ningbo City, Zhejiang Province	–	–
Nanning Branch	72	1F-5F, Podium Building, King's International Merchant Center, 59 Jinhu Road, Qingxiu District, Nanning City, Guangxi Zhuang Autonomous Region	–	–
Nanchang Branch	95	Cuilin Building, 1266 Fenghe Middle Avenue, Honggutan New District, Nanchang City, Jiangxi Province	0/01	9
Hong Kong Branch	57	Suites 1201-1209 and 1215-1216, 12/F, Two International Finance Centre, 8 Finance Street, Central, Hong Kong	–	–

# Corporate Governance

## I. OVERVIEW OF CORPORATE GOVERNANCE

The Bank has established a corporate governance structure consisting of the general meeting, the Board of Directors, the Board of Supervisors and senior management. The shareholders' general meeting is the supreme authority of the Bank. The Board of Directors undertakes final responsibility of operation and management of the Bank, accountable to the shareholders' general meeting. The Board of Supervisors is the internal supervision body of the Bank, accountable to the shareholders' general meeting. The senior management is responsible for the operation and management of the Bank, accountable to the Board of Directors. For the corporate governance structure of the Bank, please refer to "Organizational Structure Chart" described in this report.

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

During the Reporting Period, the Bank convened a total of 29 meetings of various types, including 1 general meeting, at which 12 proposals were considered and 5 reports were heard; 8 meetings of the Board of Directors, at which 51 proposals were considered and 10 reports were heard; and 16 meetings of special committees under the Board of Directors (including: 3 meetings of the Risk Management Committee, 3 meetings of the Related Party Transactions Control Committee, 4 meetings of the Audit and Consumer Rights Protection Committee, 3 meetings of the Nomination and Remuneration Committee, and 3 meetings of the Development Strategy and Inclusive Finance Committee), at which 43 proposals were considered and 4 reports were heard; 2 meetings of the Board of Supervisors, at which 10 proposals were considered and 12 reports were heard; and 2 meetings of special committees under the Board of Supervisors (including: 1 meeting of the Nomination Committee and 1 meeting of the Supervision Committee), at which 3 proposals were considered and 5 reports were heard. At the above meetings, the corporate governance entities made careful decisions on major issues of the Bank, and considered and approved profit distribution, capital management planning, election of Directors, changes in senior management members, the annual report, the report of the Board of Directors, the report of the Board of Supervisors, the work report of the senior management, major related party transactions and other important matters, and formulated and revised the information reporting system, investor relations management measures, equity management measures and other basic systems, which ensured the efficient and orderly operation of corporate governance and the sustained and steady development of the Bank.

## II. INTRODUCTION TO THE GENERAL MEETING

The Bank held its 2020 annual general meeting in Tianjin on May 17, 2021. Shareholders or their proxies attending the general meeting represented a total of 14,762,926,136 ordinary shares with voting rights of the Bank, with 11 Directors, 4 Supervisors and the senior management members of the Bank attending the meeting. 12 resolutions were considered and approved at the meeting and the matters considered included: the Report of the Board of Directors for 2020, the Report of the Board of Supervisors for 2020, the Report of Final Financial Accounts for 2020, the Profit Distribution Plan for 2020, re-appointment of external auditors for 2020, re-appointment of external auditors for 2021, the Financial Budget Report for 2021, the Measures for Equity Management, the Adjustment Plan for the Allowances of Directors and Supervisors, election of Mr. WANG Zhiyong as a non-executive director of the Bank, the Special Authorization Plan for Financial Bonds and Tier-two Capital Bonds, and the general mandate granted to the Board of Directors to issue new H shares.

The meeting also reviewed 5 written reports, including the Report on the Resignation of Mr. ZHANG Bingjun as the Non-executive Director of the Bank, the Bank's 2020 Report on Related Party Transactions and Management of Related Party Transactions (2020 年度關聯交易及關聯交易管理情況報告), the Board of Supervisors' 2020 Assessment Report on the Performance of Duties of the Board of Directors, Senior Management and their Members (監事會對董事會、高級管理層及其成員 2020 年度履職評價報告), the Board of Supervisors' 2020 Report on Self-Evaluation and Assessment of the Performance of Duties of Supervisors (2020 年度監事會自我評價和監事履職評價報告), and the Board of Supervisors' 2020 Report on Independent Opinions on Related Matters (監事會關於 2020 年度有關事項獨立意見的報告).

The convening, holding and voting procedures of the above meeting were in compliance with relevant laws and regulations, the Articles of Association and the Rules of Procedure of Shareholders' General Meeting of the Bank. The lawyers witnessed the meeting and issued legal opinions. For details of the meeting, please refer to the general meeting circular, notice and poll results published on the websites of the HKEX and the Bank.

### III. WORK OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Bank's Articles of Association stipulates that the independent non-executive Directors of the Bank shall represent at least one-third of the total members of the Board. As of the end of the Reporting Period, there are a total of 6 independent non-executive Directors in the Bank's Board of Directors. At least one of them meets the provisions of Rule 3.10(2) of the Listing Rules. The qualifications of independent non-executive Directors are in compliance with regulatory requirements. The chairmen of the Risk Management Committee (and the Related Party Transactions Control Committee subordinated to it), the Audit and Consumer Rights Protection Committee, and the Nomination and Remuneration Committee under the Board of Directors are all independent non-executive Directors. During the Reporting Period, the independent non-executive Directors of the Bank fulfilled their duties of integrity and diligence towards the Bank and all shareholders, thought independently and deeply, expressed their independent opinions objectively and impartially, performed their duties independently under the principles of fairness, impartiality and openness, attended the Board meetings and special committee meetings on time, while those did not attend the meetings in person all appointed suitable persons to vote on their behalf and convey their opinions according to relevant regulations. The independent non-executive Directors expressed their independent opinions on the Bank's major related party transactions, profit distribution, and the appointment and dismissal of members of senior management.

### IV. WORK OF EXTERNAL SUPERVISORS

According to the provisions of the Articles of Association, the Bank shall have 3 external Supervisors. The chairmen of the Nomination Committee and the Supervision Committee under the Board of Supervisors are all external Supervisors. During the Reporting Period, the external Supervisors of the Bank strictly complied with the laws and regulations and the Articles of Association of the Bank, performed their duties conscientiously and diligently, attended meetings of the Board of Supervisors and special committees on time, actively attended the Shareholders' general meeting, meetings of the Board of Directors and special committees, carefully reviewed the proposals before the meetings, actively spoke at the meetings and provided professional advice to the Board of Directors and senior management. During the adjournment period, they paid close attention to the Bank's business development, carefully studied various information reports of the Bank, actively promoted various supervision work; focused on the interests of depositors and the Bank as a whole, made active efforts to protect the interests of Shareholders and the Company, and mainly carried out the following tasks: attended all meetings of the Board of Supervisors held during the Reporting Period that should be attended, and complied with regulatory requirements on in-person attendance rate; presided over and convened 1 meeting of the Nomination Committee and the Supervision Committee of the Board of Supervisors, respectively; observed 1 meeting of the shareholders' general meeting, 6 meetings of the Board of Directors and 8 meetings of special committees under the Board of Directors; reviewed the voting materials of the meetings of the Board of Directors and its special committees by correspondence, and supervised the operation of the meetings, and the performance of duties by Directors during the meetings; reviewed the Bank's monthly financial statements and monitored significant changes in financial aspects; reviewed the materials, such as minutes of president's office meetings, minutes of special meetings conducted by the president, reports on related party transactions and the internal control and compliance risk alerts, to strengthen daily supervision of the performance of duties.

## V. INTERNAL CONTROL

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

During the Reporting Period, the Bank continued to improve its internal control and compliance management system, comprehensively promoted the construction of the digital “Big Compliance” system, rationalized the management coverage and connection of various mechanisms, and consolidated the management foundation. The Bank organized and commenced the “Year of Construction for Internal Control and Compliance Management” campaign to optimize the internal control and compliance environment, improve the internal control and compliance assessment mechanisms, strengthen training and education, highlight case prevention and employee behavior management, strengthen rectification and accountability, and earnestly perform anti-money laundering duties. The internal control and compliance governance capabilities have been improved.

## VI. INTERNAL AUDIT

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

During the Reporting Period, the audit department of the Bank carried out 5 special audits and 2 regular audits to tier-one branches in accordance with the plan for internal audit work approved by the Audit and Consumer Rights Protection Committee under the Board of Directors, the work arrangements of the Board of Supervisors and regulatory requirements, focusing on the Bank’s central tasks, and completed exit audits in a timely manner according to the Bank’s actual situation. In response to the control weaknesses identified by internal audits, relevant departments or branches formulated remedial measures, and the audit department of the Bank has tracked the implementation of the remedial measures. The tracking results showed that, as of the end of the Reporting Period, the problems identified by internal audits of the Bank had been basically rectified before the deadline.

## VII. SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Bank has adopted the Model Code as the code of conduct for the supervision of securities transactions by Directors and Supervisors of the Bank. Following specific inquiries with all Directors and Supervisors of the Bank, the Directors and Supervisors of the Bank confirmed that they have complied with the Model Code during the Reporting Period.

## VIII. COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Bank has adopted the applicable code provisions set out in the Corporate Governance Code in Appendix 14 to the Listing Rules. The Bank has complied with the code provisions set out in the Corporate Governance Code in Appendix 14 to the Listing Rules during the Reporting Period. The Bank has also complied with certain recommended best practices set out in the Code.



# Important Events

## I. MATERIAL LITIGATIONS AND ARBITRATIONS

As of the end of the Reporting Period, the Bank was involved in a number of legal proceedings in its ordinary course of business, most of which were dispute litigations initiated by the Bank as the plaintiff for the recovery of NPLs, and there were a total of 52 litigations with the amount in dispute (principal) of over RMB30 million each. There were dispute cases against the Bank pending final judgments, and there were 2 dispute litigations with the amount in dispute of over RMB10 million each, involving approximately RMB117 million. The Bank considers that the above-mentioned litigations and arbitrations will not have any material and adverse impact on our financial and operating results.

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

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

## III. IMPLEMENTATION OF EQUITY INCENTIVE PLANS

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

## VI. MATERIAL RELATED PARTY TRANSACTIONS

During the Reporting Period, all related party transactions, which carried out with related parties, were conducted in accordance with relevant laws and regulations as well as relevant provisions of domestic and overseas regulatory authorities and the Bank's related party transactions. These transactions were conducted in adherence to the general business principles, and based on conditions which not superior to those granted to an independent third party, and their terms were fair and reasonable and in the interests of the Company and its Shareholders as a whole.

The related party transactions of the Bank were mainly the credit business of Shareholders and their related parties. Please refer to Note "Related parties" in "Review Report and Interim Financial Report – Notes to the Unaudited Interim Financial Statements" of this report for specific data on related party transactions.

### (I) Related Party Transactions Relating to Daily Operation

According to the Administrative Measures for Related Party Transactions between Commercial Banks and Their Insiders or Shareholders and Interim Measures for the Equity Management of Commercial Banks issued by CBRC, the material related party transactions of the Bank were all credit business. All credit transactions were conducted in accordance with relevant laws and regulations, external regulatory requirements, the Bank's credit conditions and review procedures.

According to relevant provisions of CBIRC, during the Reporting Period, the Board of Directors approved six resolutions on material related party transactions, namely related party transactions of credit business of UBS SDIC Fund Management Co., Ltd., related party transactions of credit business of TEDA Investment Holding Co., Ltd. and related party transactions of credit business of group customers of China COSCO Shipping Corporation Limited approved at the 15th meeting of the fifth session of the Board of Directors, related party transactions of credit business of group customers of Tohigh Holdings Co., Ltd. (LU Zhiqiang as the natural person) approved at the 18th meeting of the fifth session of the Board of Directors, and related party transactions of credit business of group customers of TEDA Investment Holding Co., Ltd. approved at the 19th and 21st meetings of the fifth session of the Board of Directors.

As of the end of the Reporting Period, the Bank's net credit amount granted to all related parties were RMB23.956 billion according to the standards of the CBIRC. Specifically, the net credit amount granted to TEDA Investment Holding Co., Ltd. and its related parties was RMB12.655 billion, that granted to Standard Chartered Bank (Hong Kong) Limited and its related parties was RMB131 million, that granted to State Development & Investment Corp., Ltd. and its related parties was RMB515 million, that granted to China Baowu Steel Group Corporation Limited and its related parties amounted to RMB494 million, and that granted to Oceanwide Industry Co., Ltd. and its related parties was RMB8.556 billion, and that granted to other related parties reached RMB1.605 billion.

According to the standards of Hong Kong Stock Exchange, the Bank's net credit amount granted to all connected persons amounted to RMB12.786 billion. Specifically, the Bank extended RMB12.655 billion of net credits to TEDA Investment Holding Co., Ltd. and its connected persons, and RMB131 million to Standard Chartered Bank (Hong Kong) Limited and its connected persons. The above-mentioned connected transactions are transactions conducted by the Bank with its connected persons in the ordinary course of business on general commercial terms or better terms for the Bank, which are fully exempted in accordance with Chapter 14A of the Listing Rules.

Non-credit transactions between the Bank and related parties, such as services, leasing, agency sales and other daily related party transactions, are subject to general commercial terms and conditions no superior to those granted to independent third parties. None of the above-mentioned transactions constitute material related party transactions under the standards of the CBIRC, and they are connected transactions meeting the minimum exemption level under Chapter 14A of the Listing Rules.

## **(II) Related Party Transactions Involving Disposal and Acquisition of Assets or Equity**

During the Reporting Period, the Bank was not engaged in any related party transactions involving disposal and acquisition of assets or equity.

## **(III) Related Party Transactions in Joint External Investment**

During the Reporting Period, the Bank was not engaged in any related party transactions in joint external investment.

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

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

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

## **(II) Material Guarantees**

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

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

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

## VI. SIGNIFICANT INVESTMENT AND MAJOR INVESTMENT PLAN

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

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

Punishing entity	Penalty	Punished unit	Document number of penalty document	Date of issuing the document
CBIRC Guangdong Bureau	Fines of RMB1.75 million, and disciplinary punishment to the person directly responsible	Guangzhou Branch, Guangzhou Zhongshan 3rd Road Sub-branch, Guangzhou Huanshi Road Sub-branch	Yueyinbaojianfajuezi [2021] No. 4	February 18, 2021
Changchun Central Sub-branch of the People's Bank of China	Fines of RMB586,000, and a warning	Changchun Branch	Changyinfazi [2021] No. 14	April 6, 2021
Changsha Central Sub-branch of the People's Bank of China	Fines of RMB4,836,526.48, a warning, and confiscation of illegal gains of RMB678,842.16	Changsha Branch	Changyinfazi [2021] No. 6	April 25, 2021
CBIRC	Fines of RMB97.20 million	Head office	Yinbaojianfajuezi [2021] No. 13	May 17, 2021

During the Reporting Period, the Bank was not subject to any investigation due to suspected crimes according to law, or any criminal penalty. Apart from the above, the Bank was not subject to any investigation or administrative penalty by CSRC due to suspected violations of laws and regulations, or any major administrative penalty by other competent authorities. Neither the Directors, Supervisors or members of senior management was subject to any coercive measures due to suspected crimes according to law, any criminal penalty, any investigation or administrative penalty by CSRC due to suspected violations of laws and regulations, any major administrative penalty by other competent authorities, any confinement measures by disciplinary inspection authorities due to suspected serious violations of discipline, law or duty crimes which affect their performance of duties, or any coercive measures by other competent authorities due to suspected violations of laws and regulations which affect their performance of duties. Neither the Bank nor any of its Directors, Supervisors or members of senior management was subject to any administrative and regulatory measures taken by the CSRC or any disciplinary actions taken by the stock exchange.

## VIII. OTHER MATERIAL EVENTS

### (I) Establishment of a Wealth Management Subsidiary Company

In April 2021, the Bank received the "Approval from the China Banking and Insurance Regulatory Commission on the Establishment of CBHB Wealth Management Co., Ltd. (渤海理財有限責任公司)". As of the Reporting Date, the establishment of the wealth management subsidiary company was underway.

### (II) Issuance of Bonds

For the issuance of bonds of the Bank during the Reporting Period, please refer to "Review Report and Interim Financial Report – Notes to the Unaudited Interim Financial Statements" of this report.

## **IX. SUBSEQUENT EVENTS**

As of the Reporting Date, the Bank had no major subsequent events that need to be disclosed.

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

The Bank's external auditor KPMG has reviewed the interim financial report prepared by the Bank in accordance with the disclosure requirements set out in the IFRS and the Listing Rules. Meanwhile, the Audit and Consumer Rights Protection Committee under the Board of the Bank has reviewed and approved the Bank's results and financial report for the six months ended June 30, 2021.

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

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

# Review Report and Interim Financial Report

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# Interim Financial Report

For the six months ended 30 June 2021

## Review Report to the Board of Directors of

### CHINA BOHAI BANK CO., LTD.

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

## Introduction

We have reviewed the interim financial report set out on pages 66 to 172 which comprises the statement of financial position of CHINA BOHAI BANK CO., LTD. (the "Bank") as at 30 June 2021 and the related statement of profit or loss and other comprehensive income, the statement of changes in equity and the cash flow statement for the six-months period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standard 34, *Interim Financial Reporting*, issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of the interim financial report in accordance with International Accounting Standard 34.

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

## Scope of review

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

## Conclusion

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

### KPMG

*Certified Public Accountants*

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

27 August 2021

# Unaudited Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	Six months ended 30 June	
		2021 (Unaudited)	2020 (Unaudited)
Interest income		<b>31,587,589</b>	29,255,767
Interest expense		<b>(18,043,723)</b>	(15,223,522)
<b>Net interest income</b>	3	<b>13,543,866</b>	14,032,245
Fee and commission income		<b>2,204,688</b>	2,417,742
Fee and commission expense		<b>(1,087,297)</b>	(992,342)
<b>Net fee and commission income</b>	4	<b>1,117,391</b>	1,425,400
Net trading losses	5	<b>(106,233)</b>	(9,655)
Net gains arising from investment securities	6	<b>1,186,055</b>	578,423
Other operating income	7	<b>61,790</b>	18,786
<b>Operating income</b>		<b>15,802,869</b>	16,045,199
Operating expenses	8	<b>(4,711,555)</b>	(4,417,196)
Impairment losses on assets	9	<b>(4,370,532)</b>	(5,342,664)
<b>Profit before taxation</b>		<b>6,720,782</b>	6,285,339
Income tax	10	<b>(1,376,217)</b>	(1,238,628)
<b>Net profit</b>		<b>5,344,565</b>	5,046,711
<b>Earnings per share</b>			
– Basic and diluted (RMB yuan)	11	<b>0.30</b>	0.35

The notes on pages 74 to 172 form part of these interim financial report.

**Unaudited Statement of Profit or Loss and Other Comprehensive Income**  
For the six months ended 30 June 2021  
(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	Six months ended 30 June	
		2021 (Unaudited)	2020 (Unaudited)
<b>Net profit</b>		<b>5,344,565</b>	5,046,711
<b>Other comprehensive income:</b>			
Items that may be reclassified subsequently to profit or loss:			
Change in fair value of financial assets measured at fair value through other comprehensive income	32	<b>118,992</b>	27,858
Credit losses of financial assets measured at fair value through other comprehensive income	32	<b>3,819</b>	(190,845)
(Reserve)/Charge from cash flow hedging instruments	32	<b>(217)</b>	194
Exchange difference on translating foreign operations		<b>84</b>	–
<b>Other comprehensive income, net of tax</b>		<b>122,678</b>	(162,793)
<b>Total comprehensive income</b>		<b>5,467,243</b>	4,883,918

The notes on pages 74 to 172 form part of these interim financial report.

# Unaudited Statement of Financial Position

As at 30 June 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	At 30 June 2021 (Unaudited)	At 31 December 2020 (Audited)
<b>Assets</b>			
Cash and deposits with the central bank	12	96,693,442	96,548,417
Deposits with banks and other financial institutions	13	69,870,163	27,805,363
Placements with banks and other financial institutions	14	5,070,429	6,063,668
Derivative financial assets	15	490,517	232,498
Financial assets held under resale agreements	16	2,293,341	–
Loans and advances to customers	17	953,838,630	867,120,217
Financial investments:	18		
– Financial investments measured at fair value through profit or loss		88,803,652	72,597,497
– Financial investments measured at fair value through other comprehensive income		77,892,511	61,813,595
– Financial investments measured at amortised cost		243,218,224	241,515,654
Property and equipment	20	3,521,097	3,630,154
Deferred tax assets	21	9,724,046	8,664,618
Other assets	22	8,911,478	7,531,444
<b>Total assets</b>		<b>1,560,327,530</b>	<b>1,393,523,125</b>
<b>Liabilities and equity</b>			
<b>Liabilities</b>			
Borrowing from the central bank	23	72,455,956	71,592,485
Deposits from banks and other financial institutions	24	151,807,022	130,273,359
Placements from banks and other financial institutions	25	61,723,545	31,920,614
Derivative financial liabilities	15	847,518	533,164
Financial assets sold under repurchase agreements	26	15,661,750	52,406,083
Deposits from customers	27	857,649,637	758,235,794
Income tax payable		1,032,463	2,485,405
Debt securities issued	28	274,813,013	225,154,090
Other liabilities	29	17,133,323	17,676,301
<b>Total liabilities</b>		<b>1,453,124,227</b>	<b>1,290,277,295</b>

The notes on pages 74 to 172 form part of these interim financial report.

## Unaudited Statement of Financial Position

As at 30 June 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	At 30 June 2021 (Unaudited)	At 31 December 2020 (Audited)
<b>Equity</b>			
Share capital	30	<b>17,762,000</b>	17,762,000
Other equity instruments	31	<b>19,961,604</b>	19,961,604
Other comprehensive income	32	<b>160,756</b>	38,078
Capital reserve		<b>10,732,077</b>	10,732,077
Surplus reserve	33	<b>5,868,637</b>	5,868,637
General reserve	33	<b>17,664,811</b>	17,664,811
Retained earnings	34	<b>35,053,418</b>	31,218,623
<b>Total equity</b>		<b>107,203,303</b>	103,245,830
<b>Total liabilities and equity</b>		<b>1,560,327,530</b>	1,393,523,125

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

**Qu Hongzhi**  
President  
Executive Director

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

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

(Company stamp)

The notes on pages 74 to 172 form part of these interim financial report.



# Unaudited Statement of Changes in Equity

For the six months ended 30 June 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	Share capital	Other equity instruments	Other comprehensive income	Capital reserve	Surplus reserve	General reserve	Retained earnings	Total
Balance at 31 December 2020		17,762,000	19,961,604	38,078	10,732,077	5,868,637	17,664,811	31,218,623	103,245,830
Changes in equity for the year:									
Net profit for the period		-	-	-	-	-	-	5,344,565	5,344,565
Other comprehensive income	32	-	-	122,678	-	-	-	-	122,678
Total comprehensive income		-	-	122,678	-	-	-	5,344,565	5,467,243
Appropriation of profit									
- Dividends distribution to ordinary shareholders	34	-	-	-	-	-	-	(1,509,770)	(1,509,770)
Balance at 30 June 2021 (Unaudited)		17,762,000	19,961,604	160,756	10,732,077	5,868,637	17,664,811	35,053,418	107,203,303

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

The notes on pages 74 to 172 form part of these interim financial report.

## Unaudited Statement of Changes in Equity

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

	Note	Share capital	Other equity instruments	Other comprehensive income	Capital reserve	Surplus reserve	General reserve	Retained earnings	Total
Balance at 31 December 2019		14,450,000	19,961,604	969,493	-	5,009,612	14,081,733	28,166,155	82,638,597
Changes in equity for the year:									
Net profit		-	-	-	-	-	-	8,444,571	8,444,571
Other comprehensive income	32	-	-	(931,415)	-	-	-	-	(931,415)
Total comprehensive income		-	-	(931,415)	-	-	-	8,444,571	7,513,156
Issue of H shares	30/33	3,312,000	-	-	10,732,077	-	-	-	14,044,077
Appropriation of profit									
- Appropriation to surplus reserve	33	-	-	-	-	859,025	-	(859,025)	-
- Appropriation to general reserve	33	-	-	-	-	-	3,583,078	(3,583,078)	-
- Dividend distribution to other equity instruments holders	34	-	-	-	-	-	-	(950,000)	(950,000)
Balance at 31 December 2020		17,762,000	19,961,604	38,078	10,732,077	5,868,637	17,664,811	31,218,623	103,245,830

The notes on pages 74 to 172 form part of these interim financial report.

# Unaudited Cash Flow Statement

For the six months ended 30 June 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	Six months ended 30 June	
		2021 (Unaudited)	2020 (Unaudited)
<b>Cash flows from operating activities</b>			
Profit before tax		<b>6,720,782</b>	6,285,339
<i>Adjustments for:</i>			
Impairment losses on assets		<b>4,370,532</b>	5,342,664
Depreciation and amortisation		<b>711,267</b>	714,522
Net gains arising from investment securities		<b>(1,186,055)</b>	(578,423)
Interest expense on debts securities issued		<b>4,006,618</b>	3,366,466
Net trading losses		<b>106,233</b>	9,655
Interest income arising from financial investments		<b>(5,827,615)</b>	(5,791,865)
Interest expense on lease liabilities		<b>80,100</b>	78,506
Net gains on disposal of property and equipment		<b>(212)</b>	(122)
		<b>8,981,650</b>	9,426,742
<i>Changes in operating assets</i>			
Net (increase)/decrease in deposits with banks and other financial institutions with maturity over 3 months		<b>(450,000)</b>	1,660,000
Net increase in deposits with the central bank		<b>(8,067,651)</b>	(238,058)
Net (increase)/decrease in placement with banks and other institutions		<b>(2,860,000)</b>	1,000,725
Net increase in financial assets held for trading		<b>(3,880,229)</b>	(9,425,076)
Net increase in loans and advances to customers		<b>(94,806,828)</b>	(111,670,289)
Net decrease/(increase) in other operating assets		<b>1,347,024</b>	(1,649,918)
		<b>(108,717,684)</b>	(120,322,616)
<i>Changes in operating liabilities</i>			
Net increase in borrowings from the central bank		<b>400,000</b>	11,900,000
Net increase in deposits from banks and other financial institutions		<b>20,948,309</b>	11,786,338
Net increase in placements from banks and other financial institutions		<b>29,757,934</b>	4,886,008
Net decrease in financial assets sold under repurchase agreements		<b>(36,689,181)</b>	(579,866)
Net increase in deposits from customers		<b>100,004,044</b>	119,720,373
Net decrease in other operating liabilities		<b>(661,595)</b>	(4,758,876)
		<b>113,759,511</b>	142,953,977
Net cash flows generated from operating activities before tax		<b>14,023,477</b>	32,058,103
Income tax paid		<b>(3,961,862)</b>	(2,824,185)
<b>Net cash flows generated from operating activities</b>		<b>10,061,615</b>	29,233,918

The notes on pages 74 to 172 form part of these interim financial report.

**Unaudited Cash Flow Statement**  
For the six months ended 30 June 2021  
(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	Six months ended 30 June	
		2021 (Unaudited)	2020 (Unaudited)
<b>Cash flows from investing activities</b>			
Proceeds from disposal sale and redemption of investments		<b>221,212,781</b>	121,783,535
Proceeds received from investment activities		<b>5,799,991</b>	5,407,200
Proceeds from disposal of property and equipment and other assets		<b>218</b>	183
Payments on acquisition of investments		<b>(247,087,330)</b>	(141,605,559)
Payments on acquisition of property and equipment, intangible assets and other assets		<b>(659,384)</b>	(169,074)
<b>Net cash flows used in investing activities</b>		<b>(20,733,724)</b>	(14,583,715)
<b>Cash flows from financing activities</b>			
Proceeds from debt securities issued		<b>221,040,769</b>	176,817,254
Repayment of debt securities issued		<b>(172,349,805)</b>	(173,430,295)
Interest paid on debt securities issued		<b>(3,038,659)</b>	(3,132,108)
Dividends paid		<b>(1,509,770)</b>	–
Repayment of capital element of lease liabilities		<b>(645,738)</b>	(300,108)
Interest paid on lease liabilities		<b>(80,100)</b>	(78,506)
<b>Net cash flows generated from/(used in) financing activities</b>		<b>43,416,697</b>	(123,763)
<b>Effect of foreign exchange rate changes on cash and cash equivalents</b>		<b>(572,695)</b>	191,669
<b>Net increase in cash and cash equivalents</b>	37(a)	<b>32,171,893</b>	14,718,109
<b>Cash and cash equivalents as at 1 January</b>		<b>64,755,129</b>	42,694,864
<b>Cash and cash equivalents as at 30 June</b>	37(b)	<b>96,927,022</b>	57,412,973
Interest received		<b>30,468,158</b>	27,923,903
Interest paid (excluding interest expense on debt securities issued)		<b>(15,875,188)</b>	(10,356,044)

The notes on pages 74 to 172 form part of these interim financial report.

# Notes to the Unaudited Interim Financial Statements

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

## 1 Background information

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

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

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

The Bank commenced its operation on 16 February 2006. As at 30 June 2021, the Bank has established 34 tier-one branches (including Suzhou, Qingdao and Ningbo Branches under direct management of the Head Office and and 1 overseas branch), 31 tier-two branches, 162 sub-branches. The total number of outlets reached 261, including 227 branches and sub-branches, and 34 small and micro community sub-branches.

## 2 Basis of preparation and accounting policies

### Basis of preparation

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard (“IAS”) 34, *Interim Financial Reporting*, issued by the International Accounting Standards Board (“IASB”). It was authorised for issue by the Bank’s Board of Directors on 27 August 2021.

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

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

The financial information relating to the financial year ended 31 December 2020 that is included in the interim financial report as comparative information does not constitute the Bank’s statutory annual financial statements for that financial year but is derived from those financial statements.



## Notes to the Unaudited Interim Financial Statements

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

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

### Accounting judgements and estimates

The preparation of an interim financial report in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense on a year to date basis. The significant judgements made by management in applying the Bank's accounting policies and the key sources of estimation uncertainty were the same as those applied in the preparation of the financial statements for the year ended 31 December 2020. Actual results may differ from these estimates.

### Significant accounting policies

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

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

Amendment to IFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2

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

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

## Notes to the Unaudited Interim Financial Statements

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

**3 Net interest income**

	Six months ended 30 June	
	2021 (Unaudited)	2020 (Unaudited)
<b>Interest income arising from</b>		
Deposits with the central bank	500,715	523,206
Deposits with banks and other financial institutions	134,996	122,915
Placements with banks and other financial institutions	127,886	172,445
Loans and advances to customers		
– Corporate loans and advances	13,060,719	13,582,539
– Personal loans	10,982,217	8,601,845
– Discounted bills	744,090	353,398
Financial assets held under resale agreements	209,351	107,554
Financial investments	5,827,615	5,791,865
Sub-total	31,587,589	29,255,767
<b>Interest expense arising from</b>		
Borrowing from the central bank	(1,095,409)	(886,542)
Deposits from banks and other financial institutions	(2,535,084)	(1,112,701)
Placements from banks and other financial institutions	(248,013)	(312,517)
Deposits from customers	(9,800,775)	(9,357,563)
Financial assets sold under repurchase agreements	(357,824)	(187,733)
Debt securities issued	(4,006,618)	(3,366,466)
Sub-total	(18,043,723)	(15,223,522)
<b>Net interest income</b>	<b>13,543,866</b>	<b>14,032,245</b>

Interest income arising from impaired loans for the six months ended 30 June 2021 and 2020 amounted to RMB209 million and RMB126 million, respectively.

## Notes to the Unaudited Interim Financial Statements

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

## 4 Net fee and commission income

## (a) Income and expense streams:

	Six months ended 30 June	
	2021 (Unaudited)	2020 (Unaudited)
<b>Fee and commission income</b>		
Agency service fees	<b>918,022</b>	1,175,843
Settlement and clearing fees	<b>472,576</b>	310,206
Custodian service fees	<b>297,186</b>	420,017
Consulting service fees	<b>238,328</b>	222,832
Credit commitments and asset management fees	<b>219,333</b>	219,387
Bank card fees	<b>32,438</b>	28,582
Others	<b>26,805</b>	40,875
Sub-total	<b>2,204,688</b>	2,417,742
<b>Fee and commission expense</b>		
Information service fees	<b>(968,013)</b>	(895,575)
Agency service fees	<b>(37,710)</b>	(31,799)
Settlement and clearing fees	<b>(21,273)</b>	(15,144)
Bank card fees	<b>(19,479)</b>	(7,104)
Consulting service fees	<b>(17,760)</b>	(35,395)
Others	<b>(23,062)</b>	(7,325)
Sub-total	<b>(1,087,297)</b>	(992,342)
<b>Net fee and commission income</b>	<b>1,117,391</b>	1,425,400

## (b) Disaggregation of income:

	Six months ended 30 June (Unaudited)			
	2021		2020	
	At a point in time	Over time	At a point in time	Over time
Agency service fees	<b>298,506</b>	<b>619,516</b>	306,075	869,768
Settlement and clearing fees	<b>995</b>	<b>471,581</b>	777	309,429
Custodian service fees	–	<b>297,186</b>	–	420,017
Consulting service fees	–	<b>238,328</b>	–	222,832
Credit commitments and asset management fees	<b>13,774</b>	<b>205,559</b>	79,639	139,748
Bank card fees	<b>32,438</b>	–	28,582	–
Others	<b>6,840</b>	<b>19,965</b>	7,239	33,636
Total	<b>352,553</b>	<b>1,852,135</b>	422,312	1,995,430

## Notes to the Unaudited Interim Financial Statements

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

**5 Net trading losses**

	Six months ended 30 June	
	2021 (Unaudited)	2020 (Unaudited)
Net (losses)/gains from derivative instruments	<b>(43,827)</b>	44,464
Exchange losses	<b>(443,085)</b>	(65,708)
Net gains from trading of precious metals	<b>152,865</b>	7
Net gains/(losses) from debt securities	<b>148,473</b>	(3,007)
Net gains from loans and advances at fair value through profit or loss	<b>11,323</b>	14,589
Net gains from equity investment	<b>68,018</b>	–
<b>Total</b>	<b>(106,233)</b>	(9,655)

**6 Net gains arising from investment securities**

	Six months ended 30 June	
	2021 (Unaudited)	2020 (Unaudited)
Net gains of financial investments measured at fair value through profit or loss	<b>882,682</b>	517,248
Net gains of financial investments measured at fair value through other comprehensive income	<b>53,601</b>	34,566
Net gains on disposal of financial investments measured at amortised cost	<b>249,772</b>	26,609
<b>Total</b>	<b>1,186,055</b>	578,423

**7 Other operating income**

	Six months ended 30 June	
	2021 (Unaudited)	2020 (Unaudited)
Government grants	<b>44,606</b>	10,421
Rental income	<b>7,820</b>	6,518
Long-term un-withdrawn items income	<b>2,429</b>	704
Net gains on disposal of property and equipment	<b>212</b>	122
Others	<b>6,723</b>	1,021
<b>Total</b>	<b>61,790</b>	18,786

## Notes to the Unaudited Interim Financial Statements

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

### 8 Operating expenses

	Six months ended 30 June	
	2021 (Unaudited)	2020 (Unaudited)
Staff costs		
– Salaries, bonuses and allowances	<b>1,915,017</b>	2,104,498
– Social insurance and annuity	<b>409,896</b>	223,383
– Housing allowances	<b>230,529</b>	206,770
– Staff welfares	<b>106,952</b>	78,914
– Employee education expenses and labour union expenses	<b>62,717</b>	66,029
– Others	<b>102,557</b>	113,800
Sub-total	<b>2,827,668</b>	2,793,394
Depreciation and amortisation	<b>711,267</b>	714,522
Taxes and surcharges	<b>219,382</b>	214,146
Interest expense on lease liabilities	<b>80,100</b>	78,506
Other general and administrative expenses	<b>873,138</b>	616,628
Total	<b>4,711,555</b>	4,417,196

Expenses relating to short-term leases and leases of low-value assets were RMB17 million and RMB7 million for the six months ended 30 June 2021 and 2020.

### 9 Impairment losses on assets

	Six months ended 30 June	
	2021 (Unaudited)	2020 (Unaudited)
Deposits with banks and other financial institutions	<b>32,132</b>	(125,074)
Placements with banks and other financial institutions	<b>27,629</b>	61,483
Financial assets held under resale agreements	<b>4,306</b>	2,361
Loans and advances to customers	<b>6,194,174</b>	4,815,609
Financial investments	<b>(1,573,537)</b>	545,374
Credit commitments	<b>(314,172)</b>	42,911
Total	<b>4,370,532</b>	5,342,664



## Notes to the Unaudited Interim Financial Statements

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

**10 Income tax expense****(a) Income tax:**

	Note	Six months ended 30 June	
		2021 (Unaudited)	2020 (Unaudited)
Current tax		<b>2,476,510</b>	1,949,140
Deferred tax	21(b)	<b>(1,100,293)</b>	(710,512)
<b>Total</b>		<b>1,376,217</b>	1,238,628

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

	Note	Six months ended 30 June	
		2021 (Unaudited)	2020 (Unaudited)
Profit before taxation		<b>6,720,782</b>	6,285,339
Statutory tax rate		<b>25%</b>	25%
Income tax calculated at statutory tax rate		<b>1,680,196</b>	1,571,335
Non-deductible expenses		<b>163,017</b>	118,502
Non-taxable income	(i)	<b>(464,725)</b>	(452,197)
Others		<b>(2,271)</b>	988
<b>Income tax</b>		<b>1,376,217</b>	1,238,628

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

## Notes to the Unaudited Interim Financial Statements

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

### 11 Basic and diluted earnings per share

	Note	Six months ended 30 June	
		2021 (Unaudited)	2020 (Unaudited)
Profit attributable to ordinary equity holders of the Bank		<b>5,344,565</b>	5,046,711
Weighted average number of ordinary shares in issue (in thousands)	(a)	<b>17,762,000</b>	14,450,000
Basic and diluted earnings per share (in RMB)		<b>0.30</b>	0.35

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

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

	Six months ended 30 June	
	2021 (Unaudited)	2020 (Unaudited)
Number of ordinary shares at the beginning of the period	<b>17,762,000</b>	14,450,000
Weighted average number of ordinary shares issued during the period	–	–
Weighted average number of ordinary shares	<b>17,762,000</b>	14,450,000

## Notes to the Unaudited Interim Financial Statements

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

**12 Cash and deposits with the central bank**

	Note	At 30 June 2021 (Unaudited)	At 31 December 2020 (Audited)
Cash on hand		<b>855,839</b>	433,044
Deposits with the central bank			
– Statutory deposit reserves	(a)	<b>70,882,409</b>	62,256,838
– Surplus deposit reserves	(b)	<b>24,748,942</b>	33,092,724
– Fiscal deposits		<b>177,365</b>	735,285
Sub-total		<b>95,808,716</b>	96,084,847
Interests accrued		<b>28,887</b>	30,526
Total		<b>96,693,442</b>	96,548,417

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

	At 30 June 2021	At 31 December 2020
Reserve ratio for RMB deposits	<b>9.0%</b>	9.0%
Reserve ratio for foreign currency deposits	<b>7.0%</b>	5.0%

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

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

## Notes to the Unaudited Interim Financial Statements

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

### 13 Deposits with banks and other financial institutions

#### Analysed by type and location of counterparty

	At 30 June 2021 (Unaudited)	At 31 December 2020 (Audited)
Deposits in mainland China		
– Banks	<b>21,393,610</b>	12,223,057
Sub-total	<b>21,393,610</b>	12,223,057
Deposits outside mainland China		
– Banks	<b>48,692,471</b>	15,771,096
Sub-total	<b>48,692,471</b>	15,771,096
Interests accrued	<b>14,247</b>	9,428
Less: Provision for impairment losses	<b>(230,165)</b>	(198,218)
Total	<b>69,870,163</b>	27,805,363

### 14 Placements with banks and other financial institutions

#### Analysed by type and location of counterparty

	At 30 June 2021 (Unaudited)	At 31 December 2020 (Audited)
Placements in mainland China		
– Banks	<b>5,010,000</b>	2,150,000
– Other financial institutions	–	1,000,000
Sub-total	<b>5,010,000</b>	3,150,000
Placements outside Mainland China		
– Banks	<b>96,867</b>	2,942,955
Sub-total	<b>96,867</b>	2,942,955
Interests accrued	<b>65,277</b>	44,832
Less: Provision for impairment losses	<b>(101,715)</b>	(74,119)
Total	<b>5,070,429</b>	6,063,668

## Notes to the Unaudited Interim Financial Statements

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

**15 Derivative financial instruments**

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

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

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

	30 June 2021 (Unaudited)		
	Notional amount	Fair value	
		Assets	Liabilities
Interest rate swaps	216,258,792	40,142	(30,752)
Exchange rate swaps	35,445,597	117,801	(296,107)
Exchange rate forwards	28,221,930	315,598	(267,115)
Precious metal swaps	2,658,255	–	(239,158)
Option contracts	1,703,913	16,976	(14,386)
<b>Total</b>	<b>284,288,487</b>	<b>490,517</b>	<b>(847,518)</b>

	31 December 2020 (Audited)		
	Notional amount	Fair value	
		Assets	Liabilities
Interest rate swaps	130,258,400	82,861	(73,125)
Exchange rate swaps	25,338,865	16,575	(255,739)
Precious metal swaps	2,739,600	–	(82,149)
Option contracts	1,725,576	9,121	(6,531)
Exchange rate forwards	6,921,165	123,941	(115,620)
<b>Total</b>	<b>166,983,606</b>	<b>232,498</b>	<b>(533,164)</b>

## Notes to the Unaudited Interim Financial Statements

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

## 15 Derivative financial instruments *(Continued)*

### Cash flow hedges

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

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

	As at 30 June 2021 (Unaudited)						Fair Values	
	Notional amounts with remaining life of					Over five years	Assets	Liabilities
	Within a month	Over a month but within three months	Over three months but within a year	Over a year but within five years				
Interest rate swap	-	-	-	200,000	-	-	(503)	
Total	-	-	-	200,000	-	-	(503)	

	As at 31 December 2020 (Audited)						Fair Values	
	Notional amounts with remaining life of					Over five years	Assets	Liabilities
	Within a month	Over a month but within three months	Over three months but within a year	Over a year but within five years				
Interest rate swap	-	-	-	200,000	-	-	(245)	
Total	-	-	-	200,000	-	-	(245)	



## Notes to the Unaudited Interim Financial Statements

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

**15 Derivative financial instruments** *(Continued)***Cash flow hedges** *(Continued)*

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

As at 30 June 2021 (Unaudited)					
	Carrying amount of hedged items		Effect of hedging instruments on other comprehensive income during the current period	Accumulated effect of hedging instruments on other comprehensive income	Line items in the statement of financial position
	Assets	Liabilities			
Loans	200,000	–	(217)	(377)	Loans and advances to customers
Total	200,000	–	(217)	(377)	

As at 31 December 2020 (Audited)					
	Carrying amount of hedged items		Effect of hedging instruments on other comprehensive income during the current	Accumulated effect of hedging instruments on other comprehensive income	Line items in the statement of financial position
	Assets	Liabilities			
Loans	200,000	–	(160)	(160)	Loans and advances to customers
Total	200,000	–	(160)	(160)	

The gain and loss arising from the ineffective portion of fair value hedges were immaterial for the six months ended 30 June 2021 and 31 December 2020.

## Notes to the Unaudited Interim Financial Statements

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

**16 Financial assets held under resale agreements****(a) Analysed by type and location of counterparty**

	At 30 June 2021 (Unaudited)	At 31 December 2020 (Audited)
In mainland China		
– Banks	<b>2,297,040</b>	–
Sub-total	<b>2,297,040</b>	–
Interests accrued	<b>607</b>	–
Less: Provision for impairment losses	<b>(4,306)</b>	–
Total	<b>2,293,341</b>	–

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

	At 30 June 2021 (Unaudited)	At 31 December 2020 (Audited)
Debt securities		
– Commercial banks and other financial institutions	<b>77,040</b>	–
– Corporates	<b>2,220,000</b>	–
Sub-total	<b>2,297,040</b>	–
Interests accrued	<b>607</b>	–
Less: Provision for impairment losses	<b>(4,306)</b>	–
Total	<b>2,293,341</b>	–

## Notes to the Unaudited Interim Financial Statements

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

**17 Loans and advances to customers****(a) Analysed by nature**

	At 30 June 2021 (Unaudited)	At 31 December 2020 (Audited)
<b>Loans and advances to customers measured at amortised cost:</b>		
Corporate loans and advances	<b>569,314,033</b>	546,044,790
Personal loans		
– Residential and commercial housing loans	<b>184,354,861</b>	167,701,283
– Personal consumer loans	<b>113,772,731</b>	117,005,285
– Personal business loans	<b>42,066,326</b>	25,665,459
Sub-total	<b>340,193,918</b>	310,372,027
Interests accrued	<b>4,455,012</b>	4,408,520
Less: Provision for loans and advances to customers measured at amortised cost	<b>(27,444,579)</b>	(24,825,848)
Sub-total	<b>886,518,384</b>	835,999,489
<b>Loans and advances to customers measured at fair value through other comprehensive income:</b>		
Discounted bills	<b>66,949,948</b>	31,046,668
<b>Loans and advances to customers measured at fair value through profit or loss:</b>		
Corporate loans and advances	<b>370,298</b>	74,060
Net loans and advances to customers	<b>953,838,630</b>	867,120,217

## Notes to the Unaudited Interim Financial Statements

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

## 17 Loans and advances to customers (Continued)

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

	At 30 June 2021 (Unaudited)		
	Amount	Percentage	Loans and advances secured by collaterals
Lease and business services	182,819,279	18.72%	41,587,081
Manufacturing	97,030,546	9.93%	62,327,741
Real estate	93,698,974	9.59%	66,486,374
Water conservancy, environment and public facilities management	61,690,858	6.32%	7,637,058
Wholesale and retail	51,433,541	5.27%	31,332,246
Construction	24,944,421	2.55%	13,170,473
Transportations and communications, storage and post	17,969,714	1.84%	7,412,075
Mining	10,860,002	1.11%	18,644
Production and supply of electricity, heat, gas and water	8,364,017	0.86%	686,096
Financial services	7,044,399	0.72%	986,688
Agriculture, forestry, animal husbandry and fishery	2,685,915	0.27%	435,310
Education	2,573,638	0.26%	1,040,663
Public health and social work	2,229,189	0.23%	567,900
Others	6,339,838	0.65%	2,578,786
Sub-total of corporate loans and advances	569,684,331	58.32%	236,267,135
Personal loans	340,193,918	34.83%	197,369,874
Discounted bills	66,949,948	6.85%	66,949,948
Gross loans and advances to customers	976,828,197	100.00%	500,586,957

## Notes to the Unaudited Interim Financial Statements

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

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

	At 31 December 2020 (Audited)		
	Amount	Percentage	Loans and advances secured by collaterals
Lease and business services	171,383,263	19.31%	32,869,421
Real estate	111,774,970	12.59%	77,024,629
Manufacturing	78,572,827	8.85%	45,626,723
Water conservancy, environment and public facilities management	57,281,338	6.45%	7,199,664
Wholesale and retail	46,695,083	5.26%	20,873,159
Construction	25,998,522	2.93%	13,916,968
Transportations and communications, storage and post	15,266,620	1.72%	6,549,398
Mining	10,576,481	1.19%	18,644
Production and supply of electricity, heat, gas and water	8,434,143	0.95%	589,878
Financial services	5,220,010	0.59%	1,038,896
Agriculture, forestry, animal husbandry and fishery	2,381,667	0.27%	337,210
Education	2,712,058	0.31%	1,089,600
Public health and social work	2,588,730	0.29%	564,100
Others	7,233,138	0.82%	2,945,755
Sub-total of corporate loans and advances	546,118,850	61.53%	210,644,045
Personal loans	310,372,027	34.97%	178,515,317
Discounted bills	31,046,668	3.50%	31,046,668
Gross loans and advances to customers	887,537,545	100.00%	420,206,030

## Notes to the Unaudited Interim Financial Statements

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

## 17 Loans and advances to customers (Continued)

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

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

At 30 June 2021 (Unaudited)						
	Credit-impaired loans and advances	Expected credit losses over the next 12 months	Expected credit loss that assessed for loans and advances that are not credit-impaired	Expected credit loss that assessed for loans and advances that are credit-impaired	Impairment losses charged during the period	Written-off during the period
Lease and business services	1,674,144	(2,056,039)	(402,891)	(882,832)	(849,622)	-

At 31 December 2020 (Audited)						
	Credit-impaired loans and advances	Expected credit losses over the next 12 months	Expected credit loss that assessed for loans and advances that are not credit-impaired	Expected credit loss that assessed for loans and advances that are credit-impaired	Impairment losses charged during the year	Written-off during the year
Lease and business services	3,135,737	(1,783,856)	(244,876)	(464,229)	(385,308)	-
Real estate	2,385,067	(2,482,659)	(798,483)	(760,810)	(425,021)	-

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

At 30 June 2021 (Unaudited)			
	Amount	Percentage	Loans and advances secured by collaterals
Northern and Northeastern China	406,241,526	41.59%	181,337,075
Central and Southern China	242,175,722	24.79%	158,103,648
Eastern China	241,310,525	24.70%	119,127,921
Western China	87,100,424	8.92%	42,018,313
Gross loans and advances to customers	976,828,197	100.00%	500,586,957



## Notes to the Unaudited Interim Financial Statements

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

**17 Loans and advances to customers** (Continued)**(c) Analysed by geographical sector (excluding interests accrued)** (Continued)

At 31 December 2020 (Audited)			
	Amount	Percentage	Loans and advances secured by collaterals
Northern and Northeastern China	389,592,957	43.89%	159,788,724
Eastern China	211,867,272	23.87%	97,939,390
Central and Southern China	209,862,150	23.65%	131,484,717
Western China	76,215,166	8.59%	30,993,199
Gross loans and advances to customers	887,537,545	100.00%	420,206,030

The geographical areas are categorized as follows:

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

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

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

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

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

	At 30 June 2021 (Unaudited)	At 31 December 2020 (Audited)
Unsecured loans	201,207,230	191,402,509
Guaranteed loans	275,034,010	275,929,006
Collateralised loans	305,202,924	294,096,608
Pledged loans	128,434,085	95,062,754
Bank acceptance discounted bills	62,029,139	24,189,841
Commercial acceptance discounted bills	4,920,809	6,856,827
Gross loans and advances to customers	976,828,197	887,537,545

## Notes to the Unaudited Interim Financial Statements

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

## 17 Loans and advances to customers (Continued)

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

At 30 June 2021 (Unaudited)					
	Overdue within three months (inclusive)	Overdue more than three months to one year (inclusive)	Overdue more than one year to three years (inclusive)	Overdue more than three years	Total
Unsecured loans	1,202,928	1,814,067	1,099,449	74,827	4,191,271
Guaranteed loans	6,032,111	1,838,204	2,115,935	1,666,379	11,652,629
Collateralised loans	5,187,065	1,701,086	2,213,488	795,519	9,897,158
Pledged loans	4,782,757	1,549,005	819,805	47,559	7,199,126
Discounted bills	35,793	–	–	–	35,793
<b>Total</b>	<b>17,240,654</b>	<b>6,902,362</b>	<b>6,248,677</b>	<b>2,584,284</b>	<b>32,975,977</b>
As a percentage of gross loans and advances to customers	1.77%	0.71%	0.64%	0.26%	3.38%

At 31 December 2020 (Audited)					
	Overdue within three months (inclusive)	Overdue more than three months to one year (inclusive)	Overdue more than one year to three years (inclusive)	Overdue more than three years	Total
Unsecured loans	1,178,365	1,593,322	514,860	55,566	3,342,113
Guaranteed loans	3,632,195	1,702,760	2,782,758	994,111	9,111,824
Collateralised loans	3,438,574	1,891,123	771,826	606,273	6,707,796
Pledged loans	2,357,456	3,083,464	–	47,559	5,488,479
<b>Total</b>	<b>10,606,590</b>	<b>8,270,669</b>	<b>4,069,444</b>	<b>1,703,509</b>	<b>24,650,212</b>
As a percentage of gross loans and advances to customers	1.20%	0.93%	0.46%	0.19%	2.78%

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

## Notes to the Unaudited Interim Financial Statements

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

**17 Loans and advances to customers** (Continued)**(f) Loans and advances (excluding interests accrued) and provision for impairment losses**

	At 30 June 2021 (Unaudited)			Total
	Loans and advances that are assessed for expected credit losses over the next 12 months	Loans and advances that are not credit-impaired and assessed for lifetime expected credit loss	Credit-impaired loans and advances that are assessed for lifetime expected credit loss	
Total loans and advances to customers measured at amortised cost	<b>867,778,879</b>	<b>24,543,143</b>	<b>17,185,929</b>	<b>909,507,951</b>
Less: Provision for impairment losses	<b>(11,349,727)</b>	<b>(5,946,979)</b>	<b>(10,147,873)</b>	<b>(27,444,579)</b>
Carrying amount of loans and advances to customers measured at amortised cost	<b>856,429,152</b>	<b>18,596,164</b>	<b>7,038,056</b>	<b>882,063,372</b>
Carrying amount of loans and advances to customers measured at fair value through other comprehensive income	<b>66,930,847</b>	<b>19,101</b>	<b>–</b>	<b>66,949,948</b>
	At 31 December 2020 (Audited)			Total
	Loans and advances that are assessed for expected credit losses over the next 12 months	Loans and advances that are not credit-impaired and assessed for lifetime expected credit loss	Credit-impaired loans and advances that are assessed for lifetime expected credit loss	
Total loans and advances to customers measured at amortised cost	815,010,509	25,692,529	15,713,779	856,416,817
Less: Provision for impairment losses	(9,664,387)	(7,228,243)	(7,933,218)	(24,825,848)
Carrying amount of loans and advances to customers measured at amortised cost	805,346,122	18,464,286	7,780,561	831,590,969
Carrying amount of loans and advances to customers measured at fair value through other comprehensive income	31,046,668	–	–	31,046,668

## Notes to the Unaudited Interim Financial Statements

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

17 Loans and advances to customers *(Continued)*

## (g) Movements of provision for impairment losses

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

	Six months ended 30 June 2021 (Unaudited)			
	Loans and advances that are assessed for expected credit losses over the next 12 months	Loans and advances that are not credit-impaired and assessed for lifetime expected credit loss	Credit-impaired loans and advances that are assessed for lifetime expected credit loss	Total
As at 1 January	9,664,387	7,228,243	7,933,218	24,825,848
Transferred:				
– to expected credit losses over the next 12 months	4,107	(4,107)	–	–
– to lifetime expected credit losses: not credit-impaired loans	(58,698)	58,698	–	–
– to lifetime expected credit losses: credit-impaired loans	(30,478)	(2,532,489)	2,562,967	–
Charge for the period	1,774,633	1,196,634	3,202,420	6,173,687
Transfer out	–	–	(3,019,363)	(3,019,363)
Recoveries	–	–	52,226	52,226
Write-offs	–	–	(582,386)	(582,386)
Exchange differences and other	(4,224)	–	(1,209)	(5,433)
As at 30 June	11,349,727	5,946,979	10,147,873	27,444,579

## Notes to the Unaudited Interim Financial Statements

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

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

	Year ended 31 December 2020 (Audited)			Total
	Loans and advances that are assessed for expected credit losses over the next 12 months	Loans and advances that are not credit-impaired and assessed for lifetime expected credit loss	Credit-impaired loans and advances that are assessed for lifetime expected credit loss	
As at 1 January	9,281,200	6,213,635	8,106,036	23,600,871
Transferred:				
– to lifetime expected credit losses: not credit-impaired loans	(447,970)	466,896	(18,926)	–
– to lifetime expected credit losses: credit-impaired loans	(357,064)	(642,457)	999,521	–
Charge for the year	1,191,933	1,190,169	4,312,113	6,694,215
Transfer out	–	–	(2,623,253)	(2,623,253)
Recoveries	–	–	114,136	114,136
Write-offs	–	–	(2,949,112)	(2,949,112)
Exchange differences and other	(3,712)	–	(7,297)	(11,009)
As at 31 December	9,664,387	7,228,243	7,933,218	24,825,848

## Notes to the Unaudited Interim Financial Statements

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

**17 Loans and advances to customers** (Continued)**(g) Movements of provision for impairment losses** (Continued)**(ii) Movements of provision for impairment of loans and advances to customers measured at fair value through other comprehensive income:**

Six months ended 30 June 2021 (Unaudited)				
	Loans and advances that are assessed for expected credit losses over the next 12 months	Loans and advances that are not credit-impaired and assessed for lifetime expected credit loss	Credit-impaired loans and advances that are assessed for lifetime expected credit loss	Total
As at 1 January	127,184	–	–	127,184
Transferred:				
– to lifetime expected credit losses: not credit-impaired loans	(308)	308	–	–
Charge for the period	19,342	1,145	–	20,487
As at 30 June	146,218	1,453	–	147,671

Year ended 31 December 2020 (Audited)				
	Loans and advances that are assessed for expected credit losses over the next 12 months	Loans and advances that are not credit-impaired and assessed for lifetime expected credit loss	Credit-impaired loans and advances that are assessed for lifetime expected credit loss	Total
As at 1 January	37,215	–	–	37,215
Charge for the year	89,969	–	–	89,969
As at 31 December	127,184	–	–	127,184

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

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

During the six months ended 30 June 2021, the Bank transferred loans and advances with gross amount of RMB160 million to independent third parties, and the transfer price was RMB17 million.

During the years ended 31 December 2020, the Bank transferred loans and advances with gross amount of RMB1,524 million to independent third parties, and the transfer price was RMB290 million.



## Notes to the Unaudited Interim Financial Statements

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

**18 Financial investments**

	Note	At 30 June 2021 (Unaudited)	At 31 December 2020 (Audited)
Financial investments measured at fair value through profit or loss	(a)	<b>88,803,652</b>	72,597,497
Financial investments measured at fair value through other comprehensive income	(b)	<b>77,892,511</b>	61,813,595
Financial investments measured at amortised cost	(c)	<b>243,218,224</b>	241,515,654
<b>Total</b>		<b>409,914,387</b>	375,926,746

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

	At 30 June 2021 (Unaudited)	At 31 December 2020 (Audited)
Debt securities issued by the following institutions in mainland China		
– Government	<b>2,514,156</b>	377,181
– Policy banks	<b>2,087,691</b>	855,306
– Banks and other financial institutions	<b>2,998,632</b>	–
– Corporates	<b>3,335,105</b>	7,204,039
Unlisted	<b>10,935,584</b>	8,436,526
Debt securities issued by the following institutions outside of the mainland China		
– Corporates	<b>1,189,535</b>	–
Listed	<b>1,189,535</b>	–
Interbank deposits		
– Unlisted	<b>199,562</b>	–
Investment funds		
– Unlisted	<b>50,532,620</b>	44,178,765
Equity investments		
– Listed outside Hong Kong	<b>461,660</b>	298,175
– Unlisted	<b>2,904,704</b>	1,832,738
Trust plans and asset management plans		
– Unlisted	<b>22,579,987</b>	17,851,293
<b>Total</b>	<b>88,803,652</b>	72,597,497

Note:

As at 30 June 2021 and 31 December 2020, there were no investments subject to material restrictions in the realization.

## Notes to the Unaudited Interim Financial Statements

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

## 18 Financial investments (Continued)

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

	At 30 June 2021 (Unaudited)	At 31 December 2020 (Audited)
Debt securities issued by the following institutions in mainland China		
– Government	<b>37,856,528</b>	35,500,988
– Policy banks	<b>36,114,600</b>	22,955,615
– Banks and other financial institutions	<b>2,768,285</b>	1,285,751
– Corporates	<b>29,953</b>	49,612
Sub-total	<b>76,769,366</b>	59,791,966
Interests accrued	<b>923,145</b>	858,658
Unlisted	<b>77,692,511</b>	60,650,624
Trust plans and asset management plans	–	962,971
Unlisted	–	962,971
Equity investments		
Unlisted	<b>200,000</b>	200,000
Total	<b>77,892,511</b>	61,813,595

Notes:

- (i) As at 30 June 2021 and 31 December 2020, certain debt securities were pledged for borrowings from the central bank (Note 43(e)).
- (ii) The Bank irrevocably designate parts of equity investments that are not held for trading as fair value through other comprehensive income ("FVOCI") with the fair value of RMB200 million. Dividends income from such equity investments during six months ended 2021 and the year ended 31 December 2020 was nil and RMB10.8 million, respectively, which was included in the profit or loss. The Bank did not dispose such equity investments during the reporting period, and there was no cumulative gain or loss transferred from other comprehensive income to retained earnings.

## Notes to the Unaudited Interim Financial Statements

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

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

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

	Six months ended 30 June 2021 (Unaudited)			
	Expected credit losses over the next 12 months	Lifetime expected credit losses not credit-impaired	Lifetime expected credit losses credit-impaired	Total
Balance at 1 January	42,501	–	30,000	72,501
Charge/(Reversal) for the period	4,606	–	(20,000)	(15,394)
Balance at 30 June	47,107	–	10,000	57,107

	Year ended 31 December 2020 (Audited)			
	Expected credit losses over the next 12 months	Lifetime expected credit losses not credit-impaired	Lifetime expected credit losses credit-impaired	Total
Balance at 1 January	809,442	–	13,371	822,813
Transfers – to lifetime expected credit losses credit-impaired				
(Reversal)/Charge for the year	(766,941)	–	16,629	(750,312)
Balance at 31 December	42,501	–	30,000	72,501

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

## Notes to the Unaudited Interim Financial Statements

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

## 18 Financial investments (Continued)

## (c) Financial investments measured at amortised cost

	Note	At 30 June 2021 (Unaudited)	At 31 December 2020 (Audited)
Debt securities issued by the following institutions in mainland China	(i)		
– Government		<b>70,248,979</b>	72,995,069
– Policy banks		<b>53,846,799</b>	47,850,949
– Banks and other financial institutions		<b>1,330,320</b>	2,900,000
– Corporates		<b>11,412,372</b>	11,269,315
Interests accrued		<b>2,294,867</b>	2,089,849
Unlisted		<b>139,133,337</b>	137,105,182
Interbank deposits			
– Unlisted		<b>649,975</b>	–
Trust plans and asset management plans		<b>109,278,032</b>	111,855,622
Interests accrued		<b>2,516,358</b>	2,474,099
Unlisted		<b>111,794,390</b>	114,329,721
Less: Provision for impairment losses	(ii)	<b>(8,359,478)</b>	(9,919,249)
Total		<b>243,218,224</b>	241,515,654

## Notes to the Unaudited Interim Financial Statements

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

**18 Financial investments** *(Continued)***(c) Financial investments measured at amortised cost** *(Continued)*

Notes:

- (i) As at 30 June 2021 and 31 December 2020, certain debt securities were pledged for borrowings from the central bank (Note 43(e)).
- (ii) Movements of provision for impairment losses of financial investments measured at amortised cost is as follows:

Six months ended 30 June 2021 (Unaudited)				
	Expected credit losses over the next 12 months	Lifetime expected credit losses not credit-impaired	Lifetime expected credit losses credit-impaired	Total
Balance at 1 January	1,247,621	3,725,889	4,945,739	9,919,249
Transfers:				
– to lifetime expected credit losses credit-impaired	(26,378)	(440,000)	466,378	–
Reversal for the period	(274,035)	(1,064,499)	(219,609)	(1,558,143)
Exchange differences and other	(1,628)	–	–	(1,628)
Balance at 30 June	945,580	2,221,390	5,192,508	8,359,478

Year ended 31 December 2020 (Audited)				
	Expected credit losses over the next 12 months	Lifetime expected credit losses not credit-impaired	Lifetime expected credit losses credit-impaired	Total
Balance at 1 January	1,313,800	406,945	1,483,563	3,204,308
Transfers:				
– to lifetime expected credit losses not credit-impaired	(324,820)	324,820	–	–
– to lifetime expected credit losses credit-impaired	–	(243,157)	243,157	–
Charge for the year	261,798	3,237,281	3,369,205	6,868,284
Transfer out	–	–	(150,186)	(150,186)
Exchange differences and other	(3,157)	–	–	(3,157)
Balance at 31 December	1,247,621	3,725,889	4,945,739	9,919,249

## Notes to the Unaudited Interim Financial Statements

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

## 19 Interest in associate

	Note	At 30 June 2021 (Unaudited)	At 31 December 2020 (Audited)
Interest in associate	(a)	–	–

Notes:

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

Name	Percentages of Equity/voting rights		Place of incorporation/ registration	Business sector
	30 June 2021	31 December 2020		
Hawtai Motor Finance Co., Ltd. ("Hawtai Motor Finance")	10%	10%	Tianjin, China	Motor Finance

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

	At 30 June 2021 (Unaudited)	At 31 December 2020 (Audited)
Carrying amount of immaterial associate in the statements of financial position of the Bank	–	–
Amounts of the Bank's share of results of this associate		
– Losses from continuing operations	–	–
– Total comprehensive losses	–	–

- (b) As at 30 June 2021 and 31 December 2020, the Bank has not recognised share of losses totalling RMB85 million and RMB81 million in relation to its interest in the associate, because the Bank has no obligation in respect of this losses.



## Notes to the Unaudited Interim Financial Statements

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

## 20 Property and equipment

	Premises	Leasehold improvements	Operating equipment	Motor vehicles	Construction in progress	Total
<b>Cost</b>						
As at 1 January 2020 (Audited)	3,875,984	680,967	1,248,123	80,471	362,877	6,248,422
Additions	–	73,459	147,150	4,468	98,235	323,312
Transfers	–	–	97,299	–	(97,299)	–
Disposals	–	(21,960)	(24,795)	(2,784)	–	(49,539)
As at 31 December 2020 (Audited)	3,875,984	732,466	1,467,777	82,155	363,813	6,522,195
As at 1 January 2021 (Unaudited)	<b>3,875,984</b>	<b>732,466</b>	<b>1,467,777</b>	<b>82,155</b>	<b>363,813</b>	<b>6,522,195</b>
Additions	–	45,548	68,820	1,451	–	115,819
Disposals	–	(9,702)	(13,505)	(1,165)	–	(24,372)
As at 30 June 2021 (Unaudited)	<b>3,875,984</b>	<b>768,312</b>	<b>1,523,092</b>	<b>82,441</b>	<b>363,813</b>	<b>6,613,642</b>
<b>Accumulated depreciation</b>						
As at 1 January 2020 (Audited)	(984,204)	(526,144)	(873,266)	(60,597)	–	(2,444,211)
Charge for the year	(185,892)	(108,503)	(178,605)	(6,652)	–	(479,652)
Disposals	–	4,550	24,627	2,645	–	31,822
As at 31 December 2020 (Audited)	(1,170,096)	(630,097)	(1,027,244)	(64,604)	–	(2,892,041)
As at 1 January 2021 (Unaudited)	<b>(1,170,096)</b>	<b>(630,097)</b>	<b>(1,027,244)</b>	<b>(64,604)</b>	–	<b>(2,892,041)</b>
Charge for the period	<b>(92,946)</b>	<b>(45,225)</b>	<b>(82,713)</b>	<b>(3,113)</b>	–	<b>(223,997)</b>
Disposals	–	9,010	13,376	1,107	–	23,493
As at 30 June 2021 (Unaudited)	<b>(1,263,042)</b>	<b>(666,312)</b>	<b>(1,096,581)</b>	<b>(66,610)</b>	–	<b>(3,092,545)</b>
<b>Net book value</b>						
As at 31 December 2020 (Audited)	2,705,888	102,369	440,533	17,551	363,813	3,630,154
As at 30 June 2021 (Unaudited)	<b>2,612,942</b>	<b>102,000</b>	<b>426,511</b>	<b>15,831</b>	<b>363,813</b>	<b>3,521,097</b>

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

	At 30 June 2021 (Unaudited)	At 31 December 2020 (Audited)
Held in mainland China		
– Medium-term leases (10 – 50 years)	<b>2,612,942</b>	2,705,888

## Notes to the Unaudited Interim Financial Statements

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

**21 Deferred tax assets****(a) Analysed by nature**

	30 June 2021 (Unaudited)		31 December 2020 (Audited)	
	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)
Deferred income tax assets				
– Allowance for impairment losses	<b>35,583,502</b>	<b>8,895,876</b>	30,931,922	7,732,980
– Accrued salary cost	<b>3,688,910</b>	<b>922,227</b>	4,061,016	1,015,254
– Provisions	<b>733,699</b>	<b>183,425</b>	1,048,631	262,158
– Fair value changes	<b>843,629</b>	<b>210,907</b>	688,360	172,090
– Others	<b>1,322,771</b>	<b>330,693</b>	145,175	36,294
	<b>42,172,511</b>	<b>10,543,128</b>	36,875,104	9,218,776
Deferred income tax liability				
– Fair value changes	<b>(2,829,515)</b>	<b>(707,379)</b>	(1,879,299)	(469,825)
– Others	<b>(446,813)</b>	<b>(111,703)</b>	(337,333)	(84,333)
	<b>(3,276,328)</b>	<b>(819,082)</b>	(2,216,632)	(554,158)
Net balances	<b>38,896,183</b>	<b>9,724,046</b>	34,658,472	8,664,618

**(b) Movements of deferred tax**

	Allowance for impairment losses Note (i)	Fair value changes Note (ii)	Others	Net balance of deferred tax assets
As at 1 January 2020	5,669,013	(387,824)	1,083,902	6,365,091
Recognised in profit or loss	2,063,967	(55,296)	145,471	2,154,142
Recognised in other comprehensive income	–	145,385	–	145,385
As at 31 December 2020 (Audited)	7,732,980	(297,735)	1,229,373	8,664,618
Recognised in profit or loss	1,162,896	(159,146)	95,269	1,099,019
Recognised in other comprehensive income	–	(39,591)	–	(39,591)
As at 30 June 2021 (Unaudited)	<b>8,895,876</b>	<b>(496,472)</b>	<b>1,324,642</b>	<b>9,724,046</b>

## Notes to the Unaudited Interim Financial Statements

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

**21 Deferred tax assets** *(Continued)***(b) Movements of deferred tax** *(Continued)*

Notes:

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

**22 Other assets**

	Note	At 30 June 2021 (Unaudited)	At 31 December 2020 (Audited)
Right-of-use assets	(a)	<b>3,577,626</b>	3,976,754
Interest receivable	(b)	<b>1,728,256</b>	1,370,954
Interest on swap contracts		<b>1,727,101</b>	326,346
Land use rights	(c)	<b>422,074</b>	429,437
Fees and commission receivable		<b>314,613</b>	317,244
Prepayments		<b>237,517</b>	156,789
Intangible assets	(d)	<b>140,379</b>	147,017
Guarantee deposits		<b>136,844</b>	129,844
Amount pending for settlement		<b>114,234</b>	410,712
Long-term deferred expenses		<b>5,491</b>	1,860
Others		<b>507,343</b>	264,487
Sub-total		<b>8,911,478</b>	7,531,444
Less: Allowances for impairment losses		-	-
Total		<b>8,911,478</b>	7,531,444

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

	Six months ended 30 June 2021 (Unaudited)	Year ended 31 December 2020 (Audited)
Balance at 1 January	<b>3,976,754</b>	3,920,944
Additions	<b>337,186</b>	926,043
Depreciation charge for the period/year	<b>(736,314)</b>	(870,233)
Balance at 30 June/31 December	<b>3,577,626</b>	3,976,754

## Notes to the Unaudited Interim Financial Statements

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

**22 Other assets** (Continued)**(b) Interest receivable**

	At 30 June 2021 (Unaudited)	At 31 December 2020 (Audited)
Interests receivables arising from:		
Loans and advances to customers	<b>567,500</b>	260,643
Financial investments	<b>1,160,756</b>	1,110,311
<b>Total</b>	<b>1,728,256</b>	1,370,954

**(c) Land use rights**

	At 30 June 2021 (Unaudited)	At 31 December 2020 (Audited)
Located in mainland China: 10 – 50 years	<b>422,074</b>	429,437

**(d) Intangible assets**

	Six months ended 30 June 2021 (Unaudited)	Year ended 31 December 2020 (Audited)
Cost		
As at 1 January	<b>515,276</b>	450,246
Additions for the period/year	<b>20,742</b>	65,575
Disposals for the period/year	<b>(30)</b>	(545)
As at 30 June/31 December	<b>535,988</b>	515,276
Accumulated amortisation		
As at 1 January	<b>(368,259)</b>	(314,768)
Charge for the period/year	<b>(27,374)</b>	(53,591)
Disposals for the period/year	<b>24</b>	100
As at 30 June/31 December	<b>(395,609)</b>	(368,259)
Book value		
As at 1 January	<b>147,017</b>	135,478
As at 30 June/31 December	<b>140,379</b>	147,017

## Notes to the Unaudited Interim Financial Statements

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

### 23 Borrowings from the central bank

	At 30 June 2021 (Unaudited)	At 31 December 2020 (Audited)
Medium-term Lending Facility	<b>71,000,000</b>	70,600,000
Interests accrued	<b>1,455,956</b>	992,485
<b>Total</b>	<b>72,455,956</b>	71,592,485

### 24 Deposits from banks and other financial institutions

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

	At 30 June 2021 (Unaudited)	At 31 December 2020 (Audited)
Deposits in mainland China		
– Banks	<b>117,986,928</b>	95,899,927
– Other financial institutions	<b>31,458,029</b>	33,762,362
Deposits outside mainland China		
– Other financial institutions	<b>1,165,641</b>	–
<b>Sub-total</b>	<b>150,610,598</b>	129,662,289
Interests accrued	<b>1,196,424</b>	611,070
<b>Total</b>	<b>151,807,022</b>	130,273,359

### 25 Placements from banks and other financial institutions

#### Analysed by type and location of counterparty

	At 30 June 2021 (Unaudited)	At 31 December 2020 (Audited)
Placements in mainland China		
– Banks	<b>25,435,674</b>	11,113,200
Placements outside mainland China		
– Banks	<b>36,054,146</b>	20,618,686
Interests accrued	<b>233,725</b>	188,728
<b>Total</b>	<b>61,723,545</b>	31,920,614

## Notes to the Unaudited Interim Financial Statements

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

**26 Financial assets sold under repurchase agreements****(a) Analysed by type and location of counterparty**

	At 30 June 2021 (Unaudited)	At 31 December 2020 (Audited)
In mainland China		
– Banks	<b>15,648,506</b>	52,337,687
Sub-total	<b>15,648,506</b>	52,337,687
Interests accrued	<b>13,244</b>	68,396
Total	<b>15,661,750</b>	52,406,083

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

	At 30 June 2021 (Unaudited)	At 31 December 2020 (Audited)
Debt securities	<b>12,063,700</b>	41,103,700
Acceptance	<b>3,584,806</b>	11,233,987
Sub-total	<b>15,648,506</b>	52,337,687
Interests accrued	<b>13,244</b>	68,396
Total	<b>15,661,750</b>	52,406,083



## Notes to the Unaudited Interim Financial Statements

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

**27 Deposits from customers**

	At 30 June 2021 (Unaudited)	At 31 December 2020 (Audited)
Demand deposits		
– Corporate customers	<b>164,129,801</b>	187,615,249
– Individual customers	<b>48,848,497</b>	20,467,078
Sub-total	<b>212,978,298</b>	208,082,327
Time deposits		
– Corporate customers	<b>411,589,090</b>	288,674,152
– Individual customers	<b>81,929,525</b>	81,475,122
Sub-total	<b>493,518,615</b>	370,149,274
Pledged deposits		
– Acceptances	<b>36,551,877</b>	96,075,072
– Letters of credit and guarantees	<b>45,460,412</b>	32,303,279
– Letters of guarantees	<b>5,098,051</b>	5,788,720
– Others	<b>52,950,233</b>	34,122,644
Sub-total	<b>140,060,573</b>	168,289,715
Fiscal deposits	<b>112,803</b>	119,136
Inward and outward remittances	<b>59,538</b>	85,331
Interests accrued	<b>10,919,810</b>	11,510,011
Total	<b>857,649,637</b>	758,235,794

## Notes to the Unaudited Interim Financial Statements

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

## 28 Debt securities issued

	Note	At 30 June 2021 (Unaudited)	At 31 December 2020 (Audited)
Interbank deposits issued	(a)	<b>180,162,554</b>	165,340,725
Financial bonds issued	(b)	<b>82,935,207</b>	57,951,340
Tier-two capital debts issued	(c)	<b>8,986,945</b>	–
Subordinate bonds issued	(d)	<b>947,456</b>	947,004
Sub-total		<b>273,032,162</b>	224,239,069
Interests accrued		<b>1,780,851</b>	915,021
Total		<b>274,813,013</b>	225,154,090

Notes:

## (a) Interbank deposit issued

- (i) During six months ended 30 June 2021, the Bank issued a number of certificates of interbank deposit with total nominal amount of RMB189,760 million and duration between 1 to 12 months. The effective interest rates ranged from 2.40% to 3.28% per annum.
- (ii) For the year ended 31 December 2020, the Bank issued a number of certificates of interbank deposit with total nominal amount of RMB344,600 million and duration between 1 to 12 months. The effective interest rates ranged from 1.20% to 3.50% per annum.
- (iii) As at 30 June 2021 and 31 December 2020, the fair value of interbank deposits issued was RMB178,838 million and RMB164,185 million, respectively.

## (b) Financial bonds issued

- (i) On 26 April 2021, the Bank issued three-year financial bonds with face value of RMB10,000 million. The coupon interest rate per annum is 3.53%.
- (ii) On 6 April 2021, the Bank issued three-year financial bonds with face value of RMB15,000 million. The coupon interest rate per annum is 3.55%.
- (iii) On 18 August 2020, the Bank issued three-year financial bonds with face value of RMB10,000 million. The coupon interest rate per annum is 3.55%.
- (iv) On 17 February 2020, the Bank issued three-year financial bonds with face value of RMB8,000 million. The coupon interest rate per annum is 3.24%.
- (v) On 13 January 2020, the Bank issued three-year financial bonds with face value of RMB10,000 million. The coupon interest rate per annum is 3.47%.
- (vi) On 5 November 2018, the Bank issued three-year financial bonds with face value of RMB10,000 million. The coupon interest rate per annum is 4.07%.
- (vii) On 26 October 2018, the Bank issued three-year financial bonds with face value of RMB20,000 million. The coupon interest rate per annum is 4.09%.
- (viii) As at 30 June 2021 and 31 December 2020, the fair value of financial bonds issued was RMB83,183 million and RMB58,083 million, respectively.

## Notes to the Unaudited Interim Financial Statements

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

**28 Debt securities issued** *(Continued)*

- (c) Tier-two capital debts issued
- (i) On 15 January 2021, the Bank issued ten-year fixed interest rate tier-two capital debts with face value of RMB9,000 million. The coupon interest rate per annum is 4.40%. According to the issuance terms, the Bank has an option to redeem all the debts at face value on the last day of the fifth year.
- (ii) As at 30 June 2021 and 31 December 2020, the fair value of tier-two capital debts issued was RMB8,963 million and nil, respectively.
- (d) Subordinated bonds issued
- (i) On 20 July 2012, the Bank issued fifteen-year fixed interest rate subordinated bonds with face value of RMB950 million. The coupon interest rate per annum is 5.68%. According to the issuance terms, the Bank has the option to redeem all the bonds at face value on the last day of the tenth year.
- (ii) As at 30 June 2021 and 31 December 2020, the fair value of subordinated bonds issued was RMB972 million and RMB975 million, respectively.

As at 30 June 2021 and 31 December 2020, there were no defaults of principal and interest or other breaches with respect to these bonds. None of the above bonds were secured.

**29 Other liabilities**

	Note	At 30 June 2021 (Unaudited)	At 31 December 2020 (Audited)
Accrued staff cost	(a)	<b>4,056,167</b>	4,257,490
Lease liabilities		<b>3,747,663</b>	4,136,314
Payment and collection clearance accounts		<b>2,937,953</b>	5,645,377
Interest on swap contracts		<b>1,708,637</b>	319,023
Dividends payable		<b>1,511,901</b>	–
Other taxes payable		<b>918,809</b>	879,618
Provisions	(b)	<b>733,699</b>	1,048,631
Amount to be settled and cleared		<b>511,329</b>	471,656
Contract liabilities	(c)	<b>137,168</b>	140,479
Others		<b>869,997</b>	777,713
<b>Total</b>		<b>17,133,323</b>	17,676,301

## Notes to the Unaudited Interim Financial Statements

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

**29 Other liabilities** (Continued)**(a) Accrued staff cost**

	At 30 June 2021 (Unaudited)	At 31 December 2020 (Audited)
Salary, bonuses and allowances payable	3,521,067	3,883,565
Housing fund payable	89,965	39,031
Pension and annuity payable	84,925	15,149
Other social insurance payable	29,227	11,045
Others	330,983	308,700
<b>Total</b>	<b>4,056,167</b>	<b>4,257,490</b>

**(b) Provisions**

	Note	At 30 June 2021 (Unaudited)	At 31 December 2020 (Audited)
Provision for credit commitment losses	(i)	691,455	1,006,387
Expected litigation losses		42,244	42,244
<b>Total</b>		<b>733,699</b>	<b>1,048,631</b>

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

	Six months ended 30 June 2021 (Unaudited)			
	Expected credit losses over the next 12 months	Lifetime expected credit losses not credit- impaired	Lifetime expected credit losses credit- impaired	Total
Balance at 1 January 2021	861,465	144,264	658	1,006,387
(Reversal)/Charge for the period	(249,815)	(64,707)	350	(314,172)
Exchange differences and other	(760)	-	-	(760)
<b>Balance at 30 June 2021</b>	<b>610,890</b>	<b>79,557</b>	<b>1,008</b>	<b>691,455</b>

## Notes to the Unaudited Interim Financial Statements

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

**29 Other liabilities** (Continued)**(b) Provisions** (Continued)**(i) Movements of provisions for credit commitment losses is as follows:** (Continued)

	Year ended 31 December 2020 (Audited)			Total
	Expected credit losses over the next 12 months	Lifetime expected credit losses not credit-impaired	Lifetime expected credit losses credit-impaired	
Balance at 1 January 2020	730,049	36,935	1,396	768,380
Charge/(reversal) for the year	132,801	107,329	(738)	239,392
Exchange differences and other	(1,385)	–	–	(1,385)
<b>Balance at 31 December 2020</b>	<b>861,465</b>	<b>144,264</b>	<b>658</b>	<b>1,006,387</b>

**(c) Contract liabilities**

As at 30 June 2021 and 31 December 2020, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Bank’s existing contracts are approximately RMB137 million and RMB140 million, respectively. This amount represents income expected to be recognised in the future from agency, custody, guarantee and acceptance services. The Bank will recognise the expected income in future as the services are provided.

**30 Share capital****Issued share capital**

Share capital of the Bank as at 30 June 2021 and 31 December 2020 represented share capital of the Bank, which is fully paid.

	At 30 June 2021 (Unaudited)	At 31 December 2020 (Audited)
Number of shares issued and fully paid at par value of RMB1.00 each (in thousand)	<b>17,762,000</b>	17,762,000

On 16 July 2020, the Bank issued 2,880 million H-shares with a par value of RMB1.00 at an offering price of HKD4.80 per share on the Hong Kong Stock Exchange. On 7 August 2020, the over-allotment option was fully exercised, and on 12 August 2020, the Bank issued 432 million H-shares with a par value of RMB1.00 at HKD4.80 per share.

## Notes to the Unaudited Interim Financial Statements

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

### 31 Other equity instruments

#### Undated capital bonds

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

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

**(b) Main Clauses**

**(i) Principal Amount**

RMB20 billion.

**(ii) Maturity Date**

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

**(iii) Distribution Rate**

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

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

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



## Notes to the Unaudited Interim Financial Statements

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

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

#### Undated capital bonds *(Continued)*

##### *(b) Main Clauses (Continued)*

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

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

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

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

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

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

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

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

## Notes to the Unaudited Interim Financial Statements

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

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

#### Undated capital bonds *(Continued)*

##### *(b) Main Clauses (Continued)*

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

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

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

## Notes to the Unaudited Interim Financial Statements

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

**32 Other comprehensive income**

	Six months ended 30 June 2021 (Unaudited)	Year ended 31 December 2020 (Audited)
Items that may be reclassified subsequently to profit or loss:		
<i>Changes in fair value of debt instruments measured at FVOCI</i>		
As at 1 January	<b>(111,526)</b>	324,471
Changes in fair value recognised in other comprehensive income	<b>1,170,238</b>	(712,756)
Transfer to profit or loss upon disposal	<b>(1,011,583)</b>	131,427
Less: deferred tax	<b>(39,663)</b>	145,332
<b>As at 30 June/31 December</b>	<b>7,466</b>	(111,526)
<i>Credit losses of debt instruments measured at fair value through other comprehensive income</i>		
As at 1 January	<b>149,764</b>	645,022
Impairment losses recognised in other comprehensive income	<b>5,093</b>	(660,343)
Less: deferred tax	<b>(1,274)</b>	165,085
<b>As at 30 June/31 December</b>	<b>153,583</b>	149,764
<i>Reserve from cash flow hedging instruments</i>		
As at 1 January	<b>(160)</b>	–
Gains during the period/year recognised in other comprehensive income	<b>(289)</b>	(213)
Less: deferred tax	<b>72</b>	53
<b>As at 30 June/31 December</b>	<b>(377)</b>	(160)
<i>Exchange difference on translating foreign operations</i>		
<b>As at 30 June/31 December</b>	<b>84</b>	–

## Notes to the Unaudited Interim Financial Statements

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

### 33 Reserves

#### (a) Capital reserve

	At 30 June 2021 (Unaudited)	At 31 December 2020 (Audited)
Share premium	<b>10,732,077</b>	10,732,077

As stated in Note 30, the Bank issued H shares with a par value of RMB1.00 at an offering price of HKD4.80 per share in 2020. The premium arising from the issuance of new shares amounting to RMB10,732.08 million was recorded in capital reserve.

#### (b) Surplus reserve

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

#### (c) General reserve

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

### 34 Retained earnings

#### Appropriation of profits

In accordance with the resolution at the Bank’s Annual General Meeting on 17 May 2021, the shareholders approved the following profit appropriations for the year ended 31 December 2020:

- Appropriation of statutory surplus reserve base on 10% of the net profit under the PRC GAAP;
- Appropriation of general reserve to 1.5% of the ending balance of the gross risk-bearing assets amounted to approximately RMB3,583 million; and
- Declaration of cash dividend in an aggregation amount of approximately RMB1,510 million to all existing ordinary equity holders.

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

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

#### Interests for Undated Capital Bonds

The Bank declared and distributed the interest on the 2019 Undated Capital Bonds amounting to RMB950 million on 16 September 2020.

## Notes to the Unaudited Interim Financial Statements

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

### 35 Involvement with unconsolidated structured entities

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

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

The following table sets out an analysis of the carrying amounts of interests held by the Bank in unconsolidated structured entities, as well as an analysis of the line items in the statement of financial position in which relevant assets are recognised as at 30 June 2021 and 31 December 2020:

	At 30 June 2021 (Unaudited)		At 31 December 2020 (Audited)	
	Carrying amount	Maximum exposure	Carrying amount	Maximum exposure
Financial investments measured at fair value through profit or loss	<b>73,112,607</b>	<b>73,112,607</b>	62,030,058	62,030,058
Financial investments measured at fair value through other comprehensive income	–	–	962,971	962,971
Financial investments measured at amortised cost	<b>103,611,582</b>	<b>104,771,743</b>	104,608,861	105,714,077
<b>Total</b>	<b>176,724,189</b>	<b>177,884,350</b>	167,601,890	168,707,106

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

The types of unconsolidated structured entities sponsored by the Bank include non-principal guaranteed wealth management products. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors. These structured entities are financed through the issue of units to investors. Interest held by the Bank includes investments in units issued by these structured entities and fees charged by providing management services. As at 30 June 2021 and 31 December 2020, the carrying amounts of the investments in the units issued by these structured entities and management fee receivables being recognised are not material to the Bank’s financial positions.

For the six months ended 30 June 2021 and 2020, the amount of fee and commission income received from the abovementioned structured entities by the Bank amounted to RMB619 million and RMB866 million, respectively.

As at 30 June 2021 and 31 December 2020, the amount of assets held by the unconsolidated non-principal guaranteed wealth management products, which are sponsored by the Bank, were RMB224,322 million and RMB213,174 million, respectively.

## Notes to the Unaudited Interim Financial Statements

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

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

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

The aggregated amount of the non-principal-guaranteed wealth management products sponsored and issued by the Bank after 1 January 2021 but matured before 30 June 2021 was RMB20,940 million (the aggregated amount of the non-principal-guaranteed wealth management products sponsored and issued by the Bank after 1 January 2020 but matured before 30 June 2020 was RMB40,319 million).

### 36 Capital management

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

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

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

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

The former CBRC requires commercial banks to meet the requirements of capital adequacy ratios by the end of 2018 in accordance with “Regulation Governing Capital of Commercial Banks (Provisional)”. For domestic systemically important banks, minimum core tier 1 capital adequacy ratio, tier 1 capital adequacy ratio and capital adequacy ratio should reach 8.50%, 9.50% and 11.50%, respectively. For non-systemically important banks, the minimum ratios for core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio are 7.50%, 8.50% and 10.50%, respectively. During the year, the Bank has complied in full with all its externally imposed capital requirements.

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

## Notes to the Unaudited Interim Financial Statements

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

**36 Capital management** *(Continued)*

The Bank's capital adequacy ratios at 30 June 2021 and 31 December 2020 calculated in accordance with “Regulation Governing Capital of Commercial Banks (Provisional)” and relevant requirements promulgated by the former CBRC are as follows:

	At 30 June 2021 (Unaudited)	At 31 December 2020 (Audited)
Total core tier-one capital		
– Share capital	<b>17,762,000</b>	17,762,000
– Qualifying portion of capital reserve	<b>10,752,077</b>	10,752,077
– Surplus reserve	<b>5,868,637</b>	5,868,637
– General reserve	<b>17,664,811</b>	17,664,811
– Other comprehensive income	<b>160,756</b>	38,078
– Retained earnings	<b>35,033,418</b>	31,487,086
Core tier-one capital	<b>87,241,699</b>	83,572,689
Core tier-one capital deductions	<b>(1,153,879)</b>	(468,892)
Net core tier-one capital	<b>86,087,820</b>	83,103,797
Other tier-one capital	<b>19,961,604</b>	19,961,604
Net tier-one capital	<b>106,049,424</b>	103,065,401
Tier-two capital		
– Instruments issued and share premium	<b>9,395,507</b>	817,124
– Surplus provision for loan impairment	<b>10,406,319</b>	9,239,253
Tier-two capital	<b>19,801,826</b>	10,056,377
Net capital base	<b>125,851,250</b>	113,121,778
Total risk weighted assets	<b>986,071,976</b>	936,106,790
Core tier-one capital adequacy ratio	<b>8.73%</b>	8.88%
Tier-one capital adequacy ratio	<b>10.75%</b>	11.01%
Capital adequacy ratio	<b>12.76%</b>	12.08%



## Notes to the Unaudited Interim Financial Statements

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

**37 Notes to the cash flow statement****(a) Net increase/(decrease) in cash and cash equivalents**

	Six months ended 30 June	
	2021 (Unaudited)	2020 (Unaudited)
Cash and cash equivalents as at 30 June	<b>96,927,022</b>	57,412,973
Less: Cash and cash equivalents as at 1 January	<b>(64,755,129)</b>	(42,694,864)
Net increase in cash and cash equivalents	<b>32,171,893</b>	14,718,109

**(b) Cash and cash equivalents**

	At 30 June 2021	At 31 December 2020
	(Unaudited)	(Audited)
Cash on hand	<b>855,839</b>	433,044
Deposits with central bank other than restricted deposits	<b>24,748,942</b>	33,092,724
Deposits with banks and other financial institutions	<b>68,928,334</b>	27,286,406
Placements with banks and other financial institutions	<b>96,867</b>	3,942,955
Financial assets held under resale agreements	<b>2,297,040</b>	–
Total	<b>96,927,022</b>	64,755,129

## Notes to the Unaudited Interim Financial Statements

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

## 38 Related parties

### Related parties of the Bank

#### (a) The Bank's major shareholders

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

	At 30 June 2021 (Unaudited)	At 31 December 2020 (Audited)
TEDA Investment Holding Co., Ltd. (天津泰達投資控股有限公司)	<b>20.34%</b>	20.34%
Standard Chartered Bank (Hong Kong) Limited (渣打銀行(香港)有限公司)	<b>16.26%</b>	16.26%
China Shipping Investment Co., Ltd. (中海集團投資有限公司)	<b>11.12%</b>	11.12%
State Development & Investment Corp., Ltd. (國家開發投資集團有限公司)	<b>9.49%</b>	9.49%
China Baowu Steel Group Corporation Limited (中國寶武鋼鐵集團有限公司)	<b>9.49%</b>	9.49%
Oceanwide Industry Co., Ltd. (泛海實業股份有限公司)	<b>7.72%</b>	7.72%
Tianjin Shanghui Investment Holding Company Limited (天津商匯投資(控股)有限公司)	<b>6.51%</b>	6.51%

#### (b) Associate of the Bank

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

#### (c) Other related parties

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

### Related party transactions

#### (a) Pricing policy

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

## Notes to the Unaudited Interim Financial Statements

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

**38 Related parties** *(Continued)***Related party transactions** *(Continued)***(b) Transactions with related parties other than key management personnel****(i) Transactions between the Bank and major shareholders:**

	Six months ended 30 June	
	2021 (Unaudited)	2020 (Unaudited)
Transactions during the period		
Interest income	124,153	94,557
Interest expense	21	78
Operating expense	648	2,196
	At 30 June 2021 (Unaudited)	At 31 December 2020 (Audited)
Balances at end of the period/year		
Deposits with banks and other financial institutions	2,530,669	1,184,885
Loans and advances to customers	3,443,159	3,442,824
Deposits from customers	1,020	1,084
Other liabilities	26,955	38,454

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

	Six months ended 30 June	
	2021 (Unaudited)	2020 (Unaudited)
Transactions during the period		
Interest expense	17	4
	At 30 June 2021 (Unaudited)	At 31 December 2020 (Audited)
Balances at end of the period/year		
Deposits from banks and other financial institutions	4,250	4,078

## Notes to the Unaudited Interim Financial Statements

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

**38 Related parties** *(Continued)***Related party transactions** *(Continued)***(b) Transactions with related parties other than key management personnel** *(Continued)***(iii) Transactions between the Bank and other related parties:**

	Six months ended 30 June	
	2021 (Unaudited)	2020 (Unaudited)
Transactions during the period		
Interest income	<b>356,344</b>	215,540
Fee and commission income	<b>21,896</b>	18,726
Net gains of investment securities	<b>303</b>	342
Interest expense	<b>44,137</b>	9,375
Operating expense	<b>9,809</b>	10,583
	At 30 June 2021 (Unaudited)	At 31 December 2020 (Audited)
Balances at end of the period/year		
Deposits with banks and other financial institutions	<b>4,572,843</b>	7,566,578
Derivative financial assets	<b>818</b>	723
Financial assets held under resale agreements	<b>2,297,647</b>	1,850,664
Loans and advances to customers	<b>11,447,675</b>	3,941,371
Financial investments	<b>3,359,268</b>	2,650,279
Deposits from banks and other financial institutions	<b>2,729,865</b>	1,863,776
Derivative financial liabilities	<b>1,551</b>	1,765
Deposits from customers	<b>1,468,212</b>	1,119,803
Debt securities issued	<b>394,450</b>	374,041
Other liabilities	<b>242,119</b>	259,826
Derivative financial instruments-notional amount	<b>15,100,000</b>	4,123,088
Bank acceptances	<b>108,817</b>	236,942
Letters of guarantees	<b>50,543</b>	243
Letters of credit	<b>178,928</b>	31,920

## Notes to the Unaudited Interim Financial Statements

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

**38 Related parties** (Continued)**Related party transactions** (Continued)**(c) Key management personnel**

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

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

	Six months ended 30 June	
	2021 (Unaudited)	2020 (Unaudited)
Transactions during the period		
Interest income	–	70
Interest expense	3	5

	At 30 June 2021 (Unaudited)	At 31 December 2020 (Audited)
	Balances at end of the period/year	
Loans and advances to customers	–	3,310
Deposits from customers	2,327	3,402

**(ii) Key management personnel compensation**

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

	Six months ended 30 June	
	2021 (Unaudited)	2020 (Unaudited)
Key management personnel compensation	5,932	9,444

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

	At 30 June 2021 (Unaudited)	At 31 December 2020 (Audited)
	Aggregate amount of relevant loans outstanding at the end of the period/year	–
Maximum aggregate amount of relevant loans outstanding during the period/year	–	3,302

There were no amount due but unpaid as at 30 June 2021 and 31 December 2020.

## Notes to the Unaudited Interim Financial Statements

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

### 39 Segment reporting

#### (a) Business segment

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

##### *Corporate banking*

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

##### *Retail banking*

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

##### *Financial market*

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

##### *Others*

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

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

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

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

## Notes to the Unaudited Interim Financial Statements

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

## 39 Segment reporting (Continued)

## (a) Business segment (Continued)

Six months ended 30 June 2021 (Unaudited)					
	Corporate banking	Retail banking	Financial market	Others	Total
Operating income					
External net interest income	4,912,225	9,347,194	(715,553)	–	13,543,866
Internal net interest income/(expense)	1,131,189	(3,025,734)	1,894,545	–	–
Net interest income	6,043,414	6,321,460	1,178,992	–	13,543,866
Net fee and commission income/(expense)	1,081,592	(691,059)	720,988	5,870	1,117,391
Net trading gains/(losses)	131,475	–	(305,726)	68,018	(106,233)
Net gains arising from investment securities	–	553	1,185,502	–	1,186,055
Other operating income	5,081	2,734	270	53,705	61,790
Operating income	7,261,562	5,633,688	2,780,026	127,593	15,802,869
Operating expenses	(2,285,453)	(1,881,603)	(390,002)	(154,497)	(4,711,555)
Impairment (losses)/reversals on assets	(4,142,538)	(1,705,333)	1,477,339	–	(4,370,532)
Profit/(loss) before tax	833,571	2,046,752	3,867,363	(26,904)	6,720,782
Other segment information					
– Depreciation and amortisation	289,831	299,090	29,548	92,798	711,267
– Capital expenditure	58,082	59,938	5,921	18,597	142,538
As at 30 June 2021 (Unaudited)					
	Corporate banking	Retail banking	Financial market	Others	Total
Segment assets	766,990,829	351,958,600	423,617,652	8,036,403	1,550,603,484
Deferred tax assets					9,724,046
Total assets					1,560,327,530
Segment liabilities	813,299,284	137,942,347	494,853,852	7,028,744	1,453,124,227
Total liabilities					1,453,124,227
Credit commitment	306,252,606	9,128,721	–	–	315,381,327



## Notes to the Unaudited Interim Financial Statements

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

**39 Segment reporting** *(continued)***(a) Business segment** *(Continued)*

	Six months ended 30 June 2020 (Unaudited)				
	Corporate banking	Retail banking	Financial market	Others	Total
Operating income					
External net interest income	5,662,369	7,688,798	681,078	–	14,032,245
Internal net interest income/(expense)	524,297	(3,189,820)	2,665,523	–	–
Net interest income	6,186,666	4,498,978	3,346,601	–	14,032,245
Net fee and commission income/(expense)	997,159	(588,024)	1,026,924	(10,659)	1,425,400
Net trading gains/(losses)	16,594	–	(26,249)	–	(9,655)
Net gains arising from investment securities	26,772	639	527,086	23,926	578,423
Other operating income	1,023	2	–	17,761	18,786
Operating income	7,228,214	3,911,595	4,874,362	31,028	16,045,199
Operating expenses	(2,249,677)	(1,687,705)	(392,895)	(86,919)	(4,417,196)
Impairment losses on assets	(3,189,715)	(1,397,497)	(755,452)	–	(5,342,664)
Profit/(loss) before tax	1,788,822	826,393	3,726,015	(55,891)	6,285,339
Other segment information					
– Depreciation and amortisation	299,933	294,285	33,953	86,351	714,522
– Capital expenditure	78,648	77,167	8,903	22,642	187,360
	As at 31 December 2020 (Audited)				
	Corporate banking	Retail banking	Financial market	Others	Total
Segment assets	715,344,215	319,709,044	343,074,136	6,731,112	1,384,858,507
Deferred tax assets					8,664,618
Total assets					1,393,523,125
Segment liabilities	719,432,756	108,632,435	454,120,233	8,091,871	1,290,277,295
Total liabilities					1,290,277,295
Credit commitment	274,389,863	7,491,816	–	–	281,881,679

## Notes to the Unaudited Interim Financial Statements

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

### 39 Segment reporting *(continued)*

#### (b) Geographical segment

Geographically, the Bank mainly conducts its business in the four areas listed below in Mainland China.

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

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

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

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

	Six months ended 30 June 2021 (Unaudited)					Total
	Northern and Northeastern China	Eastern China	Central and Southern China	Western China	Elimination	
Operating income						
External net interest income	5,618,241	2,831,345	3,489,051	1,605,229	-	13,543,866
Internal net interest income/(expense)	1,960,857	(361,385)	(883,909)	(715,563)	-	-
Net interest income	7,579,098	2,469,960	2,605,142	889,666	-	13,543,866
Net fee and commission income	536,624	342,361	186,622	51,784	-	1,117,391
Net trading (losses)/gains	(121,491)	12,806	1,634	818	-	(106,233)
Net gains arising from investment securities	1,186,055	-	-	-	-	1,186,055
Other operating income	27,223	21,324	10,540	2,703	-	61,790
Operating income	9,207,509	2,846,451	2,803,938	944,971	-	15,802,869
Operating expenses	(2,627,886)	(972,983)	(871,774)	(238,912)	-	(4,711,555)
Impairment (losses)/reversals on assets	(2,098,297)	353,166	(2,481,090)	(144,311)	-	(4,370,532)
Profit/(loss) before tax	4,481,326	2,226,634	(548,926)	561,748	-	6,720,782
Other segment information						
- Depreciation and amortisation	348,552	164,073	160,960	37,682	-	711,267
- Capital expenditure	82,077	20,982	30,913	8,566	-	142,538

## Notes to the Unaudited Interim Financial Statements

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

## 39 Segment reporting (continued)

## (b) Geographical segment (Continued)

	As at 30 June 2021 (Unaudited)					
	Northern and Northeastern China	Eastern China	Central and Southern China	Western China	Elimination	Total
Segment assets	1,030,077,378	272,298,350	280,596,326	98,391,780	(130,760,350)	1,550,603,484
Deferred tax assets						9,724,046
<b>Total assets</b>						<b>1,560,327,530</b>
Segment liabilities	936,188,371	270,836,512	279,090,204	97,769,490	(130,760,350)	1,453,124,227
<b>Total liabilities</b>						<b>1,453,124,227</b>
Credit commitment	118,005,891	107,560,955	73,966,649	15,847,832	-	315,381,327

	Six months ended 30 June 2020 (Unaudited)					
	Northern and Northeastern China	Eastern China	Central and Southern China	Western China	Elimination	Total
Operating income						
External net interest income	7,223,594	2,440,701	2,886,791	1,481,159	-	14,032,245
Internal net interest income/(expense)	1,308,010	(247,084)	(498,258)	(562,668)	-	-
Net interest income	8,531,604	2,193,617	2,388,533	918,491	-	14,032,245
Net fee and commission income	728,181	376,850	254,416	65,953	-	1,425,400
Net trading (losses)/gains	(23,237)	1,367	(56)	12,271	-	(9,655)
Net gains arising from investment securities	578,423	-	-	-	-	578,423
Other operating income	10,297	4,992	2,921	576	-	18,786
Operating income	9,825,268	2,576,826	2,645,814	997,291	-	16,045,199
Operating expenses	(2,664,824)	(853,906)	(727,991)	(170,475)	-	(4,417,196)
Impairment losses on assets	(2,738,341)	(1,239,134)	(1,344,525)	(20,664)	-	(5,342,664)
Profit before tax	4,422,103	483,786	573,298	806,152	-	6,285,339
Other segment information						
- Depreciation and amortisation	362,574	166,237	155,059	30,652	-	714,522
- Capital expenditure	142,382	23,236	19,837	1,905	-	187,360

**Notes to the Unaudited Interim Financial Statements**

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

**39 Segment reporting** *(continued)***(b) Geographical segment** *(Continued)*

	As at 31 December 2020 (Audited)					Total
	Northern and Northeastern China	Eastern China	Central and Southern China	Western China	Elimination	
Segment assets	955,390,518	238,987,434	239,133,495	80,361,129	(129,014,069)	1,384,858,507
Deferred tax assets						8,664,618
<b>Total assets</b>						<b>1,393,523,125</b>
Segment liabilities	867,760,377	236,527,621	236,076,796	78,926,570	(129,014,069)	1,290,277,295
<b>Total liabilities</b>						<b>1,290,277,295</b>
Credit commitment	105,193,962	91,598,391	69,339,973	15,749,353	–	281,881,679

## Notes to the Unaudited Interim Financial Statements

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

### 40 Risk management

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

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

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

#### Risk management system

The Board of Directors of the Bank is responsible for the ultimate responsibility for comprehensive risk management. The Risk Management Committee of the Bank is set up under the Board of Directors, which is responsible to the Board of Directors. The Board of Supervisors of the Bank is responsible for the supervision of comprehensive risk management and is responsible for supervising the performance of the Board of Directors and senior management in risk management and the rectification. The senior management shall assume the responsibilities for implementing comprehensive risk management and implementing the resolutions of the Board of Directors.

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

#### (a) Credit risk

Credit risk is one of the most important risks facing the business operations of the Bank. The Bank may be exposed to significant risks when all counterparties are concentrated in a single industry or region. This is mainly because the counterparties’ concentration risk are subject to the same impact by the economic development of the region or industry in which they operate.

The Board of Directors of the Bank is responsible for ultimate responsibility for credit risk management and may authorize the Risk Management Committee to execute some of its functions. The bank continues to improve the credit risk management system, credit risk management policies and tools, and the management process is gradually online and digital. The efficiency of credit approval is further improved, providing strategic support for the business development of the Bank.

## Notes to the Unaudited Interim Financial Statements

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

### 40 Risk management *(Continued)*

#### (a) Credit risk *(Continued)*

In terms of credit risk capacity building, the Bank implements unified credit management covering all legal clients, strengthens pre-loan access management, builds the mortgage management system, improves the public credit approval system, and promotes online and intelligent approval of retail inclusive business in an orderly manner.

In terms of credit risk system and policy, the Bank focuses on key areas of state support and green finance, develops tiered credit policies of "encourage, maintain, control and compress", and improve regional and industrial credit guidelines.

In terms of credit risk management tools, the Bank set up a real estate business decision support model and government debt paying ability evaluation model, improve customer rating and debt rating model, and promote risk intelligent risk identification ability including key risk point identification, financial report risk identification, external risk information integration application, customer risk profile and credit structure portfolio view.

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

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

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

## Notes to the Unaudited Interim Financial Statements

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

### 40 Risk management *(Continued)*

#### (a) Credit risk *(Continued)*

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

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

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

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

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

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

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

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

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

The Bank starts to use credit limit for the customers in accordance with the approval opinions. Meanwhile, the Bank reviews the approved conditions for the credit line, and monitors the use of the credit limit. Where clients provide collateral, credit limits shall be frozen or adjusted in a timely manner in responding to the change in value of the collateral in order to meet the approved conditions for the credit lines.

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

The Bank activates credit limits for financial institutions based on credit approvals, and monitors inter-bank or non-inter-bank customer limits based on relevant information such as bond investment and derivative product credit approvals and risk exposures.



## Notes to the Unaudited Interim Financial Statements

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

### 40 Risk management *(Continued)*

#### (a) Credit risk *(Continued)*

##### *Credit risk mitigation measures*

###### *Collateral*

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

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

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

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

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

## Notes to the Unaudited Interim Financial Statements

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

### 40 Risk management *(Continued)*

#### (a) Credit risk *(Continued)*

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

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

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

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

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

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

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

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

###### *Stages of risks in financial instrument*

The financial assets are categorized by the Bank into the following stages to manage its financial assets' credit risk:

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

## Notes to the Unaudited Interim Financial Statements

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

### 40 Risk management *(Continued)*

#### (a) Credit risk *(Continued)*

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

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

##### *Significant increase in credit risk*

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

##### *Definition of "default" and "credit-impaired assets"*

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

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

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

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

## Notes to the Unaudited Interim Financial Statements

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

### 40 Risk management *(Continued)*

#### (a) Credit risk *(Continued)*

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

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

##### *Measurement of expected credit losses (“ECL”)*

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

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

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

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

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

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

- In respect of the financial assets with instalment repayments and bullet repayment, the Bank determines 12-month or lifetime EAD according to the repayment schedule agreed in the contract, and makes adjustment based on prediction of 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 date of statement of financial position by the credit conversion factor (CCF).

## Notes to the Unaudited Interim Financial Statements

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

### 40 Risk management *(Continued)*

#### (a) Credit risk *(Continued)*

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

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

##### *Measurement of expected credit losses ("ECL") (Continued)*

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

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

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

During the six months ended 30 June 2021, there has been no significant changes in the estimate techniques and key assumptions of the Bank.

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

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

The important macroeconomic assumptions used by the Bank in various macroeconomic scenarios include M2, consumer price index, and fixed asset investment completion.

The Bank established measurement models to identify the three risk weights, i.e. positivity, neutrality and negativity. During the six months ended 30 June 2021, the Bank's positivity scenario weight is 35%, neutrality scenario weight is 50%, and negativity scenario weight is 15%. The Bank measures allowance for credit losses for the first stage based on the weighted average of the credit losses in the three cases in the next 12 months; and measures allowance for credit losses for the second and third stages based on the weighted average of credit losses in the three cases within the lifetime.

During the six months ended 30 June 2021, the Bank has fully considered the impact of the COVID-19 pandemic on the macro economy and banking industry when evaluating the forward-looking information used in the expected credit loss measurement model.

## Notes to the Unaudited Interim Financial Statements

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

**40 Risk management** (Continued)**(a) Credit risk** (Continued)**Credit risk mitigation measures** (Continued)**Management Overlay**

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

During the six months ended 30 June 2021 and the years ended 31 December 2020, the COVID-19 pandemic have a greater impact on the macro economy. The Bank has considered the relevant impact in the expected credit loss model and additionally increase the loss provision, which further enhances the ability to offset risks.

(i) *Maximum credit risk exposure*

	At 30 June 2021 (Unaudited)	At 31 December 2020 (Audited)
Credit risk exposures relating to on-balance sheet items:		
Cash and deposits with the central bank	<b>95,837,603</b>	96,115,373
Deposits with banks and other financial institutions	<b>69,870,163</b>	27,805,363
Placements with banks and other financial institutions	<b>5,070,429</b>	6,063,668
Derivative financial assets	<b>490,517</b>	232,498
Financial assets purchased under resale agreements	<b>2,293,341</b>	–
Loans and advances to customers	<b>953,838,630</b>	867,120,217
Financial investments		
– Financial investments measured at fair value through profit or loss	<b>88,803,652</b>	72,597,497
– Financial investments measured at fair value through other comprehensive income	<b>77,892,511</b>	61,813,595
– Financial investments measured at amortised cost	<b>243,218,224</b>	241,515,654
Other assets	<b>3,956,150</b>	2,190,030
Sub-total	<b>1,541,271,220</b>	1,375,453,895
Credit risk exposures relating to off-balance sheet items:		
Acceptances	<b>206,864,813</b>	194,625,498
Letters of credit	<b>76,919,241</b>	59,117,237
Letters of guarantees	<b>22,385,392</b>	20,647,128
Credit card commitment	<b>9,128,721</b>	7,491,816
Irrevocable loan commitments	<b>83,160</b>	–
Sub-total	<b>315,381,327</b>	281,881,679
Total	<b>1,856,652,547</b>	1,657,335,574

## Notes to the Unaudited Interim Financial Statements

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

## 40 Risk management (Continued)

## (a) Credit risk (Continued)

## Credit risk mitigation measures (Continued)

## Management Overlay (Continued)

(ii) Financial assets analysed by credit quality are summarized as follows:

Financial assets (excluding interests accrued) analysed by credit quality

	At 30 June 2021 (Unaudited)							
	Balance				Provision for expected credit losses			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Financial assets measured at amortised cost								
Cash and deposits with the central bank	96,664,555	-	-	96,664,555	-	-	-	-
Deposits with banks and other financial institutions	69,928,334	-	157,747	70,086,081	(72,418)	-	(157,747)	(230,165)
Placements with banks and other financial institutions	4,906,867	-	200,000	5,106,867	(41,715)	-	(60,000)	(101,715)
Financial assets held under resale agreements	2,297,040	-	-	2,297,040	(4,306)	-	-	(4,306)
Loans and advances to customers	867,778,879	24,543,143	17,185,929	909,507,951	(11,349,727)	(5,946,979)	(10,147,873)	(27,444,579)
Financial investments	220,960,548	11,949,293	13,856,636	246,766,477	(945,580)	(2,221,390)	(5,192,508)	(8,359,478)
Other assets	3,956,150	-	-	3,956,150	-	-	-	-
<b>Total</b>	<b>1,266,492,373</b>	<b>36,492,436</b>	<b>31,400,312</b>	<b>1,334,385,121</b>	<b>(12,413,746)</b>	<b>(8,168,369)</b>	<b>(15,558,128)</b>	<b>(36,140,243)</b>
Financial assets measured at fair value through other comprehensive income								
Loans and advances to customers	66,930,847	19,101	-	66,949,948	(146,218)	(1,453)	-	(147,671)
Financial investments	76,969,366	-	-	76,969,366	(47,107)	-	(10,000)	(57,107)
<b>Total</b>	<b>143,900,213</b>	<b>19,101</b>	<b>-</b>	<b>143,919,314</b>	<b>(193,325)</b>	<b>(1,453)</b>	<b>(10,000)</b>	<b>(204,778)</b>
Credit commitments	314,305,422	1,072,676	3,229	315,381,327	(610,890)	(79,557)	(1,008)	(691,455)



## Notes to the Unaudited Interim Financial Statements

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

**40 Risk management** (Continued)**(a) Credit risk** (Continued)**Credit risk mitigation measures** (Continued)**Management Overlay** (Continued)

(ii) Financial assets analysed by credit quality are summarized as follows: (Continued)

Financial assets (excluding interests accrued) analysed by credit quality (Continued)

	At 31 December 2020 (Audited)							
	Balance				Provision for expected credit losses			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Financial assets measured at amortised cost								
Cash and deposits with the central bank	96,517,891	-	-	96,517,891	-	-	-	-
Deposits with banks and other financial institutions	27,836,406	-	157,747	27,994,153	(40,471)	-	(157,747)	(198,218)
Placements with banks and other financial institutions	5,892,955	-	200,000	6,092,955	(14,119)	-	(60,000)	(74,119)
Loans and advances to customers	815,010,509	25,692,529	15,713,779	856,416,817	(9,664,387)	(7,228,243)	(7,933,218)	(24,825,848)
Financial investments	220,023,815	14,883,823	11,963,317	246,870,955	(1,247,621)	(3,725,889)	(4,945,739)	(9,919,249)
Other assets	2,190,030	-	-	2,190,030	-	-	-	-
<b>Total</b>	<b>1,167,471,606</b>	<b>40,576,352</b>	<b>28,034,843</b>	<b>1,236,082,801</b>	<b>(10,966,598)</b>	<b>(10,954,132)</b>	<b>(13,096,704)</b>	<b>(35,017,434)</b>
Financial assets measured at fair value through other comprehensive income								
Loans and advances to customers	31,046,668	-	-	31,046,668	(127,184)	-	-	(127,184)
Financial investments	60,954,937	-	-	60,954,937	(42,501)	-	(30,000)	(72,501)
<b>Total</b>	<b>92,001,605</b>	<b>-</b>	<b>-</b>	<b>92,001,605</b>	<b>(169,685)</b>	<b>-</b>	<b>(30,000)</b>	<b>(199,685)</b>
Credit commitments	280,872,410	1,005,999	3,270	281,881,679	(861,465)	(144,264)	(658)	(1,006,387)

## Notes to the Unaudited Interim Financial Statements

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

**40 Risk management** (Continued)**(a) Credit risk** (Continued)**Credit risk mitigation measures** (Continued)**Management Overlay** (Continued)(ii) *Financial assets analysed by credit quality are summarized as follows: (Continued)*

The overall ECL rate for financial assets and credit commitments analysed by credit quality

	At 30 June 2021 (Unaudited)			
	Stage 1	Stage 2	Stage 3	Total
Financial assets measured at amortised cost	<b>0.98%</b>	<b>22.38%</b>	<b>49.55%</b>	<b>2.71%</b>
Financial assets measured at fair value through other comprehensive income	<b>0.13%</b>	<b>7.07%</b>	<b>100.00%</b>	<b>0.14%</b>
Credit commitments	<b>0.19%</b>	<b>7.42%</b>	<b>31.22%</b>	<b>0.22%</b>

	At 31 December 2020 (Audited)			
	Stage 1	Stage 2	Stage 3	Total
Financial assets measured at amortised cost	0.94%	27.00%	46.72%	2.83%
Financial assets measured at fair value through other comprehensive income	0.18%	N/A	100.00%	0.22%
Credit commitments	0.31%	14.34%	20.12%	0.36%

As at 30 June 2021 and at 31 December 2020, the fair value of collaterals held against loans and advances that are not credit-impaired and assessed for lifetime expected credit losses amounted to RMB5,492 million and RMB12,424 million. The fair value of collaterals held against loans and advances that are assessed for lifetime expected credit losses amounted to RMB8,649 million and RMB8,168 million. The collaterals mainly include lands, buildings, machinery and equipments, etc. The fair value of collaterals were estimated by the Bank based on the latest external valuations available, adjusted in light of disposal experience and current market conditions.

(iii) *Rescheduled loans and advances to customers*

Restructured loans refer to those loans that the financial status of the relevant borrowers deteriorate, or that borrowers are not capable of repaying and therefore certain clauses on the loan contract are adjusted. As at 30 June 2021 and at 31 December 2020, the Bank's restructured loans amounted to RMB3,652 million and RMB4,928 million.

## Notes to the Unaudited Interim Financial Statements

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

**40 Risk management** (Continued)**(a) Credit risk** (Continued)**Credit risk mitigation measures** (Continued)**Management Overlay** (Continued)*(iv) Credit rating*

The Bank adopts a credit rating approach in managing the credit risk of the debt securities portfolio. Debt securities are rated with reference to major rating agencies where the issuers of the securities are located. The carrying amounts of debt securities investments (excluding interests accrued) analysed by the rating agency designations as at 30 June 2021 and at 31 December 2020 are as follows:

	At 30 June 2021 (Unaudited)	At 31 December 2020 (Audited)
Neither overdue nor impaired		
<i>Ratings</i>		
– AAA	<b>215,116,883</b>	194,224,076
– AA- to AA+	<b>8,372,455</b>	8,105,742
Sub-total	<b>223,489,338</b>	202,329,818
Unrated	<b>2,067,029</b>	715,619
Total	<b>225,556,367</b>	203,045,437

**(b) Market risk (including the interest rate risk in the banking book)**

Market risk refers to the risk of losses to the Bank’s on-balance sheet and off-balance sheet activities arising from unfavorable changes in market prices, mainly including interest rates and exchange rates, commodity risk and equity risks. The interest rate risk in the banking book refers to the risk of losses on the economic value and the overall income of the banking book resulted from unfavorable changes in interest rate levels and the maturity structure. The Bank is exposed to market risks in its trading book and banking book. Financial instruments and commodity position recorded in the trading book are those held by the Bank for the purpose of trading or avoiding risks in other items of trading book and which can be traded freely. The assets and liabilities of long-term positions held for the purpose of managing the liquidity of the Bank, regulatory reserve or profit maximization are included in the banking book. Generally, the assets and liabilities recorded in the banking book are mainly held-to-maturity.

The Board is responsible for approving management strategies of market risk (including interest rate risks in the banking book, similarly hereinafter), policy and procedure, determining the level of market risk tolerance, urging senior management to undertake necessary measures to identify, measure, monitor and control market risk, obtaining periodic reports associated with nature and level of market risk, monitoring and evaluating the comprehensiveness, effectiveness, and performance of market risk management. The Bank’s senior management has set up the Asset and Liability Management Committee which is in charge of formulating, reviewing and supervising market risk policy and procedure, and process execution. The committee sets market risk limit according to the Board’s risk appetite.

## Notes to the Unaudited Interim Financial Statements

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

### 40 Risk management *(Continued)*

#### (b) Market risk (including the interest rate risk in the banking book) *(Continued)*

The Bank sets up the market risk management team under the Asset and Liability Management Department. The team is independent of trading department, and responsible for market risk identification, measurement, monitoring, and control, ensuring that the market risk of the Bank is in compliance with the requirements of internal limits and external supervision according to Bank’s market risk management policies and procedures.

##### *Trading book market risk*

###### *Limits management*

In order to control trading book market risk, the Bank sets Value-at-Risk limits, Basis Point Value limits and stop loss limits.

###### *Stress testing*

Stress testing is used to assess the loss sustainability under extremely adverse conditions when significant market changes take place, including the extreme fluctuations of market risk elements, such as interest rates and exchange rates, unexpected political or economic events, or a combination of the above situations. The market risk of the Bank goes through stress testing on a regular basis.

###### *Assessment of fair value*

Assessment of the fair value of financial instruments is based on the quantitative analysis of the financial products that takes into consideration the specific characteristics of the financial products, trading strategy, market situation, risk factors and the quality and qualification of counterparties. The Bank assesses the fair value of its financial instruments on a regular basis.

##### *Interest rate risk of banking book*

Interest rate risk of the banking book are measured and managed mainly through gap management, sensitivity analysis and duration analysis to ensure the interest rate risk of the banking book are controlled within the scope set by the risk appetite.

The Bank calculates the interest rate sensitivity gap based on repricing cash flow of the interest-earning assets and interest-bearing liabilities, and conducts scenario analysis, to assess the impact on the Bank of changes in interest rates. The impact on the market value of assets or liabilities of one basis point movement in interest rate was assessed through calculation of Basic Point Value.

Interest rate risk of the Bank’s banking book goes through stress testing on a regular basis. In such stress testing, basic interest rate and market rate is treated as a prime factor, and other factors such as political and economic contingency or several contingencies happened at the same time are included.

###### *Interest rate risk*

The Bank operates its business predominantly in mainland China under the interest rate scheme regulated by PBoC.

The Bank manages its interest rate risks through gap analysis, duration analysis and sensitivity analysis of its assets and liabilities. The Bank has set limits to the rate gap, duration and interest rate sensitivity, and monitors regularly to ensure that the exposures are within the Bank’s limit.

## Notes to the Unaudited Interim Financial Statements

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

**40 Risk management** (Continued)**(b) Market risk (including the interest rate risk in the banking book)** (Continued)**Interest rate risk** (Continued)

- (i) The table below summarizes the Bank's exposures to interest rate risks. It presents the Bank's assets and liabilities on the statement of financial position at carrying amounts, by the earlier of the contractual re-pricing date or the maturity date.

	At 30 June 2021 (Unaudited)					
	Total	Non-interest bearing	Less than three months	Between three months and one year	Between one year and five years	More than five years
<b>Assets</b>						
Cash and deposits with the central bank	96,693,442	884,727	95,808,715	-	-	-
Deposits with banks and other financial institutions	69,870,163	14,247	69,308,523	547,393	-	-
Placements with banks and other financial institutions	5,070,429	65,277	1,524,992	3,480,160	-	-
Derivative financial assets	490,517	490,517	-	-	-	-
Financial assets held under resale agreements	2,293,341	607	2,292,734	-	-	-
Loans and advances to customers (Note (i))	953,838,630	4,455,013	192,730,502	645,225,055	97,626,157	13,801,903
Financial investments (Note (ii))	409,914,387	27,632,944	93,007,813	56,249,700	196,326,638	36,697,292
Other	22,156,621	22,156,621	-	-	-	-
<b>Total assets</b>	<b>1,560,327,530</b>	<b>55,699,953</b>	<b>454,673,279</b>	<b>705,502,308</b>	<b>293,952,795</b>	<b>50,499,195</b>
<b>Liabilities</b>						
Borrowing from the central bank	72,455,956	1,455,956	30,800,000	40,200,000	-	-
Deposits from banks and other financial institutions	151,807,022	1,196,424	79,775,188	69,135,410	1,700,000	-
Placements from banks and other financial institutions	61,723,545	233,725	13,480,805	47,309,015	700,000	-
Derivative financial liabilities	847,518	847,518	-	-	-	-
Financial assets sold under repurchase agreements	15,661,750	13,244	15,153,752	494,754	-	-
Deposits from customers	857,649,637	10,988,167	328,629,127	246,488,583	269,746,760	1,797,000
Debt securities issued	274,813,013	1,780,851	91,372,852	118,776,482	53,895,883	8,986,945
Other	18,165,786	18,165,786	-	-	-	-
<b>Total liabilities</b>	<b>1,453,124,227</b>	<b>34,681,671</b>	<b>559,211,724</b>	<b>522,404,244</b>	<b>326,042,643</b>	<b>10,783,945</b>
<b>Asset-liability gap</b>	<b>107,203,303</b>	<b>21,018,282</b>	<b>(104,538,445)</b>	<b>183,098,064</b>	<b>(32,089,848)</b>	<b>39,715,250</b>

## Notes to the Unaudited Interim Financial Statements

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

## 40 Risk management (Continued)

## (b) Market risk (including the interest rate risk in the banking book) (Continued)

## Interest rate risk (Continued)

## (i) (Continued)

	At 31 December 2020 (Audited)					
	Total	Non-interest bearing	Less than three months	Between three months and one year	Between one year and five years	More than five years
<b>Assets</b>						
Cash and deposits with the central bank	96,548,417	463,570	96,084,847	-	-	-
Deposits with banks and other financial institutions	27,805,363	9,428	27,246,391	549,544	-	-
Placements with banks and other financial institutions	6,063,668	44,832	4,711,098	1,307,738	-	-
Derivative financial assets	232,498	232,498	-	-	-	-
Loans and advances to customers (Note (i))	867,120,217	4,415,017	415,846,854	323,592,494	107,513,563	15,752,289
Financial investments (Note (ii))	375,926,746	21,576,223	85,776,203	44,683,725	192,303,761	31,586,834
Other	19,826,216	19,826,216	-	-	-	-
<b>Total assets</b>	<b>1,393,523,125</b>	<b>46,567,784</b>	<b>629,665,393</b>	<b>370,133,501</b>	<b>299,817,324</b>	<b>47,339,123</b>
<b>Liabilities</b>						
Borrowing from the central bank	71,592,485	992,485	14,100,000	56,500,000	-	-
Deposits from banks and other financial institutions	130,273,359	611,070	59,711,269	69,951,020	-	-
Placements from banks and other financial institutions	31,920,614	188,728	15,540,982	16,190,904	-	-
Derivative financial liabilities	533,164	533,164	-	-	-	-
Financial assets sold under repurchase agreements	52,406,083	68,396	51,621,739	715,948	-	-
Deposits from customers	758,235,794	11,664,700	348,839,868	160,388,452	233,895,774	3,447,000
Debt securities issued	225,154,090	915,021	76,559,617	118,759,098	28,920,354	-
Other	20,161,706	16,025,392	217,904	685,867	2,553,276	679,267
<b>Total liabilities</b>	<b>1,290,277,295</b>	<b>30,998,956</b>	<b>566,591,379</b>	<b>423,191,289</b>	<b>265,369,404</b>	<b>4,126,267</b>
<b>Asset-liability gap</b>	<b>103,245,830</b>	<b>15,568,828</b>	<b>63,074,014</b>	<b>(53,057,788)</b>	<b>34,447,920</b>	<b>43,212,856</b>

## Notes:

- (i) As at 30 June 2021 and 31 December 2020, for loans and advances to customers, the category "Less than three months" includes overdue amounts (net of provision for impairment losses) of RMB21,157 million and RMB16,393 million, respectively.
- (ii) Financial investments include financial investments measured at fair value through profit or loss, financial investments measured at fair value through other comprehensive income and financial investments measured at amortised cost.

## Notes to the Unaudited Interim Financial Statements

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

**40 Risk management** *(Continued)***(b) Market risk (including the interest rate risk in the banking book)** *(Continued)***Interest rate risk** *(Continued)***(ii) Interest rate sensitivity analysis**

The Bank uses sensitivity analysis to measure the potential impact of changes in interest rate on the Bank's net profit or loss and equity. The following table sets forth the results of the Bank's interest rate sensitivity analysis on net profit and equity with an assumption that all other variables held constant.

	At 30 June 2021 (Unaudited) (Decrease)/ Increase	At 31 December 2020 (Audited) (Decrease)/ Increase
Change in net profit		
Up 100 bps parallel shift in yield curves	<b>(363,818)</b>	(139,458)
Down 100 bps parallel shift in yield curves	<b>363,818</b>	139,458

	At 30 June 2021 (Unaudited) Increase/ (Decrease)	At 31 December 2020 (Audited) Increase/ (Decrease)
Change in equity		
Up 100 bps parallel shift in yield curves	<b>327,851</b>	232,807
Down 100 bps parallel shift in yield curves	<b>(327,851)</b>	(232,807)

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

- Interest rate movements at 30 June 2021 and 31 December 2020 apply to all non-derivative financial instruments of the Bank;
- At 30 June 2021 and 31 December 2020, an interest rate movement of 100 basis points is based on the assumption of interest rates movement over the next full year from the end of the period;
- There is a parallel shift in the yield curve with the changes in interest rates;
- There are no other changes to the assets and liabilities portfolio;
- Other variables (including exchange rates) remain unchanged; and
- The analysis does not take into account risk management measures taken by the management.

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



## Notes to the Unaudited Interim Financial Statements

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

### 40 Risk management *(Continued)*

#### (b) Market risk (including the interest rate risk in the banking book) *(Continued)*

##### *Foreign currency risk*

Foreign exchange risk refers to the risk of losses arising from the negative changes in the rate of exchange. The Bank conducts the majority of its business in RMB, with certain foreign transactions in United States dollars ("USD"), Hong Kong dollars ("HKD") and, to a much lesser extent, other currencies.

The Bank's principle in controlling foreign exchange risk is to match its assets and liabilities by currency and to maintain foreign exchange risk within established limits. The Bank has set foreign exchange risk limits which are consistent with the guidelines established by the Asset and Liability Management Committee of the Bank and are in accordance with relevant regulatory requirements, and reflect management's assessment of current circumstances. The Bank also manages its sources and uses of foreign currencies to minimize potential mismatches.

The Bank monitors its foreign exchange risk. The Bank mainly uses the foreign exchange exposure analysis, scenario analysis and stress testing to measure and analyze the foreign exchange risk. Besides, the Bank monitors and controls the foreign exchange risk through the limit management. The Asset and Liability Management Department's market risk team performs independent monitoring, reporting, and management for the entire bank's foreign exchange risk. Meanwhile, the Bank managed the on-balance sheet foreign exchange risk exposures through derivative financial instruments such as foreign exchange swaps and foreign exchange futures, and kept the Bank's total exposures of on-balance sheet and off-balance sheet to a low level. Therefore, the foreign exchange exposure at the end of the period is not sensitive to exchange rate fluctuations, and the potential impact on the Bank's net profit and shareholders' equity is not significant.

The following table summarizes the Bank's exchange risk of assets and liabilities at reporting date. Included in the table are the carrying value of assets and liabilities, and the off-balance sheet credit commitments in RMB equivalent, categorized by the original currency.

## Notes to the Unaudited Interim Financial Statements

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

**40 Risk management** *(Continued)***(b) Market risk (including the interest rate risk in the banking book)** *(Continued)***Foreign currency risk** *(Continued)*

The Bank’s currency exposures as at 30 June 2021 and 31 December 2020 are as follows:

	At 30 June 2021 (Unaudited)			
	RMB	USD (RMB Equivalent)	Others (RMB Equivalent)	Total (RMB Equivalent)
<b>Assets</b>				
Cash and deposits with the central bank	86,116,236	9,301,224	1,275,982	96,693,442
Deposits with banks and other financial institutions	10,090,083	57,423,540	2,356,540	69,870,163
Placements with banks and other financial institutions	4,983,484	86,945	–	5,070,429
Derivative financial assets	490,517	–	–	490,517
Financial assets held under resale agreements	2,293,341	–	–	2,293,341
Loans and advances to customers	879,424,597	71,368,557	3,045,476	953,838,630
Financial investments (Note (i))	393,649,998	15,880,356	384,033	409,914,387
Other assets	22,057,273	56,329	43,019	22,156,621
<b>Total assets</b>	<b>1,399,105,529</b>	<b>154,116,951</b>	<b>7,105,050</b>	<b>1,560,327,530</b>
<b>Liabilities</b>				
Borrowing from the central bank	72,455,956	–	–	72,455,956
Deposits from banks and other financial Institutions	150,640,626	320,904	845,492	151,807,022
Placements from banks and other financial institutions	2,492,067	54,908,678	4,322,800	61,723,545
Derivative financial liabilities	847,518	–	–	847,518
Financial assets sold under repurchase agreements	15,661,750	–	–	15,661,750
Deposits from customers	722,104,964	134,524,952	1,019,721	857,649,637
Debt securities issued	274,813,013	–	–	274,813,013
Other liabilities	14,380,007	141,089	3,644,690	18,165,786
<b>Total liabilities</b>	<b>1,253,395,901</b>	<b>189,895,623</b>	<b>9,832,703</b>	<b>1,453,124,227</b>
<b>Net position</b>	<b>145,709,628</b>	<b>(35,778,672)</b>	<b>(2,727,653)</b>	<b>107,203,303</b>
Off-balance sheet credit commitments	278,995,873	33,760,458	2,624,996	315,381,327

## Notes to the Unaudited Interim Financial Statements

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

## 40 Risk management (Continued)

## (b) Market risk (including the interest rate risk in the banking book) (Continued)

## Foreign currency risk (Continued)

	At 31 December 2020 (Audited)			
	RMB	USD (RMB Equivalent)	Others (RMB Equivalent)	Total (RMB Equivalent)
<b>Assets</b>				
Cash and deposits with the central bank	91,572,545	4,097,350	878,522	96,548,417
Deposits with banks and other financial institutions	10,435,710	15,019,529	2,350,124	27,805,363
Placements with banks and other financial institutions	3,123,130	2,940,538	–	6,063,668
Derivative financial assets	232,498	–	–	232,498
Loans and advances to customers	820,669,192	45,069,757	1,381,268	867,120,217
Financial investments (Note (i))	360,736,839	14,714,781	475,126	375,926,746
Other assets	19,766,818	47,427	11,971	19,826,216
<b>Total assets</b>	<b>1,306,536,732</b>	<b>81,889,382</b>	<b>5,097,011</b>	<b>1,393,523,125</b>
<b>Liabilities</b>				
Borrowing from the central bank	71,592,485	–	–	71,592,485
Deposits from banks and other financial Institutions	130,273,129	1	229	130,273,359
Placements from banks and other financial institutions	4,473,750	24,325,431	3,121,433	31,920,614
Derivative financial liabilities	528,552	4,612	–	533,164
Financial assets sold under repurchase agreements	52,406,083	–	–	52,406,083
Deposits from customers	674,607,125	82,860,830	767,839	758,235,794
Debt securities issued	225,154,090	–	–	225,154,090
Other liabilities	16,013,812	138,632	4,009,262	20,161,706
<b>Total liabilities</b>	<b>1,175,049,026</b>	<b>107,329,506</b>	<b>7,898,763</b>	<b>1,290,277,295</b>
<b>Net position</b>	<b>131,487,706</b>	<b>(25,440,124)</b>	<b>(2,801,752)</b>	<b>103,245,830</b>
Off-balance sheet credit commitments	261,730,605	18,045,145	2,105,929	281,881,679

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

## Notes to the Unaudited Interim Financial Statements

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

### 40 Risk management *(Continued)*

#### (c) Liquidity risk

The Bank adopts a centralized approach with respect to its liquidity risk management, in which the head office centrally manages overall liquidity risk across the Bank under the policies and guidance of the Board of Directors. Liquidity risk is managed on three levels from the Board of Directors, to senior management and down to individual departments, so that all the Bank is involved in the liquidity risk management. The Asset and Liability Management Department is the leading department in managing the liquidity risk, and is responsible for formulating liquidity risk management strategies, policies and procedures, and identifying, measuring, monitoring and controlling liquidity risk, and ensuring the Bank’s overall liquidity risk is controlled within the Bank’s risk tolerance based on cash flow gap analysis, with the help of intraday position management, early-warning indicators and limit control, among other means and methods, and by conducting stress testing and crisis response exercises, strengthening market pre judgment and implementing dynamic liquidity risk management when appropriate. The Bank reviews the above practices and means and methods at least once a year. The Corporate Banking Department, Retail Banking Department and Financial Market Department, among others at the head office, and the subsidiaries engage in their business activities in compliance with the liquidity risk management policies, appetite, processes, limits and other requirements as set down by the Board of Directors and senior management.

In addition to effectively managing intraday positions, the Bank managed cash flow, balancing liquidity and profitability and ensuring safety payment of the Bank and implementing integration management of local and foreign currency. For medium and long term liquidity risk management, the Bank strengthened management measures on regulatory ratios and internal limit, and timely monitored early warning indicators, implemented initiative supplementing of liabilities, stabilized the source of capital and improved future maturity structure of assets and liabilities. Regulatory indicators mainly including liquidity proportion, liquidity coverage ratio, net stable funding ratio and liquidity matching rate are set to guide business development. Internal limits, primarily on treasury loans, debt securities pledged as security and asset-liability maturity gap, are monitored to manage and adjust mismatches between the duration of assets and liabilities. Enforcing the establishment and analysis of customer behavior models, leveraging liquidity management models that use prudent assumptions on the Bank’s cash inflows and outflows from its assets and liabilities, and by monitoring, analyzing and managing its compliance with regulatory indicators and internal limits, the Bank has been able to maintain a sound liquidity position.

In order to cope with its liquidity risks arising from fluctuation of capital market and changes of macro-economic environment, the Bank sticks to the practice of stress testing of them, including the test of cash flow gaps in the future 7 days, 30 days and 90 days and implementation of shortest lifetime management of the Bank by introducing the results of customer behaviors analysis to test the Bank’s tolerance of liquidity risks under different stress scenarios through stimulation of decline in the price of marketable securities and outflow of deposits. Also, in consideration of its business size, complexity, level of risk and organizational structure, the Bank has emergency plans in place and explicit internal labor division and emergency procedures to ensure its liquidity under a crisis situation.

To bolster the Bank’s liquidity, the Bank formulates investment guidelines and regularly assesses and adjusts its investment strategies for debt securities in light of actual risk management needs, clearly defines the ceiling for collateral bonds through internal limits. This ensures the availability of sufficient quality liquid assets which are readily realizable, and structurally ensure the potential liquidity needs of the Bank are well taken care of. The bank focuses on the adjustment and optimization of asset structure, establishes a portfolio of liquidity reserve assets, and implements asset planning management, and pay attention to the stable return of funds when business is due. In addition, the Bank continues to expand its various debt channels, actively strengthens the degree of participation in the issuance of financial bonds, inter-bank customer relationship management and open market operations of the PBoC, attempts to expand the Bank’s medium and long-term stable sources of liabilities, so as to improve the Bank’s financing ability under high liquidity pressure.

## Notes to the Unaudited Interim Financial Statements

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

## 40 Risk management (Continued)

## (c) Liquidity risk (Continued)

**Maturity analysis**

The following tables provide an analysis of non-derivative assets and liabilities of the Bank into relevant maturity groupings based on the remaining periods to repayment at 30 June 2021 and 31 December 2020:

	At 30 June 2021 (Unaudited)							Total
	Indefinite Note (i)	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years	
<b>Assets</b>								
Cash and deposits with the central bank	70,909,029	25,784,413	-	-	-	-	-	96,693,442
Deposit with banks and other financial institutions	3,723	67,822,557	1,492,592	-	551,291	-	-	69,870,163
Placements with banks and other financial institutions	168,569	-	399,895	993,304	3,508,661	-	-	5,070,429
Financial assets held under resale agreements	-	75,570	2,217,771	-	-	-	-	2,293,341
Loans and advances to customers	14,190,922	2,774,323	62,472,597	82,742,673	370,462,647	252,699,626	168,495,842	953,838,630
Financial investments (ii)	21,758,395	24,204,393	24,111,194	22,175,712	69,939,158	210,391,313	37,334,222	409,914,387
Other	22,156,621	-	-	-	-	-	-	22,156,621
<b>Total assets</b>	<b>129,187,259</b>	<b>120,661,256</b>	<b>90,694,049</b>	<b>105,911,689</b>	<b>444,461,757</b>	<b>463,090,939</b>	<b>205,830,064</b>	<b>1,559,837,013</b>
<b>Liabilities</b>								
Borrowing from the central bank	-	-	21,604,013	10,051,094	40,800,849	-	-	72,455,956
Deposits from banks and other financial institutions	-	25,931,315	19,600,286	34,760,176	69,813,306	1,701,939	-	151,807,022
Placements from banks and other financial institutions	-	-	5,538,239	7,995,788	47,489,518	700,000	-	61,723,545
Financial assets sold under repurchase agreements	-	7,000,181	7,091,656	1,074,404	495,509	-	-	15,661,750
Deposit from customers	-	210,842,496	60,976,188	55,315,605	252,384,214	276,305,852	1,825,282	857,649,637
Debt securities issued	-	270,000	16,242,263	70,391,697	125,026,225	53,895,883	8,986,945	274,813,013
Other	18,165,786	-	-	-	-	-	-	18,165,786
<b>Total liabilities</b>	<b>18,165,786</b>	<b>244,043,992</b>	<b>131,052,645</b>	<b>179,588,764</b>	<b>536,009,621</b>	<b>332,603,674</b>	<b>10,812,227</b>	<b>1,452,276,709</b>
<b>Net position</b>	<b>111,021,473</b>	<b>(123,382,736)</b>	<b>(40,358,596)</b>	<b>(73,677,075)</b>	<b>(91,547,864)</b>	<b>130,487,265</b>	<b>195,017,837</b>	<b>107,560,304</b>

## Notes to the Unaudited Interim Financial Statements

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

## 40 Risk management (Continued)

## (c) Liquidity risk (Continued)

## Maturity analysis (Continued)

	At 31 December 2020 (Audited)							Total
	Indefinite Note (i)	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years	
<b>Assets</b>								
Cash and deposits with the central bank	63,018,716	33,529,701	-	-	-	-	-	96,548,417
Deposit with banks and other financial institutions	-	27,250,767	-	-	554,596	-	-	27,805,363
Placements with banks and other financial institutions	-	2,629,311	1,914,133	205,989	1,314,235	-	-	6,063,668
Loans and advances to customers	11,090,114	5,658,777	64,713,005	82,859,214	278,962,810	267,715,556	156,120,741	867,120,217
Financial investments (ii)	18,711,973	29,172,970	11,219,097	11,672,396	68,616,635	204,477,627	32,056,048	375,926,746
Other	19,826,216	-	-	-	-	-	-	19,826,216
<b>Total assets</b>	<b>112,647,019</b>	<b>98,241,526</b>	<b>77,846,235</b>	<b>94,737,599</b>	<b>349,448,276</b>	<b>472,193,183</b>	<b>188,176,789</b>	<b>1,393,290,627</b>
<b>Liabilities</b>								
Borrowing from the central bank	-	-	11,134,811	3,387,701	57,069,973	-	-	71,592,485
Deposits from banks and other financial institutions	-	27,060,708	11,502,265	20,897,166	70,813,220	-	-	130,273,359
Placements from banks and other financial institutions	-	2,009,666	6,339,951	7,327,414	16,243,583	-	-	31,920,614
Financial assets sold under repurchase agreements	-	15,167,964	29,492,628	7,026,533	718,958	-	-	52,406,083
Deposit from customers	119,108	207,698,503	55,322,139	88,731,884	162,122,294	240,761,577	3,480,289	758,235,794
Debt securities issued	-	-	12,946,723	64,171,119	119,115,894	28,920,354	-	225,154,090
Other	16,025,392	-	72,030	145,874	685,867	2,553,276	679,267	20,161,706
<b>Total liabilities</b>	<b>16,144,500</b>	<b>251,936,841</b>	<b>126,810,547</b>	<b>191,687,691</b>	<b>426,769,789</b>	<b>272,235,207</b>	<b>4,159,556</b>	<b>1,289,744,131</b>
<b>Net position</b>	<b>96,502,519</b>	<b>(153,695,315)</b>	<b>(48,964,312)</b>	<b>(96,950,092)</b>	<b>(77,321,513)</b>	<b>199,957,976</b>	<b>184,017,233</b>	<b>103,546,496</b>

## Note:

- (i) Indefinite amount of cash and deposits with the central bank represents the statutory deposit reserves and fiscal deposits with the central bank. Indefinite amount of loans and advances to customers includes all the impaired loans and advances, as well as those overdue more than one month. Loans and advances to customers with no impairment but overdue within one month are classified into the category of repayable on demand. Indefinite amount of financial investments represents impaired investments or those overdue more than one month. Equity investments are listed in the category of indefinite.
- (ii) Financial investments include financial investments measured at fair value through profit or loss, financial investments measured at fair value through other comprehensive income, financial investments measured at amortised cost.

## Notes to the Unaudited Interim Financial Statements

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

## 40 Risk management (Continued)

## (c) Liquidity risk (Continued)

**Analysis on contractual undiscounted cash flows of non-derivative financial liabilities**

The following tables provide an analysis of the contractual undiscounted cash flow of the non-derivative financial liabilities of the Bank at 30 June 2021 and 31 December 2020:

	At 30 June 2021 (Unaudited)							
	Carrying amount	Contractual undiscounted cash flow	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years
<b>Non-derivative financial liabilities</b>								
Borrowing from the central bank	72,455,956	73,129,408	-	21,629,825	10,093,918	41,405,665	-	-
Deposits from banks and other financial institutions	151,807,022	153,445,320	25,931,315	19,625,383	34,954,309	71,013,733	1,920,580	-
Placements from banks and other financial institutions	61,723,545	62,057,803	-	5,542,113	8,007,879	47,764,075	743,736	-
Financial assets sold under repurchase agreements	15,661,750	15,730,145	7,000,181	7,124,953	1,107,883	497,128	-	-
Deposits from customers	857,649,637	884,750,852	210,842,496	61,014,699	55,496,243	256,208,791	298,710,509	2,478,114
Debt securities issued	274,813,013	285,519,117	270,000	16,274,080	70,789,520	126,886,254	58,147,921	13,151,342
Other financial liabilities	18,165,786	18,808,807	14,418,122	120,091	122,236	669,451	2,664,043	814,864
- Lease liabilities	3,747,663	4,390,685	-	120,091	122,236	669,451	2,664,043	814,864
- Other	14,418,123	14,418,122	14,418,122	-	-	-	-	-
<b>Total non-derivative financial liabilities</b>	<b>1,452,276,709</b>	<b>1,493,441,452</b>	<b>258,462,114</b>	<b>131,331,144</b>	<b>180,571,988</b>	<b>544,445,097</b>	<b>362,186,789</b>	<b>16,444,320</b>
Credit commitments	315,381,327	315,381,327	10,141,533	27,008,232	47,851,656	224,615,544	5,084,362	680,000



## Notes to the Unaudited Interim Financial Statements

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

**40 Risk management** (Continued)**(c) Liquidity risk** (Continued)**Analysis on contractual undiscounted cash flows of non-derivative financial liabilities** (Continued)

	At 31 December 2020 (Audited)							
	Carrying amount	Contractual undiscounted cash flow	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years
<b>Non-derivative financial liabilities</b>								
Borrowing from the central bank	71,592,485	71,592,485	-	11,134,811	3,387,701	57,069,973	-	-
Deposits from banks and other financial institutions	130,273,359	131,711,713	27,060,708	11,518,444	21,033,236	72,099,325	-	-
Placements from banks and other financial institutions	31,920,614	32,053,310	2,009,667	6,343,579	7,341,607	16,358,457	-	-
Financial assets sold under repurchase agreements	52,406,083	52,435,611	15,167,964	29,494,055	7,049,670	723,922	-	-
Deposits from customers	758,235,794	783,206,434	207,817,609	55,356,965	89,135,555	163,361,464	263,031,814	4,503,027
Debt securities issued	225,154,090	230,482,753	-	12,966,164	64,502,918	121,509,282	31,146,537	357,852
Other financial liabilities	20,161,706	20,525,450	16,025,392	73,803	149,421	701,827	2,761,307	813,700
- Lease liabilities	4,136,314	4,500,058	-	73,803	149,421	701,827	2,761,307	813,700
- Other	16,025,392	16,025,392	16,025,392	-	-	-	-	-
<b>Total non-derivative financial liabilities</b>	<b>1,289,744,131</b>	<b>1,322,007,756</b>	<b>268,081,340</b>	<b>126,887,821</b>	<b>192,600,108</b>	<b>431,824,250</b>	<b>296,939,658</b>	<b>5,674,579</b>
Credit commitments	281,881,679	281,881,679	9,763,231	29,058,670	75,137,793	161,443,707	5,798,278	680,000

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

## Notes to the Unaudited Interim Financial Statements

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

## 40 Risk management (Continued)

## (c) Liquidity risk (Continued)

**Analysis on contractual undiscounted cash flow of derivative financial instruments**

The Bank's derivative financial instruments that will be settled on a net basis include interest rate swaps and precious metal swaps. The Bank's derivative financial instruments that will be settled on a gross basis are exchange rate swaps and exchange rate forwards.

The following table analyses the contractual undiscounted cash flow of financial derivatives that will be settled on net amounts and gross amounts basis held by the Bank at the the end of the reporting period. The amounts disclosed are the contractual undiscounted cash flows.

	At 30 June 2021 (Unaudited)				Total
	Within one month	One months to three months	Three months to one year	One year to five years	
Derivative financial instruments settled on net basis					
Interest rate swaps	84	128	3,593	5,383	9,188
Precious metal swaps	-	-	(289,689)	-	(289,689)
Derivative financial instruments settled on gross basis					
Exchange rate swaps					
– Cash inflow	9,302,256	20,327,957	4,686,894	152,448	34,469,555
– Cash outflow	(9,400,397)	(20,415,629)	(4,800,542)	(153,636)	(34,770,204)
Exchange rate forwards					
– Cash inflow	-	-	862,430	-	862,430
– Cash outflow	-	-	(831,600)	-	(831,600)
Total cash inflow	9,302,256	20,327,957	5,549,324	152,448	35,331,985
Total cash outflow	(9,400,397)	(20,415,629)	(5,632,142)	(153,636)	(35,601,804)

## Notes to the Unaudited Interim Financial Statements

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

**40 Risk management** (Continued)**(c) Liquidity risk** (Continued)**Analysis on contractual undiscounted cash flow of derivative financial instruments** (Continued)

	At 31 December 2020 (Audited)				
	Within one month	One months to three months	Three months to one year	One year to five years	Total
Derivative financial instruments settled on net basis					
Interest rate swaps	913	88	598	11,343	12,942
Precious metal swaps	–	–	(113,527)	–	(113,527)
Derivative financial instruments settled on gross basis					
Exchange rate swaps					
– Cash inflow	11,122,357	11,758,953	1,314,644	154,386	24,350,340
– Cash outflow	(11,151,098)	(11,947,989)	(1,330,065)	(160,678)	(24,589,830)
Exchange rate forwards					
– Cash inflow	–	–	862,430	–	862,430
– Cash outflow	–	–	(843,600)	–	(843,600)
Total cash inflow	11,122,357	11,758,953	2,177,074	154,386	25,212,770
Total cash outflow	(11,151,098)	(11,947,989)	(2,173,665)	(160,678)	(25,433,430)

**(d) Operational risk**

Operational risk is the risk of losses due to inadequate or flawed internal processes, staff and IT systems, and external events. It includes legal risk but excludes strategic risk and reputational risk.

The Bank constantly improve and strengthen the operational risk management mechanism consisting of three lines of defence, comply with regulatory requirements, implement related management policies to further standardise the methods and processes of operational risk management for effective risk management, to prevent and control major operational risk events as the management goal, further standardize the methods and procedures of operational risk management, strengthen the initiative of operational risk management. In accordance with the risk-oriented principle, the inspection and supervision of key institutions, positions, businesses and links should be strengthened. Carry out operational risk management tools, timely update and improve indicators. To carry out the “Year of Internal Control and Compliance Management Construction” activity, actively promote the supervision, inspection and rectification, and constantly improve the long-term management mechanism. We will launch special actions to address compliance risks, and focus on the problems of repeated investigations and repeated crimes. Continuously improve the operational risk case base, carry out a series of training, and actively create a good operational risk management culture.

## Notes to the Unaudited Interim Financial Statements

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

### 41 Fair value

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

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

**(i) Debt securities and equity investments**

The fair values of debt securities and equity investments that are traded in an active market are based on their quoted market prices in an active market at the end of reporting period. If quoted market prices are not available, then fair values are estimated on the basis of pricing models, such as discounted cash flows model.

**(ii) Receivables and other non-derivative financial assets**

Fair values are estimated as the present value of the future cash flows, discounted at the market interest rates at the end of reporting period.

**(iii) Debt securities issued and other non-derivative financial liabilities**

Fair values of debt securities issued are based on their quoted market prices at the end of reporting period, or the present value of estimated future cash flows. The fair values of other non-derivative financial liabilities are valued at the present value of estimated future cash flows. The discount rates are based on the market interest rates at the end of reporting period.

**(iv) Derivatives**

Derivatives valued using a valuation technique with market observable inputs are mainly interest rate swaps, foreign exchange forwards, swaps and options, etc. The most frequently applied valuation techniques include discounted cash flow model and the Garman Kohlhagen model extended from Black Scholes model. The models incorporate various inputs including foreign exchange spot and forward rates, foreign exchange rate volatility, interest rate yield curves, etc.

#### (b) Fair value measurement

**(i) Financial assets**

The Bank's financial assets mainly consist of cash and deposits with the central bank, deposit with banks and other financial institutions, placements with banks and other financial institutions, derivative financial assets, financial assets held under resale agreements, loans and advances to customers, and investments.

Deposits with the central bank, deposit with banks and other financial institutions, placements with banks and other financial institutions and financial assets held under resale agreements are mostly priced at market interest rates and due within one year. Accordingly, the carrying amounts approximate the fair values.

Loans and advances to customers are mostly priced at floating rates close to the PBoC rates. Accordingly, the carrying amounts approximate the fair values.

Derivative financial assets, financial investments measured at fair value through other comprehensive income and financial assets measured at fair value through profit or loss are stated at fair value. Financial investments measured at amortised cost and the carrying amounts of investments classified as receivables are the reasonable approximations of their fair values because, for example, they are short-term in nature or repriced at current market rates frequently.

## Notes to the Unaudited Interim Financial Statements

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

### 41 Fair value *(Continued)*

#### (b) Fair value measurement *(Continued)*

##### (ii) *Financial liabilities*

The Bank’s financial liabilities mainly include deposits from banks and other financial institutions, placements from banks and other financial institutions, derivative financial liabilities, financial assets sold under repurchase agreements, deposits from customers and debt securities issued.

Derivative financial liabilities is stated at fair value. The book value and fair value of debt securities issued is presented in Note 28. The carrying amounts of other financial liabilities approximate their fair value.

#### (c) Fair value hierarchy

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

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

If there is a reliable market quote for financial instruments that measured at fair value, the fair value of which is based on quoted market prices. When quoted prices on open market are not available, the Banks will determine the fair value of financial instruments by using appropriate valuation model, enquiry or by reference to the valuation results of third-party valuation institution. The Bank selects appropriate models based on the risk characteristics, liquidity, counterparty risk and pricing basis of specific financial instruments or trading strategies to ensure that their fair value are truly and effectively reflected. The Bank selects the quoted prices or refers to the valuation results of third-party valuation agencies for evaluation of the fair value of a financial instrument, and when referring to the valuation results of third-party valuation agencies, the authority, independence and professionalism of the agencies should be assessed.

## Notes to the Unaudited Interim Financial Statements

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

## 41 Fair value (Continued)

## (c) Fair value hierarchy (Continued)

	At 30 June 2021 (Unaudited)			
	Level 1	Level 2	Level 3	Total
<b>Recurring fair value measurements</b>				
Assets				
Derivative financial assets	-	490,517	-	490,517
Loans and advances to customers measured at fair value through profit or loss				
– Corporate loans and advance	-	370,298	-	370,298
Loans and advances to customers measured at fair value through other comprehensive income				
– discounted bills	-	66,949,948	-	66,949,948
Financial investments measured at fair value through profit or loss				
– debt securities	-	11,557,890	567,229	12,125,119
– interbank deposits	-	199,562	-	199,562
– investment funds	-	50,532,620	-	50,532,620
– trust plans and asset management plans	-	19,396,670	3,183,317	22,579,987
– equity investments	461,660	-	2,904,704	3,366,364
Financial investments measured at fair value through other comprehensive income				
– debt securities (exclusive interests accrued)	-	76,769,366	-	76,769,366
– equity investments	-	-	200,000	200,000
<b>Total</b>	<b>461,660</b>	<b>226,266,871</b>	<b>6,855,250</b>	<b>233,583,781</b>
Liabilities				
Derivative financial liabilities	-	(847,518)	-	(847,518)
<b>Total</b>	<b>-</b>	<b>(847,518)</b>	<b>-</b>	<b>(847,518)</b>

## Notes to the Unaudited Interim Financial Statements

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

**41 Fair value** (Continued)**(c) Fair value hierarchy** (Continued)

	At 31 December 2020 (Audited)			
	Level 1	Level 2	Level 3	Total
<b>Recurring fair value measurements</b>				
<b>Assets</b>				
Derivative financial assets	–	232,498	–	232,498
Loans and advances to customers measured at fair value through profit or loss				
– Corporate loans and advance	–	74,060	–	74,060
Loans and advances to customers measured at fair value through other comprehensive income				
– discounted bills	–	31,046,668	–	31,046,668
Financial investments measured at fair value through profit or loss				
– debt securities	–	7,869,297	567,229	8,436,526
– investment funds	–	44,178,765	–	44,178,765
– trust plans and asset management plans	–	16,175,017	1,676,276	17,851,293
– equity investments	298,175	–	1,832,738	2,130,913
Financial investments measured at fair value through other comprehensive income				
– debt securities (exclusive interests accrued)	–	59,791,966	–	59,791,966
– equity investments	–	–	200,000	200,000
– trust plans and asset management plans (exclusive interests accrued)	–	962,971	–	962,971
<b>Total</b>	<b>298,175</b>	<b>160,331,242</b>	<b>4,276,243</b>	<b>164,905,660</b>
<b>Liabilities</b>				
Derivative financial liabilities	–	(533,164)	–	(533,164)
<b>Total</b>	<b>–</b>	<b>(533,164)</b>	<b>–</b>	<b>(533,164)</b>



## Notes to the Unaudited Interim Financial Statements

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

## 41 Fair value (Continued)

## (c) Fair value hierarchy (Continued)

The movement during the six months ended 30 June 2021 in the balance of Level 3 fair value measurements (unaudited) is as follows:

	1 January 2021	Transfer into Level 3	Transfer out of Level 3	Total gains or losses of the period	Recorded in other comprehensive income	Additions	Issues	Sales	Settlements	30 June 2021	Unrealized gains or losses for the year included in profit or loss for assets held at the end of the period
Assets											
Financial assets measured at fair value through profit or loss											
– debt securities	567,229	-	-	-	-	-	-	-	-	567,229	-
– trust plans and asset management plans	1,676,276	-	-	-	-	1,517,931	-	-	(10,890)	3,183,317	-
– equity investments	1,832,738	-	-	-	-	1,071,973	-	-	(7)	2,904,704	-
Sub-total	4,076,243	-	-	-	-	2,589,904	-	-	(10,897)	6,655,250	-
Financial assets measured at fair value through other comprehensive income											
– equity investments	200,000	-	-	-	-	-	-	-	-	200,000	-
Total	4,276,243	-	-	-	-	2,589,904	-	-	(10,897)	6,855,250	-

## Notes to the Unaudited Interim Financial Statements

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

#### 41 Fair value (Continued)

##### (c) Fair value hierarchy (Continued)

The movement during the year ended 31 December 2020 in the balance of Level 3 fair value measurements (audited) is as follows:

	1 January 2020	Transfer into Level 3	Transfer out of Level 3	Total gains or losses of the period	Recorded in other comprehensive profit or loss	Recorded in other comprehensive income	Additions, issues, sales and settlements	31 December 2020	Unrealized gains or losses for the year included in profit or loss for assets held at the end of the period
							Additions	Sales	Settlements
<b>Assets</b>									
Financial assets at fair value through profit or loss									
– Debt securities	–	–	–	–	–	–	567,229	–	–
– trust plans and asset management plans	1,848,206	–	–	(161,296)	–	–	–	–	(161,296)
– equity investments	1,696,017	–	(104,625)	–	–	–	241,346	–	1,832,738
Sub-total	3,544,223	–	(104,625)	(161,296)	–	–	808,575	–	(161,296)
Financial assets at fair value through other comprehensive income									
– equity investments	200,000	–	–	–	–	–	–	–	200,000
Total	3,744,223	–	(104,625)	(161,296)	–	–	808,575	–	(161,296)

## Notes to the Unaudited Interim Financial Statements

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

## 41 Fair value (Continued)

## (c) Fair value hierarchy (Continued)

The valuation techniques used and the qualitative and quantitative information of key parameters for recurring fair value measurements categorized within Level 3.

Quantitative information of Level 3 fair value measurement is as below:

	Fair value as at 30 June 2021 (Unaudited)	Valuation techniques	Unobservable input
<b>Financial investments measured at fair value through profit or loss</b>			
– debt securities	567,229	Discounted cash flow	Risk-adjusted discount rate, cash flow
– trust plans and asset management plans	3,183,317	Discounted cash flow	Risk-adjusted discount rate, cash flow
– equity investments	2,904,704	Discounted cash flow	Risk-adjusted discount rate, cash flow
<b>Financial investments measured at fair value through other comprehensive income</b>			
– equity investments	200,000	Discounted cash flow	Risk-adjusted discount rate, cash flow

	Fair value as at 31 December 2020 (Audited)	Valuation techniques	Unobservable input
<b>Financial investments measured at fair value through profit or loss</b>			
– Debt securities	567,229	Discounted cash flow	Risk-adjusted discount rate, cash flow
– trust plans and asset management plans	1,676,276	Discounted cash flow	Risk-adjusted discount rate, cash flow
– equity investments	1,832,738	Discounted cash flow	Risk-adjusted discount rate, cash flow
<b>Financial investments measured at fair value through other comprehensive income</b>			
– equity investments	200,000	Discounted cash flow	Risk-adjusted discount rate, cash flow

During the reporting period, there were no significant change in the valuation techniques.

## Notes to the Unaudited Interim Financial Statements

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

**41 Fair value** *(Continued)***(c) Fair value hierarchy** *(Continued)*

As at 30 June 2021 and 31 December 2020, significant unobservable inputs such as risk-adjusted discount rate and cash flow were used in the valuation of financial assets measured at fair value classified as Level 3, which were mainly equity investments. The fair value of these financial assets fluctuates according to the changes in the unobservable inputs. An increases (decreases) in risk-adjusted discount rate in isolation would result in a lower (higher) fair value measurement, and increases (decreases) in cash flow in isolation would result in a higher (lower) fair value measurement. There are no interrelationships between those inputs.

The sensitivity of the fair value on changes in significant unobservable inputs for Level 3 financial instruments is measured at fair value on an ongoing basis.

The fair value of financial instruments is, in certain circumstances, measured using valuation models which incorporate assumptions that are not supported by prices from observable current market transactions in the same instrument and are not based on observable market data.

The following table shows the sensitivity of fair value due to 1% movement (100bps) of risk-adjusted discount rate change to reasonably possible alternative assumptions.

At 30 June 2021 (Unaudited)				
	Effect on net profit		Effect on other comprehensive income	
	Favourable	(Unfavourable)	Favourable	(Unfavourable)
<b>Financial investments measured at fair value through profit or loss</b>				
– debt securities	21,288	(20,110)	–	–
– trust plans and asset management plans	127,927	(120,766)	–	–
– equity investments	108,584	(102,579)	–	–
<b>Financial investments measured at fair value through other comprehensive income</b>				
– equity investments	–	–	4,668	(4,429)
<b>At 31 December 2020 (Audited)</b>				
	Effect on net profit		Effect on other comprehensive income	
	Favourable	(Unfavourable)	Favourable	(Unfavourable)
<b>Financial investments measured at fair value through profit or loss</b>				
– debt securities	21,288	(20,110)	–	–
– trust plans and asset management plans	71,284	(67,259)	–	–
– equity investments	68,309	(64,533)	–	–
<b>Financial investments measured at fair value through other comprehensive income</b>				
– equity investments	–	–	4,668	(4,429)

## Notes to the Unaudited Interim Financial Statements

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

## 41 Fair value (Continued)

## (c) Fair value hierarchy (Continued)

The following table shows the sensitivity of fair value due to 10% movement of cash flow change to reasonably possible alternative assumptions.

At 30 June 2021 (Unaudited)				
	Effect on net profit		Effect on other comprehensive income	
	Favourable	(Unfavourable)	Favourable	(Unfavourable)
<b>Financial investments measured at fair value through profit or loss</b>				
– debt securities	23,199	(23,199)	–	–
– trust plans and asset management plans	138,253	(137,755)	–	–
– equity investments	105,345	(119,554)	–	–
<b>Financial investments measured at fair value through other comprehensive income</b>				
– equity investments	–	–	5,624	(5,624)
<b>At 31 December 2020 (Audited)</b>				
	Effect on net profit		Effect on other comprehensive income	
	Favourable	(Unfavourable)	Favourable	(Unfavourable)
<b>Financial investments measured at fair value through profit or loss</b>				
– Debt securities	23,199	(23,199)	–	–
– trust plans and asset management plans	76,284	(76,284)	–	–
– equity investments	74,585	(74,585)	–	–
<b>Financial investments at fair value through other comprehensive income</b>				
– equity investments	–	–	5,624	(5,624)

Base on above sensitivity analysis, changing one or more of the unobservable inputs to reflect reasonably possible alternative assumptions would not result in a significant change in the fair value of relevant financial instruments.

## Notes to the Unaudited Interim Financial Statements

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

### 42 Entrusted lending business

The Bank provides entrusted lending business services to customers. All entrusted loans are funded by entrusted funds from these customers. The Bank does not take any credit risk in relation to these transactions. The Bank acts as an agent to hold and manage these assets and liabilities at the direction of the entrustor and receives fee income for the services provided. The entrusted assets are not the assets of the Bank and are not recognised in the statements of financial position. Surplus funding is accounted for as deposits from customers.

	At 30 June 2021 (Unaudited)	At 31 December 2020 (Audited)
Entrusted loans	<b>31,345,322</b>	36,175,510
Entrusted funds	<b>31,345,322</b>	36,175,510

### 43 Commitments and contingent liabilities

#### (a) Credit commitments

The Bank’s credit commitments take the form of approved loans with signed contracts, credit card commitments, bank acceptances, letters of credit and financial guarantees.

The Bank’s loan commitments are the commitments to extend credit for any given time in the form of approved loans and credit card limits. The Bank provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. Acceptances comprise of undertakings by the Bank to pay bills of exchange drawn on customers. The Bank expects most acceptances to be settled simultaneously with the reimbursement from the customers.

	At 30 June 2021 (Unaudited)	At 31 December 2020 (Audited)
Irrevocable loan commitments		
– Original contractual maturity within one year	<b>83,160</b>	–
Credit card commitments	<b>9,128,721</b>	7,491,816
Sub-total	<b>9,211,881</b>	7,491,816
Acceptances	<b>206,864,813</b>	194,625,498
Letters of credit	<b>76,919,241</b>	59,117,237
Letters of guarantees	<b>22,385,392</b>	20,647,128
Total	<b>315,381,327</b>	281,881,679

The Bank may be exposed to credit risk in all the above credit businesses. Bank Management periodically assesses credit risk and makes provision for any probable losses. As the facilities may expire without being drawn upon, the total of the contractual amounts shown above is not representative of expected future cash outflows. As at 30 June 2021 and 31 December 2020, provisions for credit commitments were RMB691 million and RMB1,006 million.

## Notes to the Unaudited Interim Financial Statements

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

### 43 Commitments and contingent liabilities *(Continued)*

#### (b) Credit risk-weighted amount for credit commitments

	At 30 June 2021 (Unaudited)	At 31 December 2020 (Audited)
Credit risk-weighted amounts	<b>59,750,613</b>	60,787,483

The credit risk-weighted amount for credit commitments represents the amount calculated with reference to the guidelines issued by the former CBRC.

#### (c) Capital commitments

As at 30 June 2021 and 31 December 2020, the Bank's authorised capital commitments are as follows:

	At 30 June 2021 (Unaudited)	At 31 December 2020 (Audited)
Contracted but not paid for	<b>321,027</b>	244,073
Authorised but not contracted for	<b>146,062</b>	147,024
Total	<b>467,089</b>	391,097

#### (d) Outstanding litigations and disputes

As at 30 June 2021 and 31 December 2020, the Bank has been involved in certain claims and acting as the defendant in certain outstanding litigations and disputes with an estimated gross amounts of RMB74.33 million and RMB81.30 million, respectively. The Bank has assessed the impact of the above outstanding litigations and disputes that may lead to an outflow of economic benefits. According to the opinion of the Bank's internal legal department and external lawyers, as at 30 June 2021 and 31 December 2020, the Bank has made provisions of RMB42.24 million and RMB42.24 million regarding such pending litigations and claims arising from normal course of business.



## Notes to the Unaudited Interim Financial Statements

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

**43 Commitments and contingent liabilities** *(Continued)***(e) Pledged assets****(i) Assets pledged as collateral**

	At 30 June 2021 (Unaudited)	At 31 December 2020 (Audited)
Investment securities	<b>84,889,059</b>	113,770,120
Discounted bills	<b>3,601,754</b>	11,311,854
<b>Total</b>	<b>88,490,813</b>	125,081,974

Some of the Bank’s assets are pledged as collateral under repurchase agreements, and borrowings from central bank.

The Bank’s pledged assets in relation to the purchase of bills under resale agreements can be sold or repledged. As at 30 June 2021 and 31 December 2020, the Bank did not have these discounted bills under resale agreements. As at 30 June 2021 and 31 December 2020, the Bank did not sell or repledge any pledged assets which it has an obligation to resale when they are due.

**(ii) Pledged assets received**

The Bank conducts resale agreements under the usual and customary terms of placements, and holds collaterals for these transactions. The Bank’s balance of financial assets held under resale agreements were included in Note 16. The fair value of such collateral accepted by the Bank was RMB2,293 million and RMB1,850 million as at 30 June 2021 and 31 December 2020. These transactions were conducted under standard terms in the normal course of business.

**44 Subsequent events**

Up to the approval date of the report, the Bank has no significant subsequent events for disclosure.

**45 Comparative figures**

For financial statements disclosure purpose, the Bank made reclassification adjustments to some comparative figures.

# Unaudited Supplementary Financial Information

(Expressed in thousands of Renminbi, unless otherwise stated)

In accordance with the Listing Rules and Banking (Disclosure) Rules, the Bank discloses the unaudited supplementary financial information as follows:

## 1 Liquidity coverage ratio and leverage ratio

### (a) Liquidity coverage ratio

	At 30 June 2021	Average for the six months 30 June 2021
Liquidity coverage ratio (RMB and foreign currency)	<b>162.63%</b>	121.23%

	At 31 December 2020	Average for the year ended 31 December 2020
Liquidity coverage ratio (RMB and foreign currency)	<b>109.68%</b>	125.31%

Pursuant to the Administrative Measures for Liquidity Risk Management of Commercial Banks, the liquidity coverage ratio of commercial banks shall reach 100%.

### (b) Leverage Ratio

	At 30 June 2021	At 31 December 2020
Leverage Ratio	<b>5.81%</b>	6.32%

Pursuant to the Leverage Ratio Management of Commercial Banks (Revision) issued by the former CBRC and was effective since 1 April 2015, a minimum leverage ratio 4% is required.

## Unaudited Supplementary Financial Information

(Expressed in thousands of Renminbi, unless otherwise stated)

**1 Liquidity coverage ratio and leverage ratio** *(Continued)***(c) Net Stable Funding Ratio**

	30 June 2021	31 December 2020
Available stable funding	<b>913,949,942</b>	829,018,653
Required stable funding	<b>856,301,517</b>	802,268,848
Net Stable Funding Ratio	<b>106.73%</b>	103.33%

Pursuant to the Administrative Measures on the Liquidity Risk Management of Commercial Banks, a minimum net stable funding ratio 100% is required.

The above liquidity coverage ratio, leverage ratio and net stable funding ratio are calculated in accordance with the formula promulgated by the former CBRC and based on the financial information prepared in accordance with PRC GAAP.

**2 Currency concentrations**

	At 30 June 2021			Total
	US Dollars (RMB equivalent)	HK Dollars (RMB equivalent)	Others (RMB equivalent)	
Spot assets	<b>154,116,951</b>	<b>4,197,871</b>	<b>2,907,178</b>	<b>161,222,000</b>
Spot liabilities	<b>(189,895,623)</b>	<b>(4,260,764)</b>	<b>(5,571,938)</b>	<b>(199,728,325)</b>
Net position	<b>(35,778,672)</b>	<b>(62,893)</b>	<b>(2,664,760)</b>	<b>(38,506,325)</b>

	At 31 December 2020			Total
	US Dollars (RMB equivalent)	HK Dollars (RMB equivalent)	Others (RMB equivalent)	
Spot assets	81,889,382	2,415,387	2,681,624	86,986,393
Spot liabilities	(107,329,506)	(2,469,775)	(5,428,988)	(115,228,269)
Net position	(25,440,124)	(54,388)	(2,747,364)	(28,241,876)

## Unaudited Supplementary Financial Information

(Expressed in thousands of Renminbi, unless otherwise stated)

### 3 International claims

The Bank is principally engaged in business operations within Mainland China, and regards all claims on third parties outside Mainland China as international claims.

International claims include loans and advances to customers, deposits with the central bank, deposits with banks and other financial institutions, placements with banks and other financial institutions and financial investments.

A country or geographical area is reported where it constitutes 10% or more of the aggregate amount of international claims, after taking into account any risk transfers. Risk transfers are only made if the claims are guaranteed by a party in a country which is different from that of the counterparty or if the claims are on an overseas branch of a bank whose Head Office is located in another country.

	At 30 June 2021		
	Banks	Non-bank financial institutions	Total
Asia Pacific (excluding North and South America)	<b>33,670,382</b>	<b>16,213,321</b>	<b>49,883,703</b>
Europe	<b>1,482,615</b>	–	<b>1,482,615</b>
North and South America	<b>14,410,138</b>	–	<b>14,410,138</b>
Others	<b>6,499</b>	–	<b>6,499</b>
<b>Total</b>	<b>49,569,634</b>	<b>16,213,321</b>	<b>65,782,955</b>

	At 31 December 2020		
	Banks	Non-bank financial institutions	Total
Asia Pacific (excluding North and South America)	4,213,004	8,968,565	13,181,569
Europe	484,378	–	484,378
North and South America	14,009,872	–	14,009,872
Others	6,796	–	6,796
<b>Total</b>	<b>18,714,050</b>	<b>8,968,565</b>	<b>27,682,615</b>

## Unaudited Supplementary Financial Information

(Expressed in thousands of Renminbi, unless otherwise stated)

**4 Gross amount of overdue loans and advances**

	At 30 June 2021	At 31 December 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)	<b>3,523,908</b>	1,565,957
– between 6 months and 1 year (inclusive)	<b>3,378,454</b>	6,704,712
– between 1 year and 3 years (inclusive)	<b>6,248,677</b>	4,069,444
– over 3 years	<b>2,584,284</b>	1,703,509
<b>Total</b>	<b>15,735,323</b>	14,043,622
As a percentage of total gross loans and advances		
– between 3 and 6 months (inclusive)	<b>0.36%</b>	0.18%
– between 6 months and 1 year (inclusive)	<b>0.35%</b>	0.75%
– between 1 year and 3 years (inclusive)	<b>0.64%</b>	0.46%
– over 3 years	<b>0.26%</b>	0.19%
<b>Total</b>	<b>1.61%</b>	1.58%

## Supplementary Information on Capital Composition and Leverage Ratio

The following information is disclosed in accordance with the Regulatory Requirement on Information Disclosure of Capital Composition in Commercial Banks, Appendix 2 to the Notice on Issuing Supporting Policy Documents for the Capital Regulation of Commercial Banks (《關於印發商業銀行資本監管配套政策文件的通知》) of the CBRC.

**Table 1: Capital Composition**

Unit: RMB million, %

No.	Item	June 30, 2021
<b>Core tier-one capital:</b>		
1	Paid-in capital	17,762
2	Retained earnings	58,567
2a	Surplus reserve	5,869
2b	General reserve	17,665
2c	Undistributed profits	35,033
3	Accumulated other comprehensive income and disclosed reserves	10,913
3a	Capital reserve	10,752
3b	Others	161
4	Amount allowed to be included in core tier-one capital during the transitional period (only applicable to non-stock corporation, banks of stock corporation just fill with 0)	0
5	Qualifying portion of minority shareholders' capital	0
<b>6</b>	<b>Core tier-one capital before regulatory adjustments</b>	<b>87,242</b>
<b>Core tier-one capital: Regulatory adjustments</b>		
7	Prudential valuation adjustments	0
8	Goodwill (net of deferred tax liabilities)	0
9	Other intangible assets other than land use rights (net of deferred tax liabilities)	140
10	Net deferred tax assets relying on future profitability and arising from operating losses	0
11	Reserves generated from the cash flow hedging to items that are not measured at fair value	0
12	Gaps of provision for loan impairment	0
13	Gains on sale of asset securitization	0
14	Unrealized profit or loss arising from the changes in the fair value of liabilities due to changes in own credit risk	0
15	Net defined-benefit pension assets (net of deferred tax liabilities)	0
16	Direct or indirect investments in own ordinary shares	0
17	Reciprocal cross-holdings in core tier-one capital between banks or between banks and other financial institutions	0
18	Deductible amount in core tier-one capital of non-significant minority capital investments in unconsolidated financial institutions	0
19	Deductible amount in core tier-one capital of significant minority capital investments in unconsolidated financial institutions	0
20	Collateralized loan service rights	N/A
21	Deductible amount in other net deferred tax assets relying on the Bank's future profitability	1,014
22	Deductible amount of non-deducted part of core tier-one capital of significant minority capital investments in unconsolidated financial institutions and other net deferred tax assets relying on the Bank's future profitability in excess of 15% of core tier-one capital	0
23	Of which: Amount deductible from significant minority capital investments in financial institutions	0

No.	Item	June 30, 2021
24	Of which: Amount deductible from collateralized loan service rights	N/A
25	Of which: Amount deductible from other deferred tax assets relying on the Bank's future profitability	0
26a	Investments in core tier-one capital of financial institutions that are under control but unconsolidated	0
26b	Gaps of core tier-one capital of financial institutions that are under control but unconsolidated	0
26c	Total of other items deductible from core tier-one capital	0
27	Non-deducted gap deductible from additional tier-one capital and tier-two capital	0
<b>28</b>	<b>Total regulatory adjustments to core tier-one capital</b>	<b>1,154</b>
<b>29</b>	<b>Core tier-one capital</b>	<b>86,088</b>
<b>Additional tier-one capital:</b>		
30	Additional tier-one capital instruments and related premium	19,962
31	Of which: Classified as equity	19,962
32	Of which: Classified as liabilities	0
33	Instruments not allowed to be included in additional tier-one capital after the transitional period	0
34	Qualifying portion of minority shareholders' capital	0
35	Of which: Not allowed to be included in additional tier-one capital after the transitional period	0
<b>36</b>	<b>Additional tier-one capital before regulatory adjustments</b>	<b>19,962</b>
<b>Additional tier-one capital: Regulatory adjustments</b>		
37	Direct or indirect investments in own additional tier-one capital	0
38	Reciprocal cross-holdings in additional tier-one capital between banks or between banks and other financial institutions	0
39	Deductible amount in additional tier-one capital of non-significant minority capital investments in unconsolidated financial institutions	0
40	Additional tier-one capital of significant minority capital investments in unconsolidated financial institutions	0
41a	Investments in additional tier-one capital of financial institutions that are under control but unconsolidated	0
41b	Gaps of additional tier-one capital of financial institutions that are under control but unconsolidated	0
41c	Other items deductible from additional tier-one capital	0
42	Non-deducted gap deductible from tier-two capital	0
<b>43</b>	<b>Total regulatory adjustments to additional tier-one capital</b>	<b>0</b>
<b>44</b>	<b>Additional tier-one capital</b>	<b>19,962</b>
<b>45</b>	<b>Tier-one capital (core tier-one capital + additional tier-one capital)</b>	<b>106,049</b>



**June 30,  
2021**

No.	Item	June 30, 2021
<b>Tier-two capital:</b>		
46	Tier-two capital instruments and related premium	9,396
47	Instruments not allowed to be included in tier-two capital after the transitional period	409
48	Qualifying portion of minority shareholders' capital	0
49	Of which: Not allowed to be included in tier-two capital after the transitional period	0
50	Qualifying portion of surplus provision for loan impairment	10,406
<b>51</b>	<b>Tier-two capital before regulatory adjustments</b>	<b>19,802</b>
<b>Tier-two capital: Regulatory adjustments</b>		
52	Direct or indirect investments in own tier-two capital	0
53	Reciprocal cross-holdings in tier-two capital between banks or between banks and other financial institutions	0
54	Deductible amount in tier-two capital of non-significant minority capital investments in unconsolidated financial institutions	0
55	Tier-two capital of significant minority capital investments in unconsolidated financial institutions	0
56a	Investments in tier-two capital of financial institutions that are under control but unconsolidated	0
56b	Gaps of tier-two capital of financial institutions that are under control but unconsolidated	0
56c	Other items deductible from tier-two capital	0
<b>57</b>	<b>Total regulatory adjustments to tier-two capital</b>	<b>0</b>
<b>58</b>	<b>Tier-two capital</b>	<b>19,802</b>
<b>59</b>	<b>Total capital (tier-one capital + tier-two capital)</b>	<b>125,851</b>
<b>60</b>	<b>Total risk-weighted assets</b>	<b>986,072</b>
<b>Requirements on capital adequacy ratio and reserve capital</b>		
61	Core tier-one capital adequacy ratio	8.73%
62	Tier-one capital adequacy ratio	10.75%
63	Capital adequacy ratio	12.76%
64	Specific capital requirements of regulators	
65	Of which: Reserve capital requirements	2.50%
66	Of which: Counter-cyclical capital requirements	0
67	Of which: Additional capital requirements of systemically important banks worldwide	0
68	Core tier-one capital meeting buffers as a percentage of risk-weighted assets	3.73%
<b>Domestic minimum regulatory capital requirements</b>		
69	Core tier-one capital adequacy ratio	5%
70	Tier-one capital adequacy ratio	6%
71	Capital adequacy ratio	8%

No.	Item	June 30, 2021
<b>Amounts below the threshold deductions</b>		
72	Non-deducted portion of non-significant minority capital investments in unconsolidated financial institutions	354
73	Non-deducted portion of significant minority capital investments in unconsolidated financial institutions	50
74	Collateralized loan service rights (net of deferred tax liabilities)	N/A
75	Other net deferred tax assets relying on the Bank's future profitability (net of deferred tax liabilities)	8,710
<b>Cap on surplus provision for loan impairment allowed to be included in tier-two capital</b>		
76	Provision for loan impairment actually provided under the Weighted Approach	27,592
77	Surplus provision for loan impairment allowed to be included in tier-two capital under the Weighted Approach	10,406
78	Surplus provision for loan impairment actually provided under the Internal Ratings Based Approach	N/A
79	Surplus provision for loan impairment allowed to be included in tier-two capital under the Internal Ratings Based Approach	N/A
<b>Capital instruments subject to phase-out arrangements</b>		
80	Amount allowed to be included in core tier-one capital for the current period due to arrangements in the transitional period	0
81	Amount not allowed to be included in core tier-one capital due to arrangements in the transitional period	0
82	Amount allowed to be included in additional tier-one capital for the current period due to arrangements in the transitional period	0
83	Amount not allowed to be included in additional tier-one capital due to arrangements in the transitional period	0
84	Amount allowed to be included in tier-two capital for the current period due to arrangements in the transitional period	409
85	Amount not allowed to be included in tier-two capital for the current period due to arrangements in the transitional period	539

**Table 2: Balance Sheet at the Group's Level**

Not Applicable, see the Interim Financial Report.

**Table 3: Detailed explanation on relevant items**

Unit: RMB million

Item	Amount in the balance sheet	Code
Goodwill	0	a
Intangible assets	562	b
Of which: Land use rights	422	c
Deferred income tax liabilities		
Of which: Deferred tax liabilities relating to goodwill	0	d
Of which: Deferred tax liabilities relating to other intangible assets (excluding land use rights)	0	e
Paid-in capital	17,762	
Of which: Amount allowed to be included in core tier-one capital	17,762	f
Other equity instruments	19,962	
Of which: Perpetual bonds	19,962	g
Capital reserve	10,752	h
Other comprehensive income	161	i
Surplus reserve	5,869	j
General reserve	17,665	k
Undistributed profits	35,033	l
Bonds payable	274,813	
Of which: Debts issued allowed to be included in tier-two capital instruments and related premium	9,396	m

**Table 4: Correspondence between all the items disclosed in the second step and items in the disclosure template of capital composition**

Unit: RMB million

Item	Amount	Code	
<b>Core tier-one capital:</b>			
1	Paid-in capital	17,762	f
2	Retained earnings	58,567	j+k+l
2a	Surplus reserve	5,869	j
2b	General reserve	17,665	k
2c	Undistributed profits	35,033	l
3	Accumulated other comprehensive income and disclosed reserves	10,913	h+i
3a	Capital reserve	10,752	h
3b	Other comprehensive income	161	i
9	Other intangible assets other than land use rights (net of deferred tax liabilities)	140	b-c-e
21	Deductible amount in other net deferred tax assets relying on the Bank's future profitability	1,014	
30	Additional tier-one capital instruments and related premium	19,962	g
46	Tier-two capital instruments and related premium	9,396	m

**Table 5: Main features of capital instruments**

		CHINA BOHAI BANK CO., LTD.			
1	Issuer				
2	Identification code (bond, stock code)	1224002.IB	1928024.IB	09668.HK	2128001.IB
3	Applicable laws	Mainland China	Mainland China	Hong Kong, China	Mainland China
4	Regulatory processing				
5	Of which: Applicable to rules for the transitional period of the Capital Administrative Measures for Commercial Banks (Provisional)	Included in tier-two capital, to be decreased year on year	Additional tier-one capital	Core tier-one capital	Included in tier-two capital
6	Of which: Applicable to the rules after expiration of the transitional period of the Capital Administrative Measures for Commercial Banks (Provisional)	Excluded from tier-two capital	Additional tier-one capital	Core tier-one capital	Included in tier-two capital
7	Of which: Applicable at legal person/group level	Legal person/group	Legal person/group	Legal person/group	Legal person/group
8	Instrument type	Subordinated debt	Undated capital bonds	Ordinary shares	Tier-two capital bonds
9	Amount allowed to be included in regulatory capital (expressed in RMB million, as at the latest reporting date)	409	19,962	14,044	8,987
10	Par value of the instrument (expressed in RMB million)	950	20,000	3,312	9,000
11	Accounting	Bonds payable	Other equity instruments	Share capital and capital reserve	Bonds payable
12	Initial issuance date	2012/7/20	2019/9/11	2020/7/16	2021/1/19
13	Existence of maturity (dated or undated)	Dated	Undated	Undated	Dated
14	Of which: Original maturity	2027/7/23	No maturity	No maturity	2031/1/19
15	Called by Issuer (subject to regulatory approval)	Yes	Yes	No	Yes
16	Of which: Redemption date (contingent redemption date) and amount	Subject to approval by the CBIRC, from the tenth anniversary since the issuance of the Bonds, the Issuer may redeem the Bonds in whole or in part.	Subject to approval by the CBIRC, from the fifth anniversary since the issuance of the Bonds, the Issuer may redeem the Bonds in whole or in part on each distribution payment date (including the fifth distribution payment date since the Issuance).	N/A	Subject to approval by the CBIRC, the Issuer may redeem part or all of the tier-two capital bonds at the par value on the last day of the fifth interest-bearing year of the tier-two capital bonds.

17	Of which: Subsequent redemption date (if any)	None	Subject to approval by the CBIRC, from the fifth anniversary of the Bonds, the Issuer may redeem the Bonds in whole or in part on each distribution payment date (including the fifth distribution payment date since the Issuance). If, after the Issuance, the Bonds no longer qualify as additional tier-one capital as a result of an unforeseeable change to relevant provisions of supervisory regulations, the Issuer may redeem all but not some only of the Bonds.	N/A	None
18	Bonuses or dividends				
19	Of which: Fixed or floating dividends/bonuses	Fixed	The distribution rate of the Bonds will be adjusted at defined intervals, with an interest period every 5 years since the payment settlement date. Each interest period has a fixed distribution rate.	Floating	Fixed
20	Of which: Coupon rate and relevant indicators	5.68%	The coupon rate for the first interest period is 4.75%.	N/A	4.40%
21	Of which: Existence of a dividend stopper	No	Yes	N/A	No
22	Of which: Discretion to cancel bonuses or dividends	Without discretionary	Sole discretionary	Sole discretionary	Without discretionary
23	Of which: Existence of redemption incentive mechanism	No	No	No	No
24	Of which: Cumulative or non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
25	Whether they are convertible into shares	No	No	N/A	No
26	Of which: Trigger(s) for conversion, if convertible	N/A	N/A	N/A	N/A
27	Of which: Fully or partially, if convertible	N/A	N/A	N/A	N/A
28	Of which: Method to determine the conversion price, if convertible	N/A	N/A	N/A	N/A
29	Of which: Mandatory or not, if convertible	N/A	N/A	N/A	N/A
30	Of which: Instrument type convertible into, if convertible	N/A	N/A	N/A	N/A

31	Of which: Issuer of the instrument convertible into, if convertible	N/A	N/A	N/A	N/A
32	Write-down feature	No	Yes	N/A	Yes
33	Of which: Trigger(s) for write-down, if write-down shall be committed	N/A	(1) Upon the occurrence of an additional tier-one capital instrument trigger event, namely, the Issuer's core tier-one capital adequacy ratio having fallen to 5.125% (or below), the Issuer has the right, subject to the approval of CBIRC but without the need for the consent of the Bond holders, to write down all or part of the aggregate amount of the Bonds then issued and outstanding bonds, in order to restore the core tier-one capital adequacy ratio to above 5.125%.	N/A	Upon the occurrence of a nonviable trigger event, the Issuer has the right, without the need for the consent of the Bond holders, write down all or part of the principal amount of the Bonds after all additional tier-one capital instruments are written down or converted into shares. Nonviable trigger event shall refer to the earlier of the following events:  (1) CBIRC having decided that the Issuer would become non-viable without a write-off; or  (2) the relevant authorities having decided that the Issuer would become nonviable without a public sector injection of capital or equivalent support.

(2) Upon the occurrence of a tier-two capital instrument trigger event, the Issuer has the right to write down in whole, without the need for the consent of Bond holders, the aggregate principal amount of the Bonds then issued and outstanding according to the outstanding par value. In particular, a tier-two capital instrument trigger event shall refer to the earlier of the following events:

- ① CBIRC having decided that the Issuer would become non-viable without a write-off; or
- ② the relevant authorities having decided that the Issuer would become nonviable without a public sector injection of capital or equivalent support.



34	Of which: Full or partial, if write-down shall be committed	N/A	Full/partial	N/A	Full/partial
35	Of which: Permanent or temporary, if write-down shall be committed	N/A	Permanent write-down	N/A	Permanent write-down
36	Of which: Write-up mechanism, if temporary	N/A	N/A	N/A	N/A
37	Hierarchy in liquidation (clarify instrument types with higher priorities)	The claims of the holders of the Bonds in respect of the principal and interest of the Bonds will be subordinated to other liabilities (excluding other subordinated indebtedness that ranks pari passu with the Bonds) of the Issuer; shall rank in priority to the Issuer's equity capital and hybrid capital bonds. All holders of the Bonds rank pari passu with each other. Unless the Issuer will wind up, enter bankruptcy or liquidate, investors shall not require the Issuer to repay the principal and interest of the Bonds earlier.	The claims in respect of the Bonds will be subordinated to claims of depositors, general creditors, and subordinated indebtedness that ranks senior to the Bonds; shall rank in priority to all classes of shares held by the Issuer's shareholders and rank pari passu with the claims in respect of any other tier-one capital instruments of the Issuer that rank pari passu with the Bonds. If subsequent amendments to the PRC Enterprise Bankruptcy Law or relevant regulations are applicable, such relevant laws and regulations shall prevail.	The claims in respect of ordinary shares will be subordinated to claims of depositors, general creditors, subordinated debt, tier-two capital debts and holders of additional tier-one capital instruments.	The claims in respect of the Bonds will be subordinated to claims of depositors and general creditors and subordinated equity capital, additional tier-one capital instruments and hybrid capital bonds. The Bonds ranks pari passu with other subordinated indebtedness issued by the Issuer, and shall rank in priority to all classes of shares issued in the future and held by the Issuer's shareholders and rank pari passu with the claims in respect of any other tier-two capital instruments of the Issuer that rank pari passu with the Bonds. Unless the Issuer will wind up, enter bankruptcy or liquidate, investors shall not require the Issuer to repay the principal and interest of the Bonds earlier.
38	Non-eligible temporary features	Yes	No	No	No
39	Of which: Clarify such features, if yes	No write-down or share conversion clause	N/A	N/A	N/A

The following information is disclosed in accordance with the Disclosure Templates of Leverage Ratio, Appendix 3 to the Administrative Measures on the Leverage Ratio of Commercial Banks (Revised) of the CBRC.

**Table 1: Regulatory leverage ratio items and corresponding accounting items**

N/A

**Table 2: Leverage ratio information table**

Unit: RMB million, %

No.	Item	Balance as at June 30, 2021
1	On-balance sheet assets (excluding derivatives and securities financing transactions)	1,557,540
2	Less: Deduction of tier-one capital	1,154
<b>3</b>	<b>Adjusted on-balance sheet assets (excluding derivatives and securities financing transactions)</b>	<b>1,556,386</b>
4	Replacement cost of various derivatives (net of eligible margin)	496
5	Potential risk exposure in various derivatives	822
6	Total collateral and pledges deducted from the balance sheet	0
7	Less: Assets receivable arising from provision of eligible margin	0
8	Less: Balance of derivative assets generated from transactions with central counterparties when providing clearing services to customers	0
9	Nominal principal of sold credit derivatives	0
10	Less: Balance of deductible sold credit derivative assets	0
<b>11</b>	<b>Balance of derivatives assets</b>	<b>1,319</b>
12	Balance of accounting assets of securities financing transactions	2,297
13	Less: Balance of deductible securities financing transaction assets	0
14	Counterparty credit risk exposure to securities financing transactions	772
15	Balance of securities financing transaction assets arising from securities financing transaction agency services	0
<b>16</b>	<b>Balance of securities financing transaction assets</b>	<b>3,069</b>
17	Balance of off-balance sheet items	337,611
18	Less: Balance of off-balance sheet items reduced due to credit conversion	71,707
<b>19</b>	<b>Balance of adjusted off-balance sheet items</b>	<b>265,904</b>
<b>20</b>	<b>Net tier-one capital</b>	<b>106,049</b>
<b>21</b>	<b>Balance of adjusted on- and off-balance sheet assets</b>	<b>1,826,678</b>
<b>22</b>	<b>Leverage ratio</b>	<b>5.81%</b>

Note: There may exist difference between some of the data in the above table and relevant data in financial report, which is due to rounding.

# Organizational Structure Chart

As of the Reporting Date, the principal organizational and management structure of the Bank are as follows:

