

为民而生  
与民共生

2020 INTERIM REPORT

(a joint stock limited company incorporated in the People's Republic of China)

Stock Code : 01988

USD Preference Share Stock Code : 04609

## Important Notice

The Board of Directors, the Board of Supervisors, the Directors, Supervisors and Senior Management of the Company warrant that there are no misstatements, misleading representations or material omissions in this report, and shall assume several and joint liability for the truthfulness, accuracy and completeness of its contents.

This Interim Report was considered and approved on 28 August 2020 at the twenty-second meeting of the seventh session of the Board of Directors of the Company. Of the 15 Directors who were entitled to attend the meeting, five Directors attended the meeting in person, namely the Chairman, Gao Yingxin, and the Directors, Zheng Wanchun, Peng Xuefeng, Liu Ningyu and Tian Suning, ten Directors, being the Vice Chairmen, Zhang Hongwei, Lu Zhiqiang and Liu Yonghao, and the Directors, Shi Yuzhu, Wu Di, Song Chunfeng, Weng Zhenjie, Li Hancheng, Liu Jipeng and Xie Zhichun, attended the meeting by teleconference. Of the nine Supervisors who were entitled to attend the meeting as non-voting delegates, nine Supervisors attended the meeting in person as non-voting delegates.

No interim profit will be distributed and no capital reserve will be used for capitalisation for the interim period of 2020.

For the purpose of this Interim Report, China Minsheng Banking Corp., Ltd. shall be referred to as the “Company”, the “Bank”, “China Minsheng Bank” or “Minsheng Bank”, whereas China Minsheng Banking Corp., Ltd. and its subsidiaries together shall be referred to as the “Group”.

The financial data and indicators contained in this Interim Report are prepared in accordance with the International Accounting Standards. Unless otherwise specified, all amounts are the consolidated data of the Group and are denominated in RMB.

The interim financial reports of the Company were not audited.

**Board of Directors**  
**China Minsheng Banking Corp., Ltd.**

Gao Yingxin (Chairman), Zheng Wanchun (President), Bai Dan (Senior Management responsible for finance and accounting) and Li Wen (Person in charge of the accounting department) warrant the truthfulness, accuracy and completeness of the financial reports included in this Interim Report.

改革转型 行稳致远





# 为民而生 与民共生

## Contents

### Important Notice

Contents	1	Changes in Share Capital and Information on Shareholders	94
Definitions	2	Directors, Supervisors, Senior Management, Employees and Business Network	113
Strategic Positioning and Reform and Transformation of the Company	3	Corporate Governance	120
Bank Profile	6	Report of the Board of Directors	128
Summary of Accounting Data and Financial Indicators	8	Major Events	133
Discussion and Analysis on Business Operation	11	Financial Reports	140

## Definitions

In this report, unless the context otherwise requires, the following terms shall have the meanings set out below.

“Bank” or “Company” or “China Minsheng Bank” or “Minsheng Bank”	China Minsheng Banking Corp., Ltd.
“Group”	the Company and its subsidiaries
“Minsheng Financial Leasing”	Minsheng Financial Leasing Co., Ltd.
“Minsheng Royal Fund”	Minsheng Royal Fund Management Co., Ltd.
“CBRC”	the former China Banking Regulatory Commission
“CIRC”	the former China Insurance Regulatory Commission
“CBIRC”	China Banking and Insurance Regulatory Commission
“CSRC”	China Securities Regulatory Commission
“SSE”	Shanghai Stock Exchange
“SEHK”	The Stock Exchange of Hong Kong Limited
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on SEHK
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Hong Kong Listing Rules
“Senior Management”	senior management of the Company
“Minsheng Royal Asset Management”	Minsheng Royal Asset Management Co., Ltd.
“CMBC International”	CMBC International Holdings Limited
“Reporting Period”	the period from 1 January 2020 to 30 June 2020



# Strategic Positioning and Reform and Transformation of the Company

## I. Mission

In view of the macro-economic situation with significant changes in economic development and economic structure as well as various challenges arising from the liberalisation of interest rate, emergence of fintech, accelerated financial disintermediation and increasingly stringent regulation, the Company comprehensively enhanced its capabilities to cope with external challenges and serve the real economy by continuously improving corporate governance, optimising management structure, pushing forward transformation and reform and innovating service models and methods. To actively respond to the new challenges brought by the COVID-19 epidemic and international situations, the Company further focused on development strategies, promoted business transformation and improved management, with an aim to achieve the expected goals of reform and transformation in the current stage.

## II. Strategic Positioning and Target

### (I) Strategic positioning

The Company aims to become a bank for the NSOEs, a fintech-based bank and a bank of comprehensive services.

### (II) Strategic targets

Adhering to the customer-centric philosophy and to realise the goals of high-quality development and profitability, the Company strives to transform itself into a digitalised and light-capital benchmark bank of comprehensive services, so as to further increase its corporate value.

## III. Reform and Transformation

To cope with the changing macro-economic conditions and new development trend of the banking industry, and to transform from extensive development into customer-centric refined development, the Board of Directors of the Company discussed and approved the Scheme for Reform and Transformation and the Three-year Development Plan (the “Scheme”) (《改革轉型暨三年發展規劃方案》) at the end of 2017. With an aim to maximise the market value, the Scheme promoted the implementation of the three strategic positionings of becoming “a bank for the NSOEs, a fintech-based bank and a bank of comprehensive services” with focus on business and management. Since 2018, the Company has carried out all tasks based on the three major strategic positionings and reform and transformation. Satisfactory results have been achieved with increased operation features and sharpened competitive edges.

## Strategic Positioning and Reform and Transformation of the Company

In 2020, to address the difficulties in the early stage of transformation and respond to the changes in domestic and international situations due to the epidemic prevention and control, the Company streamlined the six major tasks for reform and transformation and brought them up into detailed tasks and assessment indicators. Continuous transformation of business model and management mechanism was promoted to realise quality, efficient and effective development. During the Reporting Period, business transformation and management enhancement of the Company were under smooth progress.

Firstly, the Company accelerated the implementation of NSOE strategy. The Company further expanded the service system for strategic NSOEs to cover 160 and 700 NSOEs at the Head Office and branch levels, respectively. The development of synergy mechanism between business operation and risk management was under solid progress and the building of account planning system was preliminarily completed. The Company made notable progress in developing businesses of niche NSOEs along the supply chain, and steadily pressed ahead the development of platform and service teams of new supply chain business. The number of newly launched projects such as Credit Financing E (信融e) as well as the number of new core enterprises increased significantly. Customer base of small and medium-sized NSOEs continued to expand through online customer acquisition. The synergy mechanism between small and medium-sized enterprises (SME) business and supply chain business was improved, and the investment eco-system of “Ying Huo Plan (螢火計劃)” was further enlarged.

Secondly, the Company expanded the IT-empowered “big retail banking (大零售)”. The Company intensified the coordinated management of “big retail banking”, sped up the development of innovative asset business, improved wealth management capability, integrated operation of all retail channels and the management mechanism of customer experience. By implementing the fintech development plan for retail business, the Company innovated online operation and service models to continuously enhance online service capability. The Company accelerated the exploration of scenario-based consumer finance and introduced featured products under Minsheng Easy Loan (民易貸) with enhanced capability of big data-based risk control modeling. To advance the transformation of Small Business version 3.0, the Company strengthened comprehensive services under the “one account one policy (一戶一策)”, provided differentiated services and product allocation and accelerated the upgrading of online service models, so as to foster good brand reputation.

## Strategic Positioning and Reform and Transformation of the Company

Thirdly, the Company promoted the implementation of fintech strategy and large-scale innovations. The Company formulated a three-year plan for fintech strategy to enhance IT governance, integrate business strategies and IT strategies and strengthen the synergy among internet finance, IT and different business lines. The Company stepped up data governance to enhance the capability of big data-based risk control modeling and promote large-scale application of big data in key areas. A fintech accelerator was created to facilitate the establishment of an open and efficient innovation platform.

Fourthly, the Company steadily promoted the transformation of asset management business. The Company strengthened investment research, asset acquisition and outsourcing capabilities of asset management, and established the management system for investment research of public funds. The Company further engaged net-worth wealth management products with underlying assets to facilitate the transformation of investment management system and procedures of net-worth wealth management products, thus to realise process-based online operation of front, middle and back offices. With improved mechanisms and systems, the Company has made noticeable progress in establishing the wealth management subsidiary.

Fifthly, the Company improved the effectiveness of non-performing asset management. The Company stipulated the strategy of “one account one policy (一户一策)” to strengthen professional and standardised management of categorised non-performing assets. Competitive KPI systems for business units and personnel engaged in collection were set up to perfect the valuation system and the assessment and incentive mechanism for non-performing assets. The professional capability to manage non-performing assets was further enhanced and outstanding results have been achieved.

Sixthly, the Company developed a motivation mechanism to improve organisational efficiency. The Company carried out market-oriented reform on human resources system and mechanism by optimising key management procedures, reducing the number of institutions at the Head Office, and introducing professional and younger management teams, in an aim to enhance organisational efficiency and vitality. To build up a coordinated marketing mechanism and cultivate the culture under “One Minsheng”, the Company enhanced the cross-selling among the five major businesses and the strategic NSOEs. Value-oriented and strategy-oriented resource allocations were made. The Company conducted strategy-focused performance management, emphasised compliant operations and encouraged distinctive development. The Company also adopted a comprehensive assessment and incentive mechanism that combined long-term and short-term performance, so as to effectively boost its development vitality.



## Bank Profile

- Registered Chinese Name of the Company: 中國民生銀行股份有限公司  
(Abbreviation: “中國民生銀行”)  
Registered English Name of the Company: CHINA MINSHENG BANKING CORP., LTD.  
(Abbreviation: “CMBC”)
- Legal Representative of the Company: Gao Yingxin
- Authorised Representatives of the Company: Xie Zhichun  
Wong Wai Yee, Ella
- Board Secretary: Bai Dan  
Company Secretary: Wong Wai Yee, Ella  
Representative of Securities Affairs: Wang Honggang
- Mailing Address: China Minsheng Bank Building,  
No. 2 Fuxingmennei Avenue, Xicheng District, Beijing, China  
Postal Code: 100031  
Telephone: 86-10-58560666  
Facsimile: 86-10-58560720  
Email: cmbc@cmbc.com.cn
- Registered Address: No. 2 Fuxingmennei Avenue, Xicheng District, Beijing, China  
Postal Code: 100031  
Website: www.cmbc.com.cn  
Email: cmbc@cmbc.com.cn
- Branch Office and Place of Business in Hong Kong: 40/F and 4106-08 41/F, Two International Finance Centre,  
8 Finance Street, Central, Hong Kong
- Newspapers Selected by the Company for Information Disclosure: China Securities Journal, Shanghai Securities News and Securities Times  
Website Designated by the CSRC for Publishing the A Share Interim Report: www.sse.com.cn  
Website Designated by the SEHK for Publishing the H Share Interim Report: www.hkexnews.hk  
Place for Collection of the Interim Report: Office of the Board of the Company

9. Legal Adviser as to PRC Law: Grandall Law Firm, Beijing Office  
 Legal Adviser as to Clifford Chance  
 Hong Kong Law:
10. Domestic Accounting Firm: PricewaterhouseCoopers Zhong Tian LLP  
 Office Address: 11/F, PricewaterhouseCoopers Center,  
 Link Square 2, 202 Hu Bin Road,  
 Huangpu District, Shanghai  
 International Accounting Firm: PricewaterhouseCoopers  
 Office Address: 22/F, Prince's Building, 10 Chater Road,  
 Central, Hong Kong
11. A Share Registrar: China Securities Depository and Clearing Corporation Limited  
 (Shanghai Branch)  
 Office Address: 36/F, China Insurance Building,  
 No. 166 Lujiazui East Road, New Pudong District,  
 Shanghai, China  
 H Share Registrar: Computershare Hong Kong Investor Services Limited  
 Office Address: Shops 1712–1716, 17th Floor, Hopewell Centre,  
 183 Queen's Road East, Wanchai, Hong Kong
12. Places of Listing, Stock Names and Stock Codes:
- |                            |                        |             |
|----------------------------|------------------------|-------------|
| A Share:                   | Stock Name:            | Stock Code: |
| SSE;                       | MINSHENG BANK;         | 600016      |
| H Share:                   | Stock Name:            | Stock Code: |
| SEHK;                      | MINSHENG BANK;         | 01988       |
| Domestic Preference Share: | Stock Name:            | Stock Code: |
| SSE;                       | Minsheng Preference 1; | 360037      |
| Offshore Preference Share: | Stock Name:            | Stock Code: |
| SEHK;                      | CMBC 16USDPREF;        | 04609       |
13. Initial Date of Registration: 7 February 1996  
 Initial Place of Registration: No. 4 Zhengyi Road, Dongcheng District, Beijing, China
14. Date of Registration for Subsequent Change: 20 November 2007  
 Place of Registration: No. 2 Fuxingmennei Avenue, Xicheng District, Beijing, China
15. Unified Social Credit Code: 91110000100018988F

# Summary of Accounting Data and Financial Indicators

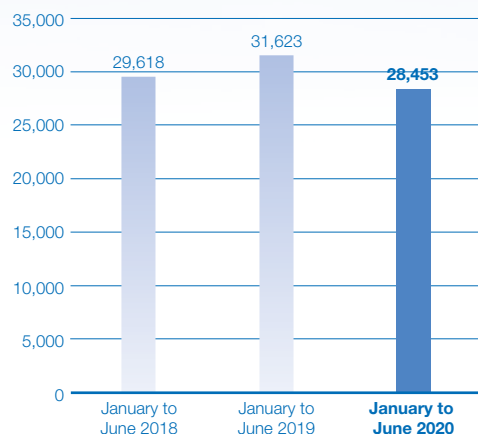
## I. Major Accounting Data and Financial Indicators

	January to June 2020	January to June 2019	Changes of the Reporting Period over the corresponding period of the previous year	January to June 2018
			Increase/ decrease (%)	
<b>Operating results</b> (RMB million)				
Net interest income	55,156	45,523	21.16	33,874
Net interest income (after adjustment)	61,745	53,919	14.51	46,555
Net non-interest income	41,603	41,560	0.10	40,413
Net non-interest income (after adjustment)	35,014	33,164	5.58	27,732
Operating income	96,759	87,083	11.11	74,287
Operating expenses	20,659	19,224	7.46	18,870
Impairment losses on loans and advances	36,989	28,716	28.81	19,177
Profit before income tax	33,083	38,423	-13.90	35,886
Net profit attributable to equity shareholders of the Company	28,453	31,623	-10.02	29,618
Net cash flow from operating activities	113,992	61,728	84.67	-162,272
<b>Data per share</b> (RMB)				
Basic earnings per share	0.61	0.72	-15.28	0.68
Diluted earnings per share	0.61	0.72	-15.28	0.68
Net cash flow per share from operating activities	2.60	1.41	84.40	-3.71
			Changes in percentage points	
<b>Profitability indicators</b> (%)				
Return on average assets (annualised)	0.83	1.04	-0.21	1.00
Return on weighted average equity (annualised)	11.48	14.86	-3.38	15.81
Cost-to-income ratio	20.31	21.12	-0.81	24.35
Net fee and commission income to operating income ratio	29.38	31.33	-1.95	32.75
Net interest spread	1.88	1.74	0.14	1.54
Net interest margin (restated)	2.11	2.00	0.11	1.77

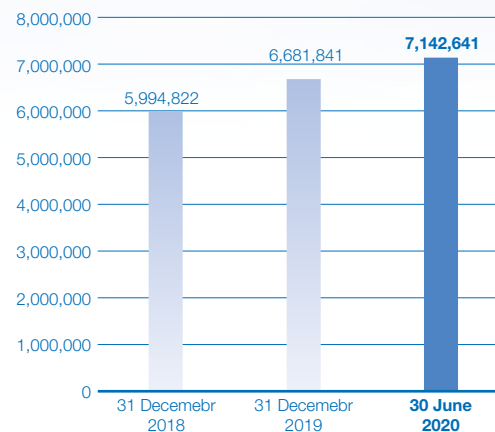


## Summary of Accounting Data and Financial Indicators

### Net Profit Attributable to Equity Shareholders of the Company (RMB million)



### Total Assets (RMB million)



	30 June 2020	31 December 2019	Changes from the end of the previous year to the end of the Reporting Period	31 December 2018
			Increase/decrease (%)	
<b>Scale indicators</b> (RMB million)				
Total assets	7,142,641	6,681,841	6.90	5,994,822
Total loans and advances to customers	3,798,459	3,487,601	8.91	3,056,746
Total liabilities	6,603,764	6,151,012	7.36	5,563,821
Total deposits from customers	3,902,802	3,604,088	8.29	3,167,292
Share capital	43,782	43,782	—	43,782
Total equity attributable to equity shareholders of the Company	527,417	518,845	1.65	420,074
Total equity attributable to ordinary shareholders of the Company	457,557	448,985	1.91	410,182
Net assets per share attributable to ordinary shareholders of the Company (RMB)	10.45	10.26	1.85	9.37
			Changes in percentage points	
<b>Asset quality indicators</b> (%)				
Non-performing loan ("NPL") ratio	1.69	1.56	0.13	1.76
Allowance to NPLs	152.25	155.50	-3.25	134.05
Allowance to total loans	2.58	2.43	0.15	2.36
<b>Capital adequacy ratio indicators</b> (%)				
Core tier-one capital adequacy ratio	8.24	8.89	-0.65	8.93
Tier-one capital adequacy ratio	9.50	10.28	-0.78	9.16
Capital adequacy ratio	12.72	13.17	-0.45	11.75
Total equity to total assets ratio	7.54	7.94	-0.40	7.19

## Summary of Accounting Data and Financial Indicators

### Notes:

1. The new accounting standards in relation to financial instruments have been adopted since 1 January 2018, pursuant to which, gains from the holding of financial assets at fair value through profit or loss are no longer recorded as interest income. The adjusted data of relevant gains to interest income was stated with adjustment.
2. Return on average assets = net profit/average balance of total assets at the beginning and the end of the period.
3. Earnings per share and return on weighted average equity: calculated according to regulations including the Preparation Rules for Information Disclosure by Companies Offering Securities to the Public No. 9 – Calculation and Disclosure 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)) promulgated by the CSRC, etc. The effect of the distribution of preference shares dividends and interest of perpetual bonds was taken into account in calculating the above indicators.
4. Cost-to-income ratio = (operating and other operating expenses – tax and surcharges)/operating income.
5. Net interest spread = return on average balance of interest-earning assets – cost ratio of average balance of interest-bearing liabilities.
6. Net interest margin = net interest income/average balance of interest-earning assets. The interim figures of 2018 had been restated.
7. Total loans and advances to customers and total deposits from customers did not include accrued interests.
8. NPL ratio = total NPLs/total loans and advances to customers.
9. Allowance to NPLs and allowance to total loans were calculated according to Notice on the Regulatory Requirement on Adjustment to Allowance for Impairment Losses on Loans of Commercial Banks (《關於調整商業銀行貸款損失準備監管要求的通知》) (Yin Jian Fa [2018] No. 7) promulgated by the CBIRC. Allowance to NPLs = allowance for impairment losses on loans/total NPLs; allowance to total loans = allowance for impairment losses on loans/total loans and advances to customers.

## II. Supplementary Accounting Data and Financial Indicators

(Unit: %)

Major Indicator	Benchmark	30 June 2020	31 December 2019	31 December 2018
Liquidity ratio	Consolidated in RMB ≥25	55.41	54.06	51.64

Note: The above data are information of the Company and are calculated based on the regulations of the CBIRC.

# Discussion and Analysis on Business Operation

## I. Review of Economic and Financial Conditions and Government Policies

During the Reporting Period, the outbreak of the COVID-19 epidemic has rapidly evolved into a global epidemic that remained unabated. In order to prevent further spread of the virus and mitigate its impact on the economy, many countries have taken various quarantine measures and introduced economic stimulus policies of an unprecedented scale. As a result, the global economy has slumped significantly and the industry chain has been struck by the disruption in both supply and demand. The international financial markets were also mired in drastic fluctuations. Firstly, the global economy has slumped significantly. In the second quarter, the US economy experienced the greatest decline in history while the European economy faced severe shrinkage. Economic indicators of Japan remained at a low level and the economies of emerging markets were adversely affected. The International Monetary Fund and the World Bank have consecutively lowered their growth expectation of the global economy and were of the view that the global economy in 2020 would experience the most severe economic recession since the Second World War. Secondly, the industry chain has been struck by the disruption in both supply and demand. Following the economic globalisation, the proportion of intermediate product trading increases every year as the division of global industry chain becomes more sophisticated. Quarantine measures taken by many countries have buffeted the operation of global industry chain which depends heavily on intermediate product trading, resulting in a sudden disruption in both supply and demand and an enormous negative impact on the entire industry chain. Thirdly, the international financial markets were mired in drastic fluctuations. The US stock market triggered the circuit breaker four times in March and entered a technical bear market within the shortest time span in history. Subsequently, with the support of the stimulus policy adopted by the US Federal Reserve, the market experienced a speedy rebound and reached a record high. Affected by the substantial shrinkage in demand and the lower-than-expected reduction in production of OPEC+, international crude oil price plummeted but subsequently rebounded due to the implementation of production reduction policies in oil-producing countries and the bottoming out of the global economy.

During the Reporting Period, in the face of tough challenges brought by the COVID-19 epidemic as well as complicated and ever-changing domestic and foreign environment, the Chinese government coordinated the tasks of epidemic prevention and control and the economic and social development initiatives of the entire nation. With positive signs shown in the epidemic prevention and control, the resumption of work, production, market trading and economic activities accelerated. The economy continued to be resilient with GDP growth rate increasing from -6.8% for the first quarter to 3.2% for the second quarter. Key indicators rebounded while the economy was on a steady recovery track. In active response to new challenges arising from the epidemic, the Chinese government insisted on promoting steady economic growth and focused on supply-side structural reform, in order to foster high-quality economic and social development. More proactive fiscal policies were adopted through implementing policies on reducing taxes and surcharges, raising deficit rate at an appropriate level, issuing anti-epidemic special bonds, expanding the scale of



## Discussion and Analysis on Business Operation

special bonds of local governments and supporting new-type infrastructure, new urbanisation and major utilities projects. Prudent monetary policies were more flexible as the government introduced numerous supporting policies, resulting in reasonably sufficient liquidity in the financial system. Coupled with rising credit and social financing scale and lowering lending interest rate, financial support for the real economy has significantly increased. In addition, the central bank continued to optimise credit structure and refine the system of structured monetary policy tools. Innovative monetary policy tools were made available to the real economy so as to encourage more capital support from financial institutions to the real economy, particularly small and micro enterprises and NSOEs. The prudent monetary policy achieved remarkable success with the substantial improvement of policy transmission in terms of insightfulness, accuracy, proactiveness and effectiveness. The government adopted regulatory policies to closely monitor the most significant risk while maintaining a sound and sustainable capital replenishment mechanism to support capital replenishment of small and medium-sized banks. These policies enhanced the capability of banks in serving the real economy, preventing and mitigating financial risks and preventing the risk of social credit contraction. Financial risks were managed in a prudent and orderly manner. Through further speeding up financial reform and opening-up and deepening international and regional financial cooperation, China has improved the coordination with international macro-economic and financial policies.

As the government stepped up epidemic prevention and control and called for banks to concess interest to the real economy, total credit extension of the banking industry remained high. With sufficient capital resources to support asset expansion, net interest margin decreased. On the backdrop of general increase in transaction volume and decrease in price as well as temporary pressure on asset quality, profitability of commercial banks decreased as compared with the corresponding period of the previous year. The epidemic has enlarged the gaps among the performance of different types of banks. Leading banks remained relatively stable operation while unlisted small and medium-sized banks encountered greater operation pressure.

### II. Objectives and Strategies

Adhering to customer-centric principle, with focus on promoting high-quality development and profitability, the Company coordinated tasks of epidemic prevention and control and daily operation, strengthened support for the real economy, steadily advanced reform and transformation, innovated operation and management models and coordinated financial risk prevention. Fruitful results have been achieved in these aspects.

1. The Company strengthened support to the real economy to alleviate the impact of the epidemic. The Company furthered improved financial services for small, medium and micro-sized enterprises with enhanced service capability. The Company increased credit provision to the manufacturing industry strictly in accordance with the regulatory requirements. The provision of loans for poverty alleviation was also increased to ensure the orderly implementation of targeted poverty alleviation by finance. The Company actively supported the development of new trading models and improved services for customers engaged in cross border e-commerce, market procurement and international trade. The Company promoted conversion of loan pricing benchmark and reduction of loan interest rate to facilitate the effective implementation of the LPR reform.
2. The Company steadily implemented reform and transformation. According to the Overall Implementation Scheme for Reform and Transformation and the Three-year Development Plan of China Minsheng Bank (2018–2020) (《中國民生銀行改革轉型暨三年發展規劃整體實施方案(2018–2020)》), all major reform and transformation works were carried out. The incentive and constraint mechanisms were improved to further step up the reform and transformation. Various measures were adopted by the Company to promote the value of corporate, retail and inter-bank customer groups and to optimise liability structure. All business lines of the Company acted in concert to speed up the implementation of NSOE strategies. The Company strengthened synergy between IT and internet finance and business operation to press ahead technology-driven finance. Cross-selling was improved to facilitate integrated operation. The Company intensified synergy between risk management and business development and improved comprehensive risk management. The Company adopted value-oriented and strategy-oriented resource allocation and performance appraisal to optimise the organisational structure and talent structure.

## Discussion and Analysis on Business Operation

3. Adhering to the historical mission of “From the People, For the People (為民而生 · 與民共生)”, the Company served as a bank for the NSOEs. According to the NSOE strategy, the Company steadily accelerated the development and management of strategic NSOEs, small and medium-sized NSOEs, small and micro-sized NSOEs and niche NSOEs. The Company comprehensively promoted coordinated implementation of the NSOE strategy at the Head Office and branches and introduced supporting policies with focus on major issues of the strategy. With an aim to improve the quality and efficiency of services for small business finance, the Company adopted differentiated risk management policies on the existing quality small and micro customers of secured loans in accordance with the national requirements on supporting small and micro enterprises. The small business supply chain finance model was developed. Leveraging on easier access to market and better understanding of customers of business units, the Company provided financial services to all customers along the supply chain and established distinctive characteristics and strengths of supply chain finance. The implementation of supply chain finance strategy was accelerated.
4. The Company strengthened synergy between technology and business to become a fintech-based bank. In more open-minded and active response to the opportunities and challenges arising from fintech development, the Company pushed forward the implementation of the Fintech-Based Strategic Development Plan of China Minsheng Bank (2019–2022) (《中國民生銀行科技金融戰略發展規劃 (2019–2022)》) to promote digitalised, internet-based and intelligent transformation with reforms in systems and mechanisms as the starting point. It is the objective of the plan to make use of technology and data to improve the capability to serve the real economy, restructure the ecosystem and the value chain so as to achieve the strategic goal of becoming a digitalised bank empowered by technologies. The Company improved its smart services and enhanced customer experience by promoting the development of direct bank, remote banking, online small business loans and credit card online services as well as the introduction of 5G-based mobile banking as the first in the industry. The synergy between technology and business was strengthened with the transformation of distributed structure as the driving force and data governance as the focus, which supported the implementations of strategies and reform and transformation by providing resources guarantees.

## Discussion and Analysis on Business Operation

5. The Company established a “customer-centric” integrated service system to develop into a bank of comprehensive services. The Company promoted system building of cross-selling and business synergy and formulated and refined cross-selling mechanism for strategic NSOE customers and entrepreneur customer groups. All these contributed to improving the quality and efficiency of cooperate business, promoting business development of retail banking, financial markets and subsidiaries as well as establishing a comprehensive service system integrating capital, intelligence and commerce. The scope of cross-selling had been expanded to cover bond underwriting + investment, property development loan + personal mortgage loan, personal consumer loan of employees of corporate customers and inter-bank business, etc. The Company established mechanisms for cross-selling and marketing, pricing and profit distribution, appraisal and incentives of key businesses. The Company clarified resource allocation, team building and supporting system and data platform to achieve coordinated development of all business lines. The Company supported national strategies including the integrated development of the Yangtze Delta, Guangdong-Hong Kong-Macau Greater Bay Area, Hainan Free Trade Port and Chengdu-Chongqing Economic Circle to promote coordinated regional economic and social development. The Company continued to optimise the layout of institutions to support accelerated development of business units in key areas, optimise business synergy of subsidiaries and enhance synergy between domestic and overseas branches.
6. The Company strengthened comprehensive and refined management. The Company promoted the expansion of asset and liability scales and optimised its structure. The Company increased credit support for the prevention and control of epidemic and optimised the geographical distribution of loans. Measures were taken for advancing the liberalisation of interest rate while maintaining and improving the net interest margin. The Company enhanced the management of low-yield assets to improve the return on assets and capital efficiency. The pricing of services was regulated to standardise the intermediary services for healthy and sustainable development. Capital management was further enhanced to speed up the transformation towards light-capital development. The Company enhanced financial management to improve the input-output efficiency of financial resources. The risk management of asset and liability was strengthened and liability maturity of the Company was reasonably extended.

## Discussion and Analysis on Business Operation

7. The Company enhanced comprehensive risk management. A comprehensive risk management system has been established. The Company revised and improved risk management policies and regulated centralised management of risk policies. The Company further optimised its internal control system by promoting synergy among departments in charge of audit, risk management and internal control and compliance. The Company strengthened the management of key legal risks to ensure a safe operation environment for the entire Bank. The risk management of money laundering was strengthened to safeguard the reform and transformation and business development. The Company implemented a work mechanism for professionally managing non-performing assets to facilitate efficient collection and disposal of non-performing assets throughout the Bank. In order to ensure the compliant operation of the Group, the Company strengthened guidance on and management of the subsidiaries regarding internal control and compliance.
  
8. The Company further improved the organisational efficiency. In order to cope with changes in operating environment, further promote its reform and transformation and reshape corporate culture based on the “strategy-oriented, value-oriented, sustainability-oriented” principles, the Company strove to become an institution with streamlined organisational structure, highly capable and competent staffs and outstanding performance. With clearly defined organisational structure, job positions, staff arrangements, performance objectives, recruitment and remuneration, the Company restructured the six systems of human resources management by optimising organisational structure, streamlining business processes, clarifying job responsibilities, confirming staff arrangements, re-establishing appraisal system, matching job positions with suitable employees and confirming value of each job position. The Company also enhanced organisational efficiency and talent cultivation to push forward the transformation from a “big head office” to a “powerful head office”.



### III. Overview of Operations

During the Reporting period, in the face of tough challenges brought by the COVID-19 epidemic as well as the complicated and ever-changing domestic and overseas economic environment, the Company resolutely implemented the decisions deployed by the CPC Central Committee and the State Council and acted in strict compliance with the regulatory requirements. In response to the national policies on ensuring stability on the six fronts (i.e. employment, financial operations, foreign trade, foreign investment, domestic investment and market expectations) and security in six areas (i.e. employment, people's livelihood, the development of market entities, food and energy security, stable operation of the industrial and supply chains and smooth functioning at the community level), the Company coordinated tasks of epidemic prevention and control with its operation development. The Company supported the resumption of work and production of enterprises affected by the epidemic and assisted small and micro enterprises and self-employed business owners in difficulties and improved comprehensive services of inclusive finance. The Company performed social responsibilities by donating funds and necessary supplies to regions that were hit hard by the epidemic. In addition, to align with its strategic positionings of becoming "a bank for the NSOEs, a fintech-based bank and a bank of comprehensive services", the Company deepened the reform and transformation initiatives under its overall deployment of deepening reforms, promoting development, restructuring business, controlling risks, boosting growth, ensuring compliance, consolidating brand and enhancing Party building. The Company also strengthened the collection and disposal of non-performing assets to prevent and mitigate financial risks. Operation performance maintained stable and business development was steadily improved.

#### (I) Stable operation performance with improved operating efficiency

**Profitability remained stable.** During the Reporting Period, the Group recorded operating income of RMB96,759 million, representing an increase of RMB9,676 million, or 11.11%, as compared with the corresponding period of the previous year. Net interest margin was 2.11%, representing an increase of 0.11 percentage points as compared with the corresponding period of the previous year. Profit before allowance and income tax amounted to RMB76,100 million, representing an increase of RMB8,241 million, or 12.14%, as compared with the corresponding period of the previous year. Net profit attributable to equity shareholders of the Company amounted to RMB28,453 million, representing a decrease of 10.02%, as compared with the corresponding period of the previous year. The decrease was mainly due to the increase in provision of allowance and asset disposals.

## Discussion and Analysis on Business Operation

**Operating efficiency continued to enhance.** During the Reporting Period, the Group continued to reduce cost and enhance efficiency while further improving the input-output efficiency. Cost-to-income ratio was 20.31%, representing a decrease of 0.81 percentage points as compared with the corresponding period of the previous year.

**Returns to shareholders was steady.** During the Reporting Period, annualised return on average assets and annualised return on weighted average equity attributable to ordinary shareholders of the Company were 0.83% and 11.48%, representing decreases of 0.21 percentage points and 3.38 percentage points as compared with the corresponding period of the previous year, respectively. Basic earnings per share was RMB0.61, decreased by RMB0.11 as compared with the corresponding period of the previous year. As at the end of the Reporting Period, net assets per share attributable to ordinary shareholders of the Company was RMB10.45, increased by RMB0.19 as compared with the end of the previous year.

### (II) Coordinated expansion of business scale to support the real economy

**Asset and liability scales maintained continuous growth.** As at the end of Reporting Period, total assets of the Group amounted to RMB7,142,641 million, representing an increase of RMB460,800 million, or 6.90%, as compared with the end of the previous year. Total loans and advances to customers amounted to RMB3,798,459 million, representing an increase of RMB310,858 million, or 8.91%, as compared with the end of the previous year. Total liabilities amounted to RMB6,603,764 million, representing an increase of RMB452,752 million, or 7.36%, as compared with the end of the previous year. Of which, total savings deposits amounted to RMB819,093 million, representing an increase of RMB100,730 million, or 14.02%, as compared with the end of the previous year. Proportion of savings deposits was 20.99%, representing an increase of 1.06 percentage points, as compared with the end of the previous year.

**Comprehensive services continued to improve.** During the Reporting Period, the Company proactively improved the quality and efficiency of services provided to the real economy and reasonably increased credit extension to the manufacturing industry and NSOEs. The financial supports facilitated the resumption of work and production of medium, small and micro enterprises as well as the economic recovery nationwide. Firstly, the Company strengthened credit support for the manufacturing industry and enterprises and allocated more resources to strategic sectors and key regions, such as infrastructure projects that were related to the public welfare. Secondly, the Company implemented financial support policies for small and micro enterprises and increased loans to small and micro enterprises to ensure stable credit services for them. Thirdly, the Company continued to promote the reform of LPR to decrease loan interest rate and reduce financing cost of enterprises, creating favourable environment for boosting economic development, supporting enterprises and securing employment. As at the end of the Reporting Period, total loans to small

## Discussion and Analysis on Business Operation

and micro enterprises amounted to RMB474,074 million, representing an increase of 6.64% as compared with the end of the previous year. Of which, total inclusive loans to small and micro enterprises amounted to RMB425,084 million.

### (III) Remarkable results in operation transformation with accelerated digitalisation

During the Reporting Period, the Company steadily promoted the implementation of various reform and transformation initiatives. Integrated development of key strategic customer groups was also strengthened, fintech-empowered business development was promoted and significant improvement was achieved in comprehensive financial services.

- 1. The Company accelerated the implementation of NSOE strategy.** With focus on NSOE customer groups, the Company further innovated the “five-in-one” service model. It also refined the segmentation and classification of its customers and established a digitalised, standardised and process-based SME business model, which provided comprehensive and professional financial solutions to strategic NSOEs, niche NSOEs, small and medium NSOEs and small and micro customers. During the Reporting Period, daily average deposits from strategic NSOE customers of the Company was RMB484,185 million, representing an increase of 34.55% as compared with the previous year. As at the end of the Reporting Period, total loans was RMB566,179 million, representing an increase of 29.72%, as compared with the end of the previous year. The number of SME customers was 228.1 thousand, representing an increase of 33.8 thousand as compared with the end of the previous year.
- 2. The Company enhanced the layout of fintech strategy.** The Company further implemented the strategy of “becoming a fintech-based bank”, actively explored and applied cutting-edge fintech to upgrade its internet finance platform. Continuous innovations were made in the “three banking systems (三個銀行)”, namely online banking, mobile banking and WeChat banking, and the “four platforms (四個平台)”, namely bank-enterprise direct connect platform (銀企直聯平台), online payment platform, digital operation platform and open banking service platform (開放銀行服務平台). Along with its “zero-contact” online service system and the “5G-based mobile bank”, the first in the industry, the overall service capabilities of internet finance were significantly improved and the market share and brand influence of the Company were further expanded. As at the end of the Reporting Period, the number of direct bank customers of the Company was 32,236.4 thousand, representing an increase of 3,033.4 thousand, as compared with the end of the previous year. Financial assets managed by the Company was RMB118,031 million, representing an increase of RMB8,199 million, as compared with the end of the previous year. The number of corporate online platform users was 2,483.6 thousand, representing an increase of 173.3 thousand, as compared with the end of the previous year. The number of retail online platform users was 75,578.3 thousand, representing an increase of 5,166.5 thousand, as compared with the end of the previous year.

## Discussion and Analysis on Business Operation

- 3. The Company refined the system of comprehensive service strategy.** A group-oriented management and control system was established to create a collaborative culture within the Group, expand the scope of business synergy, push forward the establishment of system platforms, promote cross-selling of key businesses and boost the business synergy among subsidiaries. During the Reporting Period, net profit of subsidiaries amounted to RMB808 million. In particular, net profit attributable to equity shareholders of the Company amounted to RMB488 million, representing an increase of 6.32%, as compared with the corresponding period of the previous year.

### **(IV) Strengthened risk prevention and control with enhanced asset disposal**

During the Reporting Period, the Group further improved the comprehensive risk management by tightening asset quality control, enhancing risk measurement and early-warning, and intensifying the disposals of non-performing assets.

As at the end of the Reporting Period, total NPLs of the Group amounted to RMB64,256 million, increased by RMB9,822 million, as compared with the end of the previous year. The NPL ratio was 1.69%, representing an increase of 0.13 percentage points as compared with the end of the previous year. The allowance to NPLs and the allowance to total loans were 152.25% and 2.58%, representing a decrease of 3.25 percentage points and an increase of 0.15 percentage points, respectively, as compared with the end of the previous year.

## Discussion and Analysis on Business Operation

### IV. Analysis of Major Items of Statement of Profit or Loss

During the Reporting Period, the Group realised net profit attributable to equity shareholders of the Company of RMB28,453 million, representing a decrease of RMB3,170 million, or 10.02%, as compared with the corresponding period of the previous year, which was mainly due to the increase in allowance for impairment losses on credit.

The major profit and loss items of the Group and their changes are listed below:

(Unit: RMB million)

Item	January to June 2020	January to June 2019	Change (%)
Operating income	96,759	87,083	11.11
Of which: Net interest income	55,156	45,523	21.16
Net non-interest income	41,603	41,560	0.10
Operating expense	20,659	19,224	7.46
Impairment losses on credit	43,014	29,313	46.74
Impairment losses on other assets	3	123	-97.56
Profit before income tax	33,083	38,423	-13.90
Less: Income tax expense	4,303	6,455	-33.34
Net profit	28,780	31,968	-9.97
Of which: Net profit attributable to equity shareholders of the Company	28,453	31,623	-10.02
Profit or loss attributable to non-controlling interests	327	345	-5.22



## Discussion and Analysis on Business Operation

The amounts, percentages and changes of major items of the Group's operating income are as follows:

(Unit: RMB million)

Item	January to June 2020		January to June 2019		Change (%)
	Amount	% of total	Amount	% of total	
Net interest income	55,156	57.00	45,523	52.27	21.16
Interest income	133,674	138.15	122,868	141.09	8.79
Of which: Interest income from loans and advances to customers	89,999	93.01	78,039	89.62	15.33
Interest income from investment	32,143	33.22	31,925	36.66	0.68
Interest income from placements with banks and other financial institutions	4,779	4.94	6,074	6.97	-21.32
Interest income from long-term receivables	3,362	3.47	3,190	3.66	5.39
Interest income from balances with central bank	2,599	2.69	2,564	2.94	1.37
Interest income from financial assets held under resale agreements	540	0.56	754	0.87	-28.38
Interest income from balances with banks and other financial institutions	252	0.26	322	0.37	-21.74
Interest expenses	-78,518	-81.15	-77,345	-88.82	1.52
Net non-interest income	41,603	43.00	41,560	47.73	0.10
Net fee and commission income	28,426	29.38	27,282	31.33	4.19
Other net non-interest income	13,177	13.62	14,278	16.40	-7.71
Total	96,759	100.00	87,083	100.00	11.11

### (I) Net interest income and net interest margin

During the Reporting Period, net interest income of the Group was RMB55,156 million, representing an increase of RMB9,633 million, or 21.16%, as compared with the corresponding period of the previous year, or representing an increase of 14.51% (after adjustment of the gains of RMB6,589 million from the holding of financial assets at fair value through profit or loss). The net interest margin of the Group was 2.11%, representing an increase of 0.11 percentage points as compared with the corresponding period of the previous year.

## Discussion and Analysis on Business Operation

The analysis of the net interest income of the Group is listed below:

(Unit: RMB million)

Item	January to June 2020			January to June 2019		
	Average balance	Interest income (after adjustment)	Average return (%)	Average balance	Interest income (after adjustment)	Average return (%)
<b>Interest-earning assets</b>						
Loans and advances to customers	3,433,414	89,999	5.24	2,937,980	78,039	5.31
Of which: Corporate loans and advances	2,234,119	57,500	5.15	1,893,329	48,877	5.16
Personal loans and advances	1,199,295	32,499	5.42	1,044,651	29,162	5.58
Investment in trading and banking books <sup>Note 1</sup>	2,122,212	38,732	3.65	2,001,038	40,321	4.03
Balances with central bank	332,700	2,599	1.56	330,609	2,564	1.55
Placements with banks and other financial institutions	287,473	4,779	3.32	287,955	6,074	4.22
Long-term receivables	124,102	3,362	5.42	118,720	3,190	5.37
Financial assets held under resale agreements	47,790	540	2.26	54,866	754	2.75
Balances with banks and other financial institutions	57,599	252	0.88	133,744	322	0.48
<b>Total</b>	<b>6,405,290</b>	<b>140,263</b>	<b>4.38</b>	<b>5,864,912</b>	<b>131,264</b>	<b>4.48</b>

## Discussion and Analysis on Business Operation

Item	January to June 2020			January to June 2019		
	Average balance	Interest expenses	Average cost (%)	Average balance	Interest expenses	Average cost (%)
<b>Interest-bearing liabilities</b>						
Deposits from customers	3,700,371	43,292	2.34	3,289,261	39,481	2.40
Of which: Corporate deposits	2,947,616	34,225	2.32	2,664,922	32,610	2.45
Demand	1,146,788	6,398	1.12	1,005,047	4,546	0.90
Time	1,800,828	27,827	3.09	1,659,875	28,064	3.38
Personal deposits	752,755	9,067	2.41	624,339	6,871	2.20
Demand	212,476	389	0.37	195,917	438	0.45
Time	540,279	8,678	3.21	428,422	6,433	3.00
Balances from banks and other financial institutions	1,176,266	14,317	2.43	1,010,723	14,558	2.88
Debt securities issued	768,857	12,047	3.13	687,926	12,472	3.63
Borrowings from central bank and other financial institutions and others	371,320	6,159	3.32	396,176	7,272	3.67
Placements from banks and other financial institutions	144,044	1,400	1.94	153,528	2,199	2.86
Financial assets sold under repurchase agreements	128,762	1,303	2.02	108,193	1,363	2.52
<b>Total</b>	<b>6,289,620</b>	<b>78,518</b>	<b>2.50</b>	<b>5,645,807</b>	<b>77,345</b>	<b>2.74</b>
<b>Net interest income (after adjustment)</b>		61,745			53,919	
<b>Net interest spread</b>			1.88			1.74
<b>Net interest margin<sup>Note 2</sup></b>			2.11			2.00

Notes: 1. Interest income from investment in trading and banking books has been adjusted for the gains from the holding of financial assets at fair value through profit or loss.

2. As incomes from credit card installment and overdraft, fund investment and operating lease assets are excluded from interest income, the Group adjusted the corresponding interest-bearing liabilities and capital costs when calculating net interest margin.

3. In this table, outward remittance and remittance payables are included in corporate demand deposits; issuance of certificates of deposit is included in corporate time deposits.

## Discussion and Analysis on Business Operation

The impact of changes in scale of the Group and changes in interest rate on interest income (after adjustment) and interest expenses were as follow:

(Unit: RMB million)

Item	Changes in scale from the corresponding period of the previous year to January to June 2020	Changes in interest rate from the corresponding period of the previous year to January to June 2020	Net increase/decrease
<b>Changes in interest income (after adjustment):</b>			
Loans and advances to customers	13,160	-1,200	11,960
Investment in trading and banking books	2,442	-4,031	-1,589
Balances with central bank	16	19	35
Placements with banks and other financial institutions	-10	-1,285	-1,295
Long-term receivables	145	27	172
Financial assets held under resale agreements	-97	-117	-214
Balances with banks and other financial institutions	-183	113	-70
Subtotal	15,473	-6,474	8,999
<b>Changes in interest expenses:</b>			
Deposits from customers	4,935	-1,124	3,811
Deposits from banks and other financial institutions	2,384	-2,625	-241
Debt securities issued	1,467	-1,892	-425
Borrowings from central bank and other financial institutions and others	-456	-657	-1,113
Placements from banks and other financial institutions	-136	-663	-799
Financial assets sold under repurchase agreements	259	-319	-60
Subtotal	8,453	-7,280	1,173
<b>Changes in net interest income (after adjustment)</b>	<b>7,020</b>	<b>806</b>	<b>7,826</b>

Note: Change in scale is measured by the change of average balance; change in interest rate is measured by the change of average interest rate.

## Discussion and Analysis on Business Operation

### 1. Interest Income

During the Reporting Period, interest income of the Group was RMB133,674 million, representing an increase of RMB10,806 million, or 8.79%, as compared with the corresponding period of the previous year. The increase was mainly due to the increases in the scale of loans and advances to customers as a result of increased distribution of loans of the Group.

#### *(1) Interest income from loans and advances to customers*

During the Reporting Period, interest income from loans and advances to customers of the Group recorded RMB89,999 million, representing an increase of RMB11,960 million, or 15.33%, as compared with the corresponding period of the previous year. In particular, interest income from corporate loans and advances amounted to RMB57,500 million, representing an increase of RMB8,623 million, or 17.64%, as compared with the corresponding period of the previous year. Interest income from personal loans and advances amounted to RMB32,499 million, representing an increase of RMB3,337 million, or 11.44%, as compared with the corresponding period of the previous year.

#### *(2) Interest income from investment*

During the Reporting Period, interest income from investment of the Group was RMB32,143 million, representing an increase of RMB218 million, or 0.68%, as compared with the corresponding period of the previous year.

#### *(3) Interest income from balances and placements with banks and other financial institutions and financial assets held under resale agreements*

During the Reporting Period, interest income from balances and placements with banks and other financial institutions and financial assets held under resale agreements of the Group was RMB5,571 million, representing a decrease of RMB1,579 million, or 22.08%, as compared with the corresponding period of the previous year. The decrease was mainly due to the reduction in interest rate of placements with banks and other financial institutions.

#### *(4) Interest income from long-term receivables*

During the Reporting Period, interest income from long-term receivables of the Group amounted to RMB3,362 million, representing an increase of RMB172 million, or 5.39%, as compared with the corresponding period of the previous year.



## Discussion and Analysis on Business Operation

### ***(5) Interest income from balances with central bank***

During the Reporting Period, interest income from balances with central bank of the Group was RMB2,599 million, representing an increase of RMB35 million, or 1.37%, as compared with the corresponding period of the previous year.

## **2. Interest expenses**

During the Reporting Period, interest expenses of the Group amounted to RMB78,518 million, representing an increase of RMB1,173 million, or 1.52%, as compared with the corresponding period of the previous year. The increase was mainly due to the increase in interest expenses on deposits from customers.

### ***(1) Interest expenses on deposits from customers***

During the Reporting Period, interest expenses on deposits from customers of the Group amounted to RMB43,292 million, representing an increase of RMB3,811 million, or 9.65%, as compared with the corresponding period of the previous year, mainly because of the increase in the scale of deposits.

### ***(2) Interest expenses on deposits and placements from banks and other financial institutions and financial assets sold under repurchase agreements***

During the Reporting Period, interest expenses on deposits and placements from banks and other financial institutions and financial assets sold under repurchase agreements of the Group amounted to RMB17,020 million, representing a decrease of RMB1,100 million, or 6.07%, as compared with the corresponding period of the previous year. The decrease was mainly due to the reduction in the interest rate of deposits from banks and other financial institutions.

### ***(3) Interest expenses on debt securities issued***

During the Reporting Period, interest expenses on debt securities issued of the Group amounted to RMB12,047 million, representing a decrease of RMB425 million, or 3.41%, as compared with the corresponding period of the previous year.

## Discussion and Analysis on Business Operation

### **(4) Interest expenses on borrowings from central bank and other financial institutions and other interest expenses**

During the Reporting Period, interest expenses on borrowings from central bank and other financial institutions and other interest expenses of the Group amounted to RMB6,159 million, representing a decrease of RMB1,113 million, or 15.31%, as compared with the corresponding period of the previous year. The decrease was mainly due to the reduction in the scale of borrowings and interest rate.

### **(II) Net non-interest income**

During the Reporting Period, net non-interest income of the Group amounted to RMB41,603 million, representing an increase of RMB43 million, or 0.10%, as compared with the corresponding period of the previous year. The year-on-year increase would be 5.58% after exclusion of the gains from the holding of financial assets at fair value through profit or loss of RMB6,589 million.

*(Unit: RMB million)*

<b>Item</b>	<b>January to June 2020</b>	<b>January to June 2019</b>	<b>Change (%)</b>
Net fee and commission income	28,426	27,282	4.19
Other net non-interest income	13,177	14,278	-7.71
<b>Total</b>	<b>41,603</b>	<b>41,560</b>	<b>0.10</b>

## Discussion and Analysis on Business Operation

### 1. Net fee and commission income

During the Reporting Period, net fee and commission income of the Group amounted to RMB28,426 million, representing an increase of RMB1,144 million, or 4.19%, as compared with the corresponding period of the previous year.

(Unit: RMB million)

Item	January to June 2020	January to June 2019	Change (%)
Bank card services	19,478	17,071	14.10
Trust and other fiduciary services	3,534	3,406	3.76
Agency services	3,451	4,543	-24.04
Settlement services	1,721	2,110	-18.44
Credit commitments	1,320	1,554	-15.06
Others	1,158	751	54.19
Fee and commission income	30,662	29,435	4.17
Less: Fee and commission expenses	2,236	2,153	3.86
Net fee and commission income	28,426	27,282	4.19

### 2. Other net non-interest income

During the Reporting Period, other net non-interest income of the Group was RMB13,177 million, representing a decrease of RMB1,101 million, or 7.71%, as compared with the corresponding period of the previous year. The decrease was mainly due to the increases in profits from the price difference between bonds purchase and sales and precious metals business, and the decreases in fair value and exchange gain or loss due to the fluctuations of market interest rate and exchange rate.

(Unit: RMB million)

Item	January to June 2020	January to June 2019	Change (%)
Net trading gain	3,337	4,821	-30.78
Net gain on investment securities	9,085	8,422	7.87
Other operating income	755	1,035	-27.05
Total	13,177	14,278	-7.71

## Discussion and Analysis on Business Operation

### (III) Operating expenses

During the Reporting Period, the Group continued to refine financial management to further improve its input-output efficiency. Operating expenses amounted to RMB20,659 million, representing an increase of RMB1,435 million, or 7.46%, as compared with the corresponding period of the previous year. Cost-to-income ratio was 20.31%, representing a decrease of 0.81 percentage points as compared with the corresponding period of the previous year.

(Unit: RMB million)

Item	January to June 2020	January to June 2019	Change (%)
Staff cost (including Directors' emoluments)	11,564	10,285	12.44
Depreciation and amortisation	2,809	2,734	2.74
Office expenses	539	474	13.71
Rental and property management expenses	383	573	-33.16
Tax and surcharges	1,005	835	20.36
Business expenses and others	4,359	4,323	0.83
<b>Total</b>	<b>20,659</b>	<b>19,224</b>	<b>7.46</b>

### (IV) Impairment losses on credit

During the Reporting Period, the Group recorded impairment losses on credit of RMB43,014 million, representing an increase of RMB13,701 million, or 46.74%, as compared with the corresponding period of the previous year. The increase was mainly due to the increase in allowance for impairment on loans and investments and disposals of NPLs of the Group.

(Unit: RMB million)

Item	January to June 2020	January to June 2019	Change (%)
Loans and advances to customers	36,989	28,716	28.81
Financial assets measured at amortised cost	3,144	401	684.04
Financial assets at fair value through other comprehensive income	797	95	738.95
Credit loss of off-balance sheet assets	497	-116	Negative for the previous period
Long-term receivables	315	295	6.78
Others	1,272	-78	Negative for the previous period
<b>Total</b>	<b>43,014</b>	<b>29,313</b>	<b>46.74</b>

## Discussion and Analysis on Business Operation

### (V) Income tax expenses

During the Reporting Period, income tax expenses of the Group amounted to RMB4,303 million, representing a decrease of RMB2,152 million, or 33.34%, as compared with the corresponding period of the previous year.

## V. Analysis of Major Items of Statement of Financial Position

### (I) Assets

During the Reporting Period, total assets of the Group maintained steady growth. As at the end of the Reporting Period, total assets of the Group amounted to RMB7,142,641 million, representing an increase of RMB460,800 million, or 6.90%, as compared with the end of the previous year.

The components of the Group's total assets are listed below:

(Unit: RMB million)

Item	30 June 2020		31 December 2019		31 December 2018	
	Amount	% of total	Amount	% of total	Amount	% of total
Total loans and advances						
to customers	3,798,459	53.18	3,487,601	52.20	3,056,746	50.99
Add: Accrued interests on loans	27,799	0.39	25,301	0.38	22,742	0.38
Less: Allowance for impairment losses						
on loans at amortised cost	96,044	1.34	82,475	1.23	71,216	1.19
Net loans and advances to customers	3,730,214	52.23	3,430,427	51.35	3,008,272	50.18
Net investment in trading and banking books	2,342,963	32.80	2,184,305	32.69	1,970,017	32.86
Cash and balances with central bank	411,384	5.76	371,155	5.55	389,281	6.49
Balances and placements with banks and other financial institutions and financial assets held under resale agreements	341,161	4.78	367,544	5.50	337,869	5.64
Long-term receivables	123,561	1.73	116,593	1.74	110,824	1.85
Property and equipment	53,111	0.74	51,365	0.77	48,765	0.81
Others	140,247	1.96	160,452	2.40	129,794	2.17
<b>Total</b>	<b>7,142,641</b>	<b>100.00</b>	<b>6,681,841</b>	<b>100.00</b>	<b>5,994,822</b>	<b>100.00</b>



## Discussion and Analysis on Business Operation

### 1. Loans and advances to customers

As at the end of the Reporting Period, total loans and advances to customers of the Group amounted to RMB3,798,459 million, representing an increase of RMB310,858 million, or 8.91%, as compared with the end of the previous year. Total loans and advances to customers accounted for 53.18% of total assets, representing an increase of 0.98 percentage points as compared with the end of the previous year.

The breakdown of loans and advances by product type is as follows:

(Unit: RMB million)

Item	30 June 2020		31 December 2019		31 December 2018	
	Amount	% of total	Amount	% of total	Amount	% of total
Corporate loans and advances	2,284,720	60.15	2,074,677	59.49	1,826,201	59.74
Of which: Discounted bills	216,426	5.70	166,372	4.77	96,523	3.16
Personal loans and advances	1,513,739	39.85	1,412,924	40.51	1,230,545	40.26
Total	3,798,459	100.00	3,487,601	100.00	3,056,746	100.00

The breakdown of personal loans and advances is as follows:

(Unit: RMB million)

Item	30 June 2020		31 December 2019		31 December 2018	
	Amount	% of total	Amount	% of total	Amount	% of total
Loans to small and micro enterprises	484,557	32.01	455,358	32.23	415,564	33.77
Credit card overdrafts	457,537	30.23	445,881	31.56	393,249	31.96
Residential mortgage	475,133	31.39	419,907	29.72	335,502	27.26
Others	96,512	6.37	91,778	6.49	86,230	7.01
Total	1,513,739	100.00	1,412,924	100.00	1,230,545	100.00

### 2. Investment in trading and banking books

As at the end of the Reporting Period, net investment in trading and banking books of the Group amounted to RMB2,342,963 million, representing an increase of RMB158,658 million, or 7.26%, as compared with the end of the previous year, and accounted for 32.80% of the total assets, representing an increase of 0.11 percentage points as compared with the end of the previous year.

## Discussion and Analysis on Business Operation

### (1) Structure of investment in trading and banking books

The structure of investment in trading and banking books of the Group is as follows:

(Unit: RMB million)

Item	30 June 2020		31 December 2019	
	Amount	% of total	Amount	% of total
Financial assets at amortised cost	1,289,435	55.03	1,143,079	52.33
Financial assets at fair value through profit or loss	549,911	23.47	528,338	24.19
Financial assets at fair value through other comprehensive income	503,617	21.50	512,888	23.48
Total	2,342,963	100.00	2,184,305	100.00

### (2) Holdings of financial bonds

As at the end of the Reporting Period, financial bonds held by the Group were mainly policy financial bonds and debt securities of commercial banks. The top ten financial bonds in terms of par value are as follows:

(Unit: RMB million)

Item	Par value	Annual interest rate (%)	Maturity date	Allowance for impairment losses
2020 financial bonds	7,270	3.23	2025-01-10	1.33
2019 financial bonds	5,430	3.45	2029-09-20	0.98
2020 financial bonds	3,940	2.20	2023-04-01	0.71
2020 financial bonds	3,850	3.07	2030-03-10	0.65
2020 financial bonds	3,740	1.86	2023-04-09	0.66
2019 financial bonds	3,700	3.24	2024-08-14	0.68
2019 financial bonds	3,700	3.45	2022-07-09	2.90
2019 financial bonds	3,680	3.74	2029-07-12	0.69
2020 financial bonds	3,640	3.43	2027-01-14	0.67
2020 financial bonds	3,520	2.17	2023-05-06	2.26
Total	42,470			11.53

## Discussion and Analysis on Business Operation

### 3. Balances and placements with banks and other financial institutions and financial assets held under resale agreements

As at the end of the Reporting Period, balances and placements with banks and other financial institutions and financial assets held under resale agreements of the Group amounted to RMB341,161 million, representing a decrease of RMB26,383 million, or 7.18%, as compared with the end of the previous year, and accounted for 4.78% of the total assets, representing a decrease of 0.72 percentage points as compared with the end of the previous year.

### 4. Derivative financial instruments

(Unit: RMB million)

Item	Notional amount	30 June 2020	
		Assets	Liabilities
Exchange rate derivatives	1,888,661	8,112	-8,251
Interest rate derivatives	1,735,134	1,856	-1,654
Precious metal derivatives	54,365	1,263	-4,211
Others	4,728	51	-54
Total		11,282	-14,170

### (II) Liabilities

As at the end of the Reporting Period, the Group's total liabilities amounted to RMB6,603,764 million, representing an increase of RMB452,752 million, or 7.36%, as compared with the end of the previous year.

The breakdown of the Group's total liabilities is listed below:

(Unit: RMB million)

Item	30 June 2020		31 December 2019		31 December 2018	
	Amount	% of total	Amount	% of total	Amount	% of total
Deposits from customers	3,936,314	59.61	3,637,034	59.13	3,194,441	57.41
Of which: Total deposits from customers (excluding accrued interest)	3,902,802	59.10	3,604,088	58.59	3,167,292	56.93
Deposits and placements from banks and other financial institutions and financial assets sold under repurchase agreements	1,392,196	21.08	1,264,759	20.56	1,181,547	21.24
Debt securities issued	772,691	11.70	817,225	13.29	674,523	12.12
Borrowings from central bank and other financial institutions	388,424	5.88	331,138	5.38	429,366	7.72
Others	114,139	1.73	100,856	1.64	83,944	1.51
Total	6,603,764	100.00	6,151,012	100.00	5,563,821	100.00

## Discussion and Analysis on Business Operation

### 1. Deposits from customers

As at the end of the Reporting Period, total deposits from customers of the Group (excluding accrued interests) amounted to RMB3,902,802 million, representing an increase of RMB298,714 million, or 8.29%, as compared with the end of the previous year. In respect of customer structure, the proportions of corporate deposits, personal deposits and other deposits in total deposits were 78.80%, 20.99% and 0.21%, respectively. In respect of maturity structure, the proportions of demand deposits, time deposits and other deposits in total deposits were 37.92%, 61.87% and 0.21%, respectively.

(Unit: RMB million)

Item	30 June 2020		31 December 2019		31 December 2018	
	Amount	% of total	Amount	% of total	Amount	% of total
Corporate deposits	3,075,508	78.80	2,878,931	79.88	2,578,613	81.42
Demand	1,224,832	31.38	1,201,626	33.34	1,104,706	34.88
Time	1,850,676	47.42	1,677,305	46.54	1,473,907	46.54
Personal deposits	819,093	20.99	718,363	19.93	575,289	18.16
Demand	255,058	6.54	216,424	6.00	197,933	6.25
Time	564,035	14.45	501,939	13.93	377,356	11.91
Certificates of deposit	3,762	0.10	4,446	0.12	10,444	0.33
Outward remittance and remittance payables	4,439	0.11	2,348	0.07	2,946	0.09
Total deposits from customers	3,902,802	100.00	3,604,088	100.00	3,167,292	100.00

### 2. Deposits and placements from banks and other financial institutions and financial assets sold under repurchase agreements

As at the end of the Reporting Period, total deposits and placements from banks and other financial institutions and financial assets sold under repurchase agreements of the Group amounted to RMB1,392,196 million, representing an increase of RMB127,437 million, or 10.08%, as compared with the end of the previous year.

### 3. Debt securities issued

As at the end of the Reporting Period, total debt securities issued by the Group amounted to RMB772,691 million, representing a decrease of RMB44,534 million, or 5.45%, as compared with the end of the previous year.

## Discussion and Analysis on Business Operation

### (III) Shareholders' equity

As at the end of the Reporting Period, total shareholders' equity of the Group amounted to RMB538,877 million, representing an increase of RMB8,048 million, or 1.52%, as compared with the end of the previous year. Among which, total equity attributable to equity shareholders of the Company amounted to RMB527,417 million, representing an increase of RMB8,572 million, or 1.65%, as compared with the end of the previous year.

(Unit: RMB million)

Item	30 June 2020	31 December 2019	Change (%)
Share capital	43,782	43,782	—
Other equity instruments	69,860	69,860	—
Of which: Preference shares	29,867	29,867	—
Perpetual bonds	39,993	39,993	—
Reserves	184,876	186,457	-0.85
Of which: Capital reserve	57,483	57,411	0.13
Surplus reserve	45,162	45,162	—
General reserve	81,754	81,657	0.12
Other reserves	477	2,227	-78.58
Retained earnings	228,899	218,746	4.64
Total equity attributable to equity shareholders of the Company	527,417	518,845	1.65
Non-controlling interests	11,460	11,984	-4.37
Total	538,877	530,829	1.52

### (IV) Off-balance sheet items

Balances of major off-balance sheet items of the Group are as follows:

(Unit: RMB million)

Item	30 June 2020	31 December 2019	Change (%)
Bank acceptances	574,175	542,571	5.82
Unused credit card commitments	461,985	440,038	4.99
Guarantees	159,393	159,266	0.08
Letters of credit	153,507	136,952	12.09
Irrevocable loan commitments	7,027	45,910	-84.69
Finance lease commitments	620	689	-10.01
Capital commitments	980	1,020	-3.92

## Discussion and Analysis on Business Operation

### (V) Market share of major products and services

According to the Summary of Sources & Uses of Funds of Financial Institutions (in RMB and Foreign Currency) (《金融機構本外幣信貸收支月報表》) released by the PBOC in June 2020, among nine national joint-stock commercial banks in China, as at the end of the Reporting Period, the market share of total deposits of the Company was 12.68%, and the market share of total loans of the Company was 13.27%. (Note: Nine national joint-stock commercial banks in China refer to China Merchants Bank, CITIC Bank, Industrial Bank, China Everbright Bank, Shanghai Pudong Development Bank, Huaxia Bank, China Guangfa Bank, Ping An Bank and the Company. All data above are based on the statistics of domestic institutions of the Company. According to the Notice on Adjusting the Statistical Standards of Loans and Deposits for Financial Institutions (Yin Fa [2015] No. 14) (《中國人民銀行關於調整金融機構存貸款統計口徑的通知》(銀發[2015]14號)) released by the PBOC, with effect from 2015, the deposit-taking financial institutions shall include deposits from and placements with non-deposit-taking financial institutions in “Total Deposits” and “Total Loans”, respectively, for statistical purpose.)

## VI. Qualitative Analysis of Loans

### (I) Industry concentration of loans

(Unit: RMB million)

Item	30 June 2020		31 December 2019	
	Amount	% of total	Amount	% of total
Corporate loans and advances				
Real estate	503,102	13.24	476,199	13.66
Leasing and commercial services	485,219	12.77	442,883	12.70
Manufacturing	325,153	8.56	284,055	8.14
Wholesale and retail	178,123	4.69	177,685	5.09
Financial services	174,326	4.59	138,039	3.96
Water, environment and public utilities management	143,741	3.78	122,282	3.51
Construction	114,193	3.01	106,783	3.06
Mining	111,855	2.94	110,152	3.16
Transportation, storage and postal service	90,153	2.37	77,031	2.21
Production and supply of electric power, heat, gas and water	64,611	1.70	55,151	1.58
Accommodation and catering	12,154	0.32	11,858	0.34
Agriculture, forestry, animal husbandry and fishery	11,607	0.31	10,225	0.29
Public administration, social security and social organisations	7,663	0.20	8,376	0.24
Others	62,820	1.67	53,958	1.55
Subtotal	2,284,720	60.15	2,074,677	59.49
Personal loans and advances	1,513,739	39.85	1,412,924	40.51
Total loans and advances	3,798,459	100.00	3,487,601	100.00



## Discussion and Analysis on Business Operation

### (II) Geographical distribution of loans

(Unit: RMB million)

Item	30 June 2020		31 December 2019	
	Amount	% of total	Amount	% of total
Headquarters	540,056	14.22	474,512	13.61
Yangtze Delta	912,732	24.03	841,123	24.12
Pearl River Delta	515,270	13.56	465,618	13.35
Bohai Rim	600,745	15.82	564,343	16.18
Northeast China	93,138	2.45	89,488	2.57
Central China	488,470	12.86	451,441	12.94
Western China	565,159	14.88	519,713	14.90
Overseas and subsidiaries	82,889	2.18	81,363	2.33
Total	3,798,459	100.00	3,487,601	100.00

Notes: For details of the geographical distribution of institutions of the Group, please refer to Note 5 "Segment Information" to the financial statements.

### (III) Classification and percentage of loans by types of collateral

(Unit: RMB million)

Item	30 June 2020		31 December 2019	
	Amount	% of total	Amount	% of total
Unsecured loans	879,910	23.17	793,364	22.75
Guaranteed loans	683,038	17.98	632,463	18.13
Loans secured by				
— Tangible assets other than monetary assets	1,669,443	43.95	1,555,472	44.60
— Monetary assets	566,068	14.90	506,302	14.52
Total	3,798,459	100.00	3,487,601	100.00

## Discussion and Analysis on Business Operation

### (IV) Top ten loan customers

As at the end of the Reporting Period, the aggregate amount of total loans to the Group's top ten loan customers were RMB69,645 million, accounting for 1.83% of total loans and advances to customers. The top ten loan customers were as follows:

(Unit: RMB million)

Top ten loan customers	Total loans	% of total loans
A	9,637	0.25
B	8,000	0.21
C	7,858	0.21
D	7,515	0.20
E	6,650	0.18
F	6,618	0.17
G	6,386	0.17
H	5,823	0.15
I	5,744	0.15
J	5,414	0.14

As at the end of the Reporting Period, the percentages of loans to the single largest loan customer and the top ten loan customers of the Group were as follows:

(Unit: %)

Major indicator	Benchmark	30 June 2020	31 December 2019	31 December 2018
Percentage of loans to the single largest loan customer	≤10	1.35	2.67	1.78
Percentage of loans to the top ten loan customers	≤50	9.74	12.31	12.53

Notes: 1. Percentage of loans to the single largest loan customer = Total loans to the single largest loan customer/net capital base.

2. Percentage of loans to the top ten loan customers = Total loans to the top ten loan customers/net capital base.

## Discussion and Analysis on Business Operation

### (V) Five-category classification of credit assets

As at the end of the Reporting Period, the NPL ratio of the Group was 1.69%, representing an increase of 0.13 percentage points as compared with the end of the previous year.

(Unit: RMB million)

Item	30 June 2020		31 December 2019		Change (%)
	Amount	% of total	Amount	% of total	
Performing loans	3,734,203	98.31	3,433,167	98.44	8.77
Of which: Pass	3,615,492	95.18	3,329,882	95.48	8.58
Special-mentioned	118,711	3.13	103,285	2.96	14.94
NPLs	64,256	1.69	54,434	1.56	18.04
Of which: Substandard	22,312	0.59	22,181	0.63	0.59
Doubtful	20,895	0.55	19,441	0.56	7.48
Loss	21,049	0.55	12,812	0.37	64.29
Total	3,798,459	100.00	3,487,601	100.00	8.91

### (VI) Migration ratio of loans

The table below sets forth the migration ratio of loans of the Company:

(Unit: %)

Item	30 June 2020	31 December 2019	31 December 2018
Pass	2.08	3.19	3.40
Special-mentioned	19.55	14.12	21.83
Substandard	54.82	46.56	38.51
Doubtful	44.60	38.93	29.14

## Discussion and Analysis on Business Operation

### (VII) Restructured loans and overdue loans

As at the end of the Reporting Period, total restructured loans of the Group amounted to RMB19,985 million, representing an increase of RMB3,125 million as compared with the end of the previous year. The percentage of restructured loans to total loans and advances to customers was 0.53%, representing an increase of 0.05 percentage points as compared with the end of the previous year. Total overdue loans amounted to RMB74,270 million, representing an increase of RMB3,723 million as compared with the end of the previous year. The percentage of overdue loans to total loans and advances to customers was 1.96%, representing a decrease of 0.06 percentage points as compared with the end of the previous year.

(Unit: RMB million)

Item	30 June 2020		31 December 2019	
	Amount	% of total	Amount	% of total
Restructured loans	19,985	0.53	16,860	0.48
Overdue loans	74,270	1.96	70,547	2.02

Notes: 1. Restructured loans are loans of which the terms of repayment under the loan agreement have been amended by the Bank as a result of deteriorated financial status of the borrower or inability of the borrower to repay the debt due.

2. Overdue loans are loans of which the repayment of principal or interest is overdue for one or more days.

### (VIII) Repossessed assets

(Unit: RMB million)

Item	30 June 2020	31 December 2019
Repossessed assets	9,452	9,978
Of which: Real estate and land use right	6,739	7,191
Motor vehicles	29	13
Others	2,684	2,774
Allowance for impairment	110	112

**(IX) Changes in allowance for impairment losses on loans**

(Unit: RMB million)

Item	30 June 2020	31 December 2019
Opening balance	84,647	72,208
Charge for the period, net	36,989	60,850
Write-offs and transfer out during the period	-25,435	-50,930
Recoveries	2,121	3,618
Others	-494	-1,099
Ending balance	97,828	84,647

Method for assessing allowance for impairment losses on loans:

According to the International Financial Reporting Standards No. 9 — Financial instrument (IFRS 9) and the Accounting Standards for Enterprises No. 22 — Recognition and Measurement of Financial Instruments (Cai Kuai [2017] No. 7) (《企業會計準則第22號 — 金融工具確認和計量》(財會[2017]7號)) issued by the Ministry of Finance, the Company adopted the new accounting standard for financial instruments and used the expected credit loss model to calculate the allowance for impairment. According to the new standard for financial instruments, for retail loans and non-retail loans in phase 1 and phase 2, the allowance for impairment losses is provided based on risk parameters such as probability of default (PD), loss given default (LGD) estimated by the internal rating system. For non-retail loans in phase 3, the allowance for impairment losses is provided based on the expected recovery of cash flow for each single loan. After the adoption of the new standard, the Company monitored and optimised the expected credit loss model and enhanced risk pre-judgement. The allowance for impairment losses of the Company was more forward-looking and the management of allowance for impairment losses of the Company was further refined.

## Discussion and Analysis on Business Operation

### (X) NPLs

As at the end of the Reporting Period, the Group had NPL balance of RMB64,256 million, representing an increase of RMB9,822 million, or 18.04%, as compared with the end of the previous year.

#### 1. Industry concentration of NPLs

(Unit: RMB million)

Item	30 June 2020		31 December 2019	
	Amount	% of total	Amount	% of total
Corporate loans and advances				
Manufacturing	14,390	22.40	12,251	22.50
Mining	6,834	10.64	3,710	6.82
Wholesale and retail	4,801	7.47	3,757	6.90
Transportation, storage and postal service	2,069	3.22	1,066	1.96
Leasing and commercial services	1,731	2.69	2,877	5.29
Real estate	1,262	1.96	1,325	2.43
Construction	1,010	1.57	1,077	1.98
Financial services	450	0.70	555	1.02
Production and supply of electric power, heat, gas and water	372	0.58	664	1.22
Agriculture, forestry, animal husbandry and fishery	262	0.41	495	0.91
Accommodation and catering	232	0.36	222	0.41
Others	629	0.98	284	0.52
Subtotal	34,042	52.98	28,283	51.96
Personal loans and advances	30,214	47.02	26,151	48.04
Total	64,256	100.00	54,434	100.00



## Discussion and Analysis on Business Operation

### 2. Geographical distribution of NPLs

(Unit: RMB million)

Item	30 June 2020		31 December 2019	
	Amount	% of total	Amount	% of total
Headquarters	18,856	29.34	15,629	28.71
Yangtze River Delta	5,311	8.26	4,615	8.48
Pearl River Delta	4,112	6.40	4,068	7.47
Bohai Rim	9,823	15.29	6,539	12.01
Northeast China	4,381	6.82	4,233	7.78
Central China	12,656	19.70	13,466	24.74
Western China	8,392	13.06	4,724	8.68
Overseas and subsidiaries	725	1.13	1,160	2.13
Total	64,256	100.00	54,434	100.00

Note: The geographical distribution is in line with the distribution shown in “VI. Qualitative Analysis of Loans — (II) Geographical distribution of loans” in this report.

## VII. Analysis of Capital Adequacy Ratio

### (I) Capital adequacy ratio

The Group calculated its capital adequacy ratio in accordance with the Capital Rules for Commercial Banks (Provisional) (《商業銀行資本管理辦法(試行)》) (the “New Rules”) and other relevant regulatory provisions. The calculation of capital adequacy ratio covers the Company and the financial institutions directly or indirectly invested by the Company in accordance with the requirements of the New Rules. As at the end of the Reporting Period, the capital adequacy ratio, core tier-one capital adequacy ratio and tier-one capital adequacy ratio of the Group satisfied the requirements of the New Rules. Among the investees in which the Group has a majority equity interest or control, there are three rural banks with regulatory capital shortfall of RMB77 million in aggregate.

## Discussion and Analysis on Business Operation

The table below sets out the capital adequacy ratio of the Group:

(Unit: RMB million)

Item	30 June 2020	
	The Group	The Company
Net core tier-one capital	463,205	440,289
Net tier-one capital	534,026	510,136
Total net capital base	714,987	687,090
Core tier-one capital	464,768	448,944
Core tier-one capital deductions	-1,563	-8,655
Other tier-one capital	70,821	69,860
Other tier-one capital deductions	—	-13
Tier-two capital	180,961	176,973
Tier-two capital deductions	—	-19
Total risk-weighted assets	5,620,682	5,345,601
Of which: Credit risk-weighted assets	5,199,133	4,937,624
Market risk-weighted assets	126,622	124,054
Operational risk-weighted assets	294,927	283,923
Core tier-one capital adequacy ratio (%)	8.24	8.24
Tier-one capital adequacy ratio (%)	9.50	9.54
Capital adequacy ratio (%)	12.72	12.85

Capital instruments entitled for the preferential policy during the transitional period: According to the applicable requirements under the New Rules, non-qualified tier-two capital instruments issued by commercial banks before 12 September 2010 may be entitled to preferential policy of a progressive deduction of book value by 10% per annum from 1 January 2013. As at the end of the Reporting Period, the balance of non-qualified tier-two capital instruments of the Company was RMB4.0 billion, which can be put into the calculation.

## Discussion and Analysis on Business Operation

As at the end of the Reporting Period, net tier-one capital decreased by RMB10,624 million, on- and off-balance sheet assets after adjustment increased by RMB214,643 million, while the leverage ratio decreased by 0.31 percentage points, as compared with the end of March 2020. The leverage ratio of the Group is as follows:

(Unit: RMB million)

Item	30 June 2020	31 March 2020	31 December 2019	30 September 2019
Leverage ratio (%)	6.50	6.81	6.87	6.90
Net tier-one capital	534,026	544,650	525,959	498,714
On- and off-balance sheet assets after adjustment	8,211,267	7,996,624	7,658,421	7,224,493

For details of the regulatory capital, please refer to the section headed “Investor Relations — Announcements and Disclosures — Regulatory Capital” on the Company’s website ([www.cmbc.com.cn](http://www.cmbc.com.cn)).

### (II) Credit risk exposure

The following table sets forth the exposure to credit risk of the Group measured according to the New Rules.

(Unit: RMB million)

Item	30 June 2020
On-balance sheet credit risk exposure	6,964,101
Of which: asset-backed securitisation risk exposure	309,715
Off-balance sheet credit risk exposure	995,710
Counterparty credit risk exposure	53,089
Total	8,012,900

## Discussion and Analysis on Business Operation

### (III) Market risk capital requirements

The Group adopted standardised approach to measure market risk capital requirements. The following table sets forth different types of market risk capital requirements of the Group as at the end of the Reporting Period.

(Unit: RMB million)

	30 June 2020
Interest rate risk	6,941
Stock risk	987
Exchange risk	2,146
Commodity risk	52
Option risk	4
Total	10,130

### (IV) Operational risk capital requirements

As at the end of the Reporting Period, the operational risk capital requirements of the Group measured by basic indicator approach amounted to RMB23,594 million.

## VIII. Liquidity Indicators

### (I) Liquidity coverage ratio

As at the end of the Reporting Period, the liquidity coverage ratio of the Group disclosed in accordance with the “Rules on Disclosure of Liquidity Coverage Ratio for Commercial Banks” is as follows:

(Unit: RMB million)

Item	30 June 2020
Liquidity coverage ratio (%)	125.49
Qualified current assets	887,083
Net cash outflow in 30 days	706,911

## Discussion and Analysis on Business Operation

### (II) Net stable funding ratio

As at the end of the Reporting Period, the net stable funding ratio of the Group disclosed in accordance with the “Rules on Disclosure of Net Stable Funding Ratio for Commercial Banks” is as follows:

(Unit: RMB million)

Item	30 June 2020	31 March 2020	31 December 2019
Net stable funding ratio (%)	104.08	103.68	104.30
Net stable funding available	4,017,962	3,796,411	3,641,785
Net stable funding required	3,860,463	3,661,824	3,491,631

### IX. Segment Report

The Group carried out its operation in key business lines and regions. During the Reporting Period, to foster business development and strengthen the internal synergy mechanism, a “customer-centric” management and review system was established to manage its customer groups. Based on the distribution of customer groups of each institution, the Group re-adjusted the business segments into corporate business, retail business and others for the purposes of management, reporting and evaluation. Based on the economic regions the institutions are located, geographical segments were re-categorised to eight segments, namely, the Headquarters, Yangtze River Delta, Pearl River Delta, Bohai Rim, Northeast China, Central China, Western China, overseas institutions and subsidiaries for the purposes of management, reporting and evaluation.

#### (I) Segment operating results by business line

(Unit: RMB million)

Item	Total assets (excluding deferred income tax assets)	Operating income	Profit before income tax
Corporate business	4,720,463	54,318	20,626
Retail business	1,492,671	36,697	11,266
Others	888,157	5,744	1,191
Total	7,101,291	96,759	33,083

## Discussion and Analysis on Business Operation

### (II) Segment operating results by geographical region

(Unit: RMB million)

Item	Total assets (excluding deferred income tax assets)	Operating income	Profit before income tax
Headquarters	3,603,855	36,536	11,714
Yangtze River Delta	1,218,272	14,266	7,850
Pearl River Delta	608,739	9,788	6,008
Bohai Rim	1,241,175	12,013	2,825
Northeast China	154,516	1,344	118
Central China	470,385	8,716	742
Western China	498,787	9,523	1,646
Overseas and subsidiaries	356,879	4,573	2,180
Inter-segment elimination	-1,051,317	—	—
Total	7,101,291	96,759	33,083

## X. Other Financial Information

### (I) Items relating to fair value measurement

#### 1. Internal control system relating to fair value measurement

In order to regulate fair value measurement, improve the quality of financial information, strengthen risk management and protect the legitimate interests of investors and all relevant parties, the Company has formulated the Administrative Measures Regarding Fair Value (《公允價值管理辦法》) based on the Accounting Standards for Business Enterprises (《企業會計準則》), which expanded the scope of fair value measurement to cover certain financial assets and financial liabilities; and clarified and refined the principles, methods and procedures for determining fair value. With the aim to enhance the rationality and reliability of the valuation of fair value, the Company has assigned specific working responsibilities to relevant managing departments for fair value management so as to continuously strengthen research on the valuation of its asset and liability businesses and improve internal valuation capabilities. The Company will also gradually optimise the valuation models and systems and strengthen the verification of prices obtained externally. Moreover, the Company has correspondingly implemented internal control measures over the process of fair value measurement, including double-checking on price enquiry and confirmation, and adopting an evaluation procedure on fair value measurement which requires the person in charge and reviewer to sign off in order to give effect to the measurement. Furthermore, the internal audit departments supervised and checked the range determined for fair value measurement and measurement methodology and procedure, so as to improve internal control within the Company.



## Discussion and Analysis on Business Operation

The Company has adopted new accounting standards including IFRS 9 — Financial Instruments, and Accounting Standards for Business Enterprises No. 22 — Recognition and Measurement of Financial Instruments, Accounting Standards for Business Enterprises No. 23 — Transfer of Financial Assets and Accounting Standards for Business Enterprises No. 24 — Hedge Accounting promulgated by the Ministry of Finance. During the Reporting Period, the SPPI test of financial instruments were completed, including the classification, valuation and impairment assessment of products. Fair value measurement have been conducted in accordance with the new accounting standards.

### **2. Financial instruments measured at fair value**

The Company's financial instruments measured at fair value include: financial assets/liabilities at fair value through profit or loss, derivative financial instruments and financial assets at fair value through other comprehensive income. In particular, the valuation methods of bond investment were listed as follows: for RMB bonds, in principle the valuation provided by China Central Depository & Clearing Co., Ltd. would apply; for bonds denominated in foreign currencies, market value was determined through a combination of Bloomberg quotes and enquiries. The fair value of most derivative financial instruments was obtained from quotes in the open market and model valuation. In particular, the fair value of derivative financial instruments in which customers are interested was obtained from market enquiries and the valuation of foreign exchange option was obtained from system model valuation. Derivative financial instruments mainly consisted of interest rate swaps in which customers have interests and proprietary instruments in which market risks had been basically hedged, including interest rate swaps as well as forwards, swaps and options of precious metals and foreign exchanges.

### **(II) Overdue and outstanding liabilities**

As at the end of the Reporting Period, the Group had no material outstanding liabilities that were overdue.

### XI. Performance of Key Business Lines

#### (I) Corporate banking

During the Reporting Period, in active response to the new changes and challenges in market and regulatory environment, the Company captured the crucial opportunities arising from the shift in growth drivers of corporate banking business and adopted reform and business development as two major strategies, so as to promote development through transformation. It also pressed ahead the NSOE strategy, strengthened segmented management of different customer groups, optimised the quality and structure of assets and liabilities, accelerated product innovation and upgrading as well as facilitated the transformation from an extensive style to a capital-saving business model. As a result, the corporate banking business was continuously expanded with enhancing competitiveness.

During the Reporting Period, the Company's customer group-based business philosophy has taken root, and the operation modes adapted to various customer groups have been continuously optimised. A sales paradigm featuring with customer-centric concept, comprehensive service, successful solution, and customer group-based management has been gradually formed, and customer service capability continued to improve. The product system adapted to the classified customer groups has become increasingly perfect. Based on the perfected product system, continuous product innovation, upgrading and optimisation have been carried out to continuously enrich and improve product functions to better meet customer needs. Led by the Bank's fintech strategy, technology empowered and reshaped the business system, formed the intelligent corporate banking business, and played a more and more important role in helping business development.

#### 1. Corporate customers groups and principal business

**Accelerated implementation of strategic NSOEs.** In active response to the national policy and in line with the three-year development plan proposed by the Board, the Company innovated its strategic NSOE services and coordinated support from the middle and back offices to provide strategic NSOEs with comprehensive and professional financial solutions under the consolidated "1+3" service model and the "five-in-one" service supporting model. As at the end of the Reporting Period, the Company had 860 strategic NSOE customers, representing an increase of 32.31% as compared with the end of the previous year. Daily average deposits was RMB484,185 million, representing an increase of 34.55% as compared with the previous year. Total loans was RMB566,179 million, representing an increase of 29.72% as compared with the end of the previous year.

## Discussion and Analysis on Business Operation

**Established “Minsheng SME Project (中小企業民生工程)”.** In respect of SME customer groups, the Company continued to enhance the branding of “Minsheng SME Project” and adopted a digitalised, standardised and process-based SME business model. Through four major projects, namely “Joint Hands, Rooting, Win-win, and Ying Huo (攜手、生根、共贏、螢火)”, the Company provided SMEs with comprehensive financial and non-financial services including payments and settlements, cash management, credit facilities, supply chain services and equity investments. As at the end of the Reporting Period, the number of SME customers was 228.1 thousand, representing an increase of 33.8 thousand as compared with the end of the previous year. Total deposit was RMB817,569 million, representing an increase of 16.39% as compared with the end of the previous year.

**Expanded basic customer groups.** By persisting on its “customer-centric” philosophy, refining the segmented and classified customer service system and innovating customer services model, the Company provided integrated, intelligent and one-stop services to its customers and continuously improved customer experience. As at the end of the Reporting Period, the number of domestic corporate customers with outstanding deposits of the Company increased by 53.4 thousand, or 4.12%, to 1,350.8 thousand as compared with the end of the previous year. The number of domestic customers with outstanding general loan balances was 9,629.

**Continued growth of deposits and loans.** During the Reporting Period, the Company strengthened the development of its settlement business platform and enhanced the chain development of strategic customers, key institutional customers and core customers of supply chains. It also stepped up its efforts for the batch acquisition of SME customers, intensified the settlement business development of customer groups of its asset business in order to comprehensively increase the contribution of customer groups to general corporate deposits. The Company adjusted the scale of active liabilities in line with liquidity and market interest rate trends to sustain the steady growth of corporate deposits. As at the end of the Reporting Period, total corporate deposits of the Company amounted to RMB3,060,156 million, representing an increase of RMB198,283 million, or 6.93%, as compared with the end of the previous year. During the Reporting Period, in active response to national financial and industrial policies, the Company (1) aligned with key national strategies by stepping up its support for key regions such as the Guangdong-Hong Kong-Macau Greater Bay Area, the Yangtze River Delta, the Beijing-Tianjin-Hebei region, the free trade zones and areas along the Belt and Road; (2) provided more support to the construction of both traditional infrastructures, such as city facilities and public services, and new-type infrastructures, such as 5G network, ultra high voltage electricity, AI and industrial internet; (3) continued to implement NSOE strategy and strengthen support for NSOEs, in particular those played an important role in fighting against the epidemic and facilitating the resumption of work and production; and (4) provided strong loan support to the quality development of manufacturing

## Discussion and Analysis on Business Operation

industries with focus on advanced manufacturing, strategic emerging industries and the transformation and upgrading of traditional industries. As at the end of the Reporting Period, total corporate loans of the Company amounted to RMB2,280,976 million. The NPL ratio of corporate loans was 1.49%.

### 2. Institutional business

During the Reporting Period, by increasing investments in the special bonds of local governments and getting involved in the whole process of special bonds projects, the Company further developed platforms of institutional business and implemented refined and differentiated institutional customer group management, so as to realise rapid and stable development of institutional business.

During the Reporting Period, the Company increased investments in special bonds of local governments and strengthened support to their efforts in the fight against the epidemic and infrastructure construction. The Company steadily developed the platforms for institutional business and continued to improve the comprehensive services to customers such as treasury and public services entities, hospitals and schools. The Company was selected as one of the “Electronic Medical Insurance Certificate and Mobile Medical Insurance Payment Banks (醫保電子憑證和移動醫保支付業務合作銀行)” by the National Healthcare Security Administration. The Company continued to differentiate the management of customer groups by introducing differentiated marketing strategies and service solutions. As at the end of the Reporting Period, total institutional deposits of the Company amounted to RMB814,720 million, representing an increase of RMB133,257 million as compared with the end of the previous year. The average daily deposits for the first half of the year amounted to RMB720,590 million, representing an increase of RMB81,995 million as compared with the previous year. Of which, the average daily general institutional deposits amounted to RMB605,186 million, representing an increase of RMB99,361 million as compared with the previous year.

### 3. Investment banking

During the Reporting Period, the Company further reformed the investment banking business framework by focusing on the light-asset business model. The Company improved the platform for research and development attached more importance to key products, customers and regions, provided comprehensive and customised services to help the development of customers, and strove to build an investment bank of “commercial banking + investment banking”, and “finance + intelligence”.

## Discussion and Analysis on Business Operation

In respect of the capital market business and bond underwriting, the scale of products such as M&A loans, syndicated loans, and structured financing products recorded steady increase. Key customer base was consolidated and the customer experience was further improved. The Company strengthened segmented business promotion and refined management at operating units, and the business reserve increased significantly. The Company also strengthened risk control and improved overall quality and rating of projects. The Company further explored advantages in direct financing to support the real economy and finance NSOEs. During the Reporting Period, the Company underwrote bonds of RMB240,200 million in the inter-bank bond market, ranking tenth among all leading underwriters in the inter-bank bond market.

In respect of asset securitisation, targeting at corporate customer groups and quality customers, the Company achieved continuous growth in business scale and revenue. The Company made breakthroughs in product innovation and successfully invested in the first scalable REITs project in China.

### 4. Transaction banking

During the Reporting Period, the Company further implemented the development philosophy of “exploring scenarios, enriching product offerings, facilitating customers and improving experience”. With enhanced product advantages and optimised business procedures, the Company provided customers with comprehensive financial solutions of “settlement + guarantee + financing”, as well as intelligent, convenient and zero-contact products and services to ease the impact of the epidemic.

The Company improved the convenience of services in international business. During the Reporting Period, the Company introduced more “single window” financial products. The successful launch of pilot project of cross-border e-commerce and the cross-border fund pool diversified services methods. The Company provided all-round and customised cross-border financial services to satisfy customers’ scenario-based and differentiated financial needs in the course of epidemic, including project finance, cross-border M&A and international trade. Procedures of cross-border corporate remittance and settlement were optimised for better customer experience.

The Company further enhanced its product system in settlement and cash management business. During the Reporting Period, the Company responded to the cash management needs of group customers and promoted inter-bank cash management solutions to facilitate efficient and comprehensive capital management of enterprises. Focusing on a wide range of service demands of strategic customers, supply chain customers, institutional customers and SME customers for new type of settlement, internal capital management and wealth enhancement, the Company launched new products such as Non-Tax Express (非税通) and C&B Express (薪福通), and improved

## Discussion and Analysis on Business Operation

functions of products such as Housing Management Express (房管通), Tender Express (招標通), Purchase and Sales Express (購銷通), and Order Cashier (訂單收銀台). The Company realised the online transfer of certificates of deposits and introduced customised time deposit products to allow transfer, customisation and pledge of deposits.

The Company improved scenario-based application of domestic trade finance and factoring. During the Reporting Period, the Company further improved and enriched the application models of letter of credit, letter of guarantee and factoring, expanded businesses in big infrastructure construction and served the sectors in relation to the well-being of the general public, including pharmaceutical, public services, railway transportation and communication. Differentiated competitiveness in trade finance were further improved.

The Company continued to upgrade its digital services. During the Reporting Period, with focus on the painpoints of customers, the Company promoted the online migration of all trade finance products, optimised functions of the e-letter of guarantee and realised online processing of letter of credit and factoring. The Company continued to integrate existing products, channels and services for higher level of self-service and standardised operation to achieve better customer experience.

### 5. Supply chain finance

During the Reporting Period, the supply chain finance business of the Company supported customers in fighting against the epidemic and helped them resume work and production. The Company focused on key industries and continued to improve and optimise product system, expedite the construction of IT platforms and improve risk management.

**Improved scenario-based product and service system of supply chain finance to facilitate the resumption of work and production.** During the Reporting Period, the Company promptly adopted effective measures to fight against the epidemic. In accordance with the policies and requirements of the CBIRC and other government departments to support the resumption of work and production by supply chain finance, the Company focused on key industries such as automobile, pharmaceutical, construction, liquor and home appliance to provide convenient credit support to customers through online supply chain finance products based on their needs in business operation and development during the epidemic. Meanwhile, the Company continuously optimised supply chain finance products, pushed forward the upgrading of functions of existing products by streamlining operation procedures, and promoted online migration and automation of products to improve customer experience. In particular, the full-process online products featuring less contact and fewer procedures, such as “Credit Financing E (信融E)”, demonstrated their competitive edges during the epidemic, contributing to the significant business growth and expanded service span for SMEs in the supply chain.



## Discussion and Analysis on Business Operation

### **Accelerated fintech innovation of supply chain finance and refined risk management.**

On the one hand, the Company actively developed a new fintech platform for supply chain finance and the first phase of the platform was successfully launched during the Reporting Period. The “Minsheng Credit Easy Chain (民信易鏈)” platform was put into operation and a number of projects had been launched. On the other hand, the Company further optimised the full-process risk management of supply chain finance by applying new technologies and new models to strictly control and manage risks for the prudent and orderly development of businesses.

### **(II) Retail banking**

The Company continued to deepen the development model of the retail banking dually driven by the retail wealth management and asset business. The Company strengthened the classified management and vertical management of customer groups, and optimised product and service systems to enhance its capability to provide professional services. Customised financial services with distinctive features were developed to create differentiated competitive edges of the Company.

During the Reporting Period, operating income from retail business of the Company was RMB36,697 million, representing an increase of 13.72% as compared with the corresponding period of the previous year, and accounted for 39.19% of the total operating income of the Company, representing an increase of 1.16 percentage points as compared with the corresponding period of the previous year. Net non-interest income from retail banking was RMB22,721 million, representing an increase of 14.35% as compared with the corresponding period of the previous year, and accounted for 61.92% of operating income from retail banking and 56.41% of net non-interest income of the Company.

#### **1. Retail customers**

**Classified management of customer groups.** The Company promoted cooperation with other industries to acquire customers through traffic. The Company actively developed innovative wealth management products and upgraded service channels for wealth management customers for better customer experience. The Company continued to comprehensively develop small and micro customer groups, initiate batch acquisition of customers in key industries and customer groups, and improved professional services to classified customer groups with product portfolio and multiple scenario-based settlements.

## Discussion and Analysis on Business Operation

**Integrated services for entrepreneurs customer groups of private banking.** Joint efforts were made by different departments to develop strategic customers. The Company introduced financial service solutions for entrepreneurs customers and their families. Exclusive product and comprehensive services were enriched to meet their demands for integrated services in asset allocation and coordinated management of personal and corporate accounts.

**Improved structure of credit card customer groups.** The Company promoted value management and refined management of existing credit card customers, enhanced cross-selling to existing debit card customers, and provided targeted financial services to support the resumption of work and production and to boost consumption.

**Light-capital management of classified customers.** The Company adopted light-capital online management of classified customer groups, launched exclusive online marketing activities, eight major financial services, and the e-commerce platform of “Minsheng Farm (民生農場)” to attract customers with distinctive products and services.

As at the end of the Reporting Period, the number of retail customers of the Company was 77,449.6 thousand, representing an increase of 3,000.6 thousand as compared with the end of the previous year. The number of Gold<sup>1</sup> (悠然) customers and customers of higher levels was 1,234.1 thousand, representing an increase of 75.2 thousand as compared with the end of the previous year. In particular, the number of eligible private banking customers was 34,999, representing an increase of 3,661 as compared with the end of the previous year. The number of high-rating retail banking customers<sup>2</sup> was 2,106.5 thousand, representing an increase of 119.6 thousand as compared with the end of the previous year. The number of credit card customers was 42,291.1 thousand, representing an increase of 1,424.0 thousand as compared with the end of the previous year, of which the high-value customers<sup>3</sup> accounted for 84.47%, representing an increase of 1.57 percentage points as compared with the end of the previous year. The number of dual-card customers<sup>4</sup> was 18,380.6 thousand, representing an increase of 682.7 thousand as compared with the end of the previous year.

<sup>1</sup> Gold customers are customers having financial assets of daily average of not less than RMB0.3 million.

<sup>2</sup> High-rating retail banking customers are customers with higher ratings in value contribution, transaction frequency and potential in the Company's comprehensive rating.

<sup>3</sup> High-value credit card customers are outstanding customers in terms of customer characteristics, consumption pattern, value contribution and risk level as categorised by the Company.

<sup>4</sup> Dual-card customers are customers holding a debit card and a credit card of the Company.

## Discussion and Analysis on Business Operation

### 2. Financial assets

**Standardised wealth management.** The Company introduced a series of wealth management products such as Minsheng Bedrock (民生盤石) and Minsheng Premium (民生優選) and launched the investment section in mobile banking system. The project of wealth management reform project 3.0 was launched to standardise operation, management and sales of wealth management business.

As at the end of the Reporting Period, financial assets of individual customers under the management of the Company amounted to RMB1,944,707 million, representing an increase of RMB107,732 million as compared with the end of the previous year, of which the financial assets of Gold customers and customers of higher levels amounted to RMB1,594,819 million, representing an increase of RMB101,246 million, as compared with the end of the previous year. Total retail deposits (including the deposits of small and micro enterprises) amounted to RMB936,088 million, representing an increase of RMB109,031 million, or 13.18%, as compared with the end of the previous year. Savings deposits amounted to RMB805,561 million, representing an increase of RMB99,207 million as compared with the end of the previous year. The sales of personal wealth management products amounted to RMB1,829,199 million, representing an increase of RMB12,919 million as compared with the corresponding period of the previous year. The agency sales of open-ended funds amounted to RMB80,991 million, representing an increase of RMB4,775 million, as compared with the corresponding period of the previous year. The agency sales of insurance was RMB11,830 million, representing a decrease of RMB1,627 million, as compared with the corresponding period of the previous year. Fee and commission income from wealth management business amounted to RMB2,974 million, representing an increase of 7.92% as compared with the corresponding period of the previous year.

### 3. Retail loans

During the Reporting Period, the Company performed its duties in response to the requirements of the CPC Central Committee and the State Council to ensure the stability on the six fronts and security in six areas by supporting fight against the epidemic, upgrading products and services, assisting customers in difficulties and promoting inclusive finance. As at the end of the Reporting Period, retail loans of the Company amounted to RMB1,498,702 million, representing an increase of RMB101,486 million as compared with the end of the previous year. The number of customers of retail loans was 2,318.2 thousand, representing an increase of 233.6 thousand, as compared with the end of the previous year. Non-performing retail loans amounted to RMB29,972 million, representing an increase of RMB4,136 million, as compared with the end of the previous year. The ratio of non-performing retail loans was 2.00%. Special-mentioned retail loans amounted to RMB21,554 million, representing an increase of RMB9,049 million as compared with the end of the previous year and accounted for 1.44% of total retail loans.

## Discussion and Analysis on Business Operation

**Expanded small business finance with improved quality and reduced cost.** The Company accelerated the upgrading of online products and carried out supporting policies for small and micro enterprises to help them solve difficulties in operation and daily life and strengthen their business management and risk resistance. The Company increased the provision of small business loans and promoted renewed loans without principal repayment, in an aim to ensure stable credit services to small business customers for their resumption of production and operation. To reduce pressure of repayments, the Company offered small business customers with temporary financial difficulty with favorable supporting policies such as renewed loans without principal repayment, loan interest rate cuts, temporary deferred payment of principles and interests, extended loan maturity terms and “small business red envelope” (小微紅包). For severely affected small business customers with overdue loans, the Company reduced or exempted their penalty interests and provided credit record protection to maintain good records of such customers so as to help them overcome difficulties.

The Company accelerated the optimisation and improvement of major online products and services. The Company increased the collateral ratio of “Cloud Loan (雲快貸)” and expanded the geographical coverage of “Tax-based online loan (納稅網樂貸)”. Application for loan had been simplified for higher efficiency. More domestic branches offered fully online self-service banking functions for loan application, contract signing, cash withdrawals, loan repayment and loan renewal (renewed loans without payment of principal). The Company issued service guidance including “Doing Banking Business from Home (銀行業務在家辦)” to assist small and micro enterprises to familiarise with online financial tools and process transactions “at home”.

As at the end of the Reporting Period, total small business loans of the Company amounted to RMB474,074 million. Total small business loans provided in the first half of the year amounted to RMB293,871 million. Total inclusive small business loans amounted to RMB425,084 million and the number of customers with outstanding loans was 288.2 thousand. Total inclusive small business loans provided in the first half of the year amounted to RMB270,600 million at average interest rate of 6.02%, representing a decrease of 0.53 percentage points as compared with the previous year. The balance of non-performing inclusive small business loans was RMB12,978 million and the non-performing loan ratio was 3.05%, representing a decrease of 0.16 percentage points as compared with the end of the previous year. All business units of 854 sub-branches (including business departments) and 141 small business sub-branches provided stable financial services to small business customers.

**Various measures to improve services for mortgage business.** Residential mortgage business of the Company was in strict compliance with the government policies and regulatory requirements. Under such premise, the Company optimised the procedures, refined management

## Discussion and Analysis on Business Operation

and pushed forward the conversion of LPR. As at the end of the Reporting Period, the total mortgage loan of the Company amounted to RMB471,708 million, representing an increase of RMB55,076 million, as compared with the end of the previous year. Non-performing loan ratio was 0.24%, representing an increase of 0.03 percentage points as compare with the end of the previous year.

**Innovated products of consumer finance and optimised online decision-making system of Easy Loan.** The Company innovated consumer finance products based on actual consumption scenario and classification of customers. The Company also optimised online Easy Loan products in respect of risk-based access control, limit calculation, channel management and decision-making framework. The risk management decision-making system of Easy Loan was upgraded to a new model. Base on the in-place marketing model of consumer loans, the Company established a marketing system for classified customer groups for better resources allocation. As at the end of the Reporting Period, total consumer loans (excluding mortgage loans) of the Company amounted to RMB95,383 million, representing an increase of RMB5,240 million as compared with the end of the previous year. NPL ratio was 0.63%, representing an increase of 0.04 percentage points as compared with the end of the previous year.

### 4. Integrated development of small business finance

The Company enriched the variety of dedicated products and services for small business through the development, introduction or upgrading of 15 products. Differentiated product mix solutions were provided with small business loan, small business wealth management, small business deposit, small business medical insurance, industrial settlement and third-party payment to meet the overall financial needs of small business customers and their companies, employees and families. The Company had established a featured insurance service system and offered insurances to 300 thousand small business customers and about 40 thousand employees of small and micro enterprises and their families during the Reporting Period. The Company also provided trainings on light-capital operation to help small and micro enterprises transform to light-capital operation and enhance the stability and sustainability of their operation.

As at the end of the Reporting Period, financial assets of small business customers under the management of the Company amounted to RMB408,446 million, representing an increase of RMB44,042 million, as compared with the end of the previous year. Personal small business deposits amounted to RMB189,007 million, representing an increase of RMB29,827 million as compared with the end of the previous year. Deposits of small and micro enterprises amounted to RMB130,527 million, representing an increase of RMB9,824 million as compared with the end of the previous year.

### 5. Credit card business

**Enhanced core competitiveness of credit card business.** The Company further improved “customer-centric” business management system and publicised the brand philosophy of “long-term reliability” in the society through the empowerment of technology and data, development of scenarios and ecosystem, innovation of products and businesses and improvement of organisational efficiency.

**Enriched variety of featured products.** The Company issued the co-branded credit card with JD PLUS based on quality internet scenario. Online customer acquisition and management were improved. The customers acquired online accounted for 37.63% of total customers acquired, representing an increase of 1.43 percentage points as compared with the end of the previous year. Targeted at female customers and young customers, the Company respectively issued the Lady Flower – Colour from the Forbidden City by LEEWOO (女人花 – 鶴禧覺色) themed credit card series and Visa overseas student credit cards, respectively, to meet the personalised preference of customers.

**Brand new online platform.** The new “Daily Life APP (全民生活)” version 7.0 was launched to meet the personal needs of customers through their life cycle. Based on frequent payment scenario, the Company offered intelligent and customised financial services. As at the end of the Reporting Period, the number of registered users of Daily Life APP was 23,165.5 thousand.

As at the end of the Reporting Period, total number of credit cards issued by the Company was 60,000.3 thousand, representing an increase of 4.43% as compared with the end of the previous year. Total number of credit card holders was 42,291.1 thousand, representing an increase of 3.48% as compared with the end of the previous year. Receivables of credit cards amounted to RMB457,537 million, representing an increase of 2.61% as compared with the end of the previous year. During the Reporting Period, transaction volume of credit card was RMB1,259,989 million, representing an increase of 5.58% as compared with the corresponding period of the previous year. Net income from credit card business was RMB16,139 million, representing an increase of 20.23% as compared with the corresponding period of the previous year. During the Reporting Period, under the combined impacts of macro economic condition, joint debt risk and the epidemic, the risk of credit card sector increased and the quality of assets was under significant pressure in the near term. As at the end of the Reporting Period, the NPL ratio of credit card business was 3.23%, representing an increase of 0.75 percentage points as compared with the end of the previous year, which was at an average level among peers.



## Discussion and Analysis on Business Operation

During the Reporting Period, the credit cards of the Company won various awards, including “2019 UnionPay Card Product Cooperation Excellence Award (2019年銀聯卡產品合作卓越獎)” issued by China UnionPay, “2019 High-end Product Development Award (2019年高端產品拓展獎)” and “2019 Sincere Cooperation Award (2019年精誠合作獎)” issued by VISA International Card Organisation.

### 6. Private banking

**Strengthened wealth management of private banking.** The Company proactively transformed the customer group management and channel management of private banking. Based on the standard structure of private banking centres, the Company standardised the management of business teams for higher performance and efficiency. The Company developed a new asset planning management system on the basis of investment research. Product portfolio was integrated with focus on net value and customisation.

As at the end of the Reporting Period, the number of eligible private banking customers with financial assets of more than RMB6 million was 34,999, representing an increase of 11.68% as compared with the end of the previous year. The financial assets of eligible private banking customers under the Company’s management was RMB512,599 million, representing an increase of 9.37% as compared with the end of the previous year. The average financial assets of private banking customers was RMB14.6461 million.

### 7. Community finance

**Upgraded community services.** In response to the national strategy of promoting inclusive finance, the Company promoted the upgrading of community finance business model. During the Reporting Period, in spite of the epidemic, the Company successfully proceeded the transformation of scenario-based operation. Leveraging on the interpersonal and geographical advantages of community sub-branches, the Company provided considerate services with “community” features. As at the end of the Reporting Period, the Company had 1,125 licensed community sub-branches and 141 small business sub-branches. Total financial assets of the community (small business) sub-branches continued to increase, with its balance reaching RMB315,011 million, and the average financial assets of the community network were RMB249 million. Total savings deposits amounted to RMB125,599 million, reflecting the significant contribution of community finance. The number of customers was 7,068.9 thousand, of which 866.8 thousand were at or above active level. The customer base was further optimised.



### 8. Active response to the impact of epidemic by performing social responsibility

Firstly, the Company promptly formulated regulations for the prevention and control of the epidemic at business units and carried out sterilisation and disinfection measures to ensure the safety of customers, the security of operation and the orderly resumption of work. Secondly, the Company allocated more resources of inclusive finance to help small and micro enterprises in difficulties. The Company launched a customer care campaign of “Joined Hands to Overcome Difficulty (守望相助共克時艱)”, and carried out online re-visit to over 300 thousand small and micro business owners. Differentiated services such as “One account one policy” were introduced to support small and micro enterprises, credit card customers and qualified consumer loan customers under repayment difficulty due to the epidemic in terms of deferring repayment, reducing or exempting overdue penalty interest, and protecting credit record. Thirdly, targeted products and exclusive services were introduced. During the epidemic, the Company introduced a policy on the adjustment of maturity of certain personal time deposits. In cooperation with insurance companies, the Company launched customer care campaigns. For customers engaged in medicare, the Company introduced exclusive wealth management solutions, new consumer loans with favourable interest rates and Minsheng Medicare Credit Cards with various privileges. Diversified installment plans for Minsheng Inclusive Small Business Credit Card were introduced to provide differentiated preferable interest rates for small and micro business owners and self-employed business owners. Fourthly, the Company enhanced the coordination of channel services, improved mobile banking APP and enriched online products, optimised zero-contact business procedures and strengthened the integrated operation of online and offline services. The Company enhanced online business, upgraded the online service platform of “Fortune e Store (財富e棧)”. More “remote banking” functions were introduced, including transfer and remittance, wealth management enquiry and referral, authorisation of payment, change of password, change of information and online loan application. Fifthly, the Company strongly supported the resumption of work and production to alleviate the financial burden of small and micro enterprises. The Company actively reached out to the small and micro enterprises engaged in key sectors including medical and epidemic prevention, healthcare protection, public welfare and manufacturing, and opened green channels to satisfy their credit needs, so as to give full play to their role in fighting against the epidemic. In response to the national policies to boost consumption, the Company launched a credit card promotion campaign of “616 Dining Coupon (全民616千家美食千萬禮券)”. Thousands of well-known food and drink shops and fresh food e-sellers participated in the campaign to promote consumption by offering discount.

## Discussion and Analysis on Business Operation

### **(III) Treasury business**

#### **1. Investment business**

During the Reporting Period, the Company properly managed the growth of investment business and improved investment efficiency. As at the end of the Reporting Period, net investment in trading and banking books of the Company amounted to RMB2,315,370 million, representing an increase of RMB154,822 million, or 7.17%, as compared with the end of the previous year. The proportion of net investment in trading and banking books in total assets of the Company increased by 0.05 percentage points as compared with the end of the previous year.

#### **2. Inter-bank business**

During the Reporting Period, the Company strengthened the compliance of inter-bank business and propelled the transformation of customer group management. The Company improved the marketing and business operation models to optimise the dedicated operation and management system for inter-bank business. “Dually driven” by customer groups and products, the Company optimised the inter-bank business structure to achieve stable and healthy development.

During the Reporting Period, the Company issued interbank negotiable certificates of deposit (IBNCD) of RMB3,790 million specifically for combating the epidemic on 25 February. In respect of product management, the Company continued to optimise the inter-bank asset and liability structure by increasing the allocation of capital-intensive assets and stabilising liabilities while reducing cost. As at the end of the Reporting Period, inter-bank assets of the Company amounted to RMB350,579 million, representing a decrease of 6.18% as compared with the end of the previous year. Inter-bank liabilities (including IBNCD) amounted to RMB1,901,805 million, representing an increase of 3.23% as compared with the end of the previous year. During the Reporting Period, a total of 290 tranches of IBNCD were issued with an accumulated amount of RMB395,830 million and the balance amounted to RMB522,219 million, representing a decrease of 10.44% as compared with the end of the previous year.

#### **3. Custody business**

Following the policy guidance, the Company proactively marketed products concerning epidemic prevention and control, and opened green channels for custody products for epidemic prevention and control for faster approval. Custody fee was voluntarily waived or reduced to allow the entrusted funds to be fully used at the front line of epidemic prevention on a timely basis. With in-depth analysis on capital market, the Company actively responded to market changes and implemented customer-centric development policy of “expanding scale, increasing revenue,

## Discussion and Analysis on Business Operation

promoting synergy and building brand name (創規模、增收入、促協同、樹品牌)". While focusing on the development of basic custody business, the Company also promoted business innovation to enrich the connotation of the brand of "iCustody" (愛託管). With focus on the online custody service process, the "on-site + remote (現場 + 遠程)" dual-line service mechanism was introduced for better customer experience. As at the end of the Reporting Period, total assets under the custody of the Company (including various types of funds under supervision) amounted to RMB10.55 trillion. Total revenue from custody business was RMB3,134 million.

In respect of pension business, in line with the government policy on improvement and development of multi-pillared pension schemes, the Company expanded its product portfolio covering corporate annuity, occupational annuity, pension products and pension management products under its qualifications of annuity custody and account management. The Company continued to improved operation management and customer service to provide quality pension fund management services for corporate and individual customers. As at the end of the Reporting Period, the Company had RMB635,032 million pension funds under custody and managed 198.7 thousand personal accounts of corporate annuity.

### **4. Wealth management business**

During the Reporting Period, despite significant market fluctuations brought by the epidemic, the Company deepened the reform and transformation of wealth management business. On the one hand, under the premise of consolidated compliance and effective risk control, the Company proactively promoted the net-value transformation of wealth management products to enrich product offering, leading to rapid growth in net-value product scale. On the other hand, the Company closely followed the major national strategies and promoted financial services for the well-being of the people and supported the real economy through direct or indirect involvement of wealth management funds in various financial tools. As at the end of the Reporting Period, the scale of existing wealth management products of the Company in effect amounted to RMB887,363 million.

### **5. Precious metals and foreign exchange trading**

During the Reporting Period, the on-floor trading volumes of gold and silver (including agency sales for legal persons and individuals) of the Company in the precious metals markets (i.e., the Shanghai Gold Exchange and the Shanghai Futures Exchange) amounted to 1,441.61 tons and 10,900.00 tons, respectively. Total trading value amounted to RMB571,289 million. The Company is the seventh largest trader of Shanghai Gold Exchange in terms of on-floor trading value and is one of the most active proprietary dealers in Shanghai Futures Exchange. The Company is also one of the most important importers of block gold in China.

## Discussion and Analysis on Business Operation

During the Reporting Period, the volume of gold leased to corporate customers of the Company was 6.30 tons, ranked seventh in the market. The volume of physical gold of the Company's own brand sold to individual customers was 368.55 kg. The Company effectively satisfied the demands of customers with diversified products. The market potential is very promising.

During the Reporting Period, the transaction volume of domestic spot settlement of foreign currencies of the Company amounted to USD304,793 million. The transaction volume of forward settlement and sale of foreign currencies and RMB foreign exchange swap of the Company amounted to USD358,409 million. The transaction volume of RMB foreign exchange options amounted to USD23,929 million. The Company had been active in the interbank foreign exchange market and its market position was on the rise.

### **(IV) Distribution channels**

#### **1. Internet finance**

During the Reporting Period, the Company further implemented the strategy of “becoming a fintech-based bank”, actively explored and applied cutting-edge fintech and upgraded its internet finance platform. Continuous innovations were made in the “three banking systems (三個銀行)”, namely online banking, mobile banking and WeChat banking, and the “four platforms (四個平台)”, namely bank-enterprise direct connect platform (銀企直聯平台), online payment platform, digital operation platform and open banking service platform (開放銀行服務平台), which greatly improved the comprehensive services of internet finance, expanded its market share and enhanced brand influence. During the epidemic, the Company leveraged on its online platform to promptly response to customers' needs in zero-contact services with innovated online financial and life services to ensure smooth transactions and contribute to the epidemic prevention and control.

#### **(1) Retail online services**

During the Reporting Period, adhering to the principles of “openness, intelligence and inclusiveness”, the Company continued to innovate platforms of personal mobile banking, online banking and WeChat banking, and introduced or optimised about 1,000 products and services. The Company launched the 5G-based mobile banking, the first in the industry, that applied advanced technologies including 5G, AI, big data, Internet-of-Things (IoT) and others. Focusing on innovations in interaction experience and intelligent services, the Company strove to provide vivid visual experience, rich service contents, convenient voice interaction portal, friendly remote banking services, considerate AI assistance and reliable security protection. The Company further optimised its “Minsheng Pass (民生通行證)” system and open-ended account system to allow users

## Discussion and Analysis on Business Operation

of other banks to register in and access to the retail online platform of Minsheng Bank, which further expanded the service scope. The Company introduced the WeChat mini program of “China Minsheng Bank +” (中國民生銀行+) to fully utilise the IT capacity and platform services of mobile banking to provide “what you see is what you get (所見即所得)” financial services. The Company created special sections for video on demand, combat against epidemic and payroll agency on the mobile banking interface and re-designed the online services of insurance, fund and banking outlets, which enriched financial and social networking services for more friendly customer experience. The Company also launched the U-key for mobile phones to allow transfer of up to RMB5 million in a secured manner.

As at the end of the Reporting Period, the number of retail online platform users was 75,578.3 thousand, representing an increase of 5,166.5 thousand, or 7.34%, as compared with the end of the previous year. The retail online platform substitution rate was 99.12%. In terms of customer transaction activity, the Company maintained its leading position in the banking industry.

### **(2) Corporate online services**

During the Reporting Period, the Company focused on the establishment of corporate online platform and launched an integrated corporate online service system consisting of various channels including mobile devices, personal computers, bank-enterprise direct connect platform and WeChat platform, which can be accessed with one corporate user pass, in an aim to better serve the real economy and support the rapid growth of enterprises. The corporate mobile finance platform was further improved and the corporate remote banking was launched to satisfy customers’ demand of online transactions. Under the customer-centric principle and in order to fulfill the differentiated and distinctive needs of customers, the Company launched specialised services for corporate version, SMEs version and inter-bank version of mobile banking system. The corporate online banking platform and the bank-enterprise direct connect platform were upgraded with optimised functions such as transfer, receipt issuing, corporate treasury and settlements, which fully improved service quality in terms of usage, interaction, visual design and experience. The Company also continued to develop more WeChat-based products for small and micro customers.

As at the end of the Reporting Period, the number of users of corporate online platform of the Company reached 2,483.6 thousand, representing an increase of 173.3 thousand, or 7.50%, as compared with the end of the previous year. Transaction volume of corporate online banking platform amounted to RMB27.33 trillion, representing an increase of 16.74% as compared with the corresponding period of the previous year. The number of bank-enterprise direct connect customers was 2,173, with annual average daily deposits of RMB519,986 million.

## Discussion and Analysis on Business Operation

### **(3) Online payment services**

During the Reporting Period, focusing on the two major service systems of “mobile payment and online acceptance (移動支付+網絡收單)”, the Company put great efforts in product and service innovation based on market needs and industrial painpoints. The online payment services and the brand influence of “Minsheng Pay® (民生付®)” were continuously enhanced. To boost mobile payment from the C end, the Company launched the mobile banking functions including NetsUnion fast payment and one-click binding of UnionPay Quick Pass, and became one of the first banks to realise mutual recognition of QR code with AliPay for payment. The Company promoted the development of mobile payment projects, diversified the application scenarios of services and advanced marketing activities to provide customers with more versatile, convenient and economical mobile payment services. For the B end, the Company improved the cashier function of Minsheng Pay, and provided one-stop acceptance services that combined UnionPay card payment, B2C online banking payment, B2B online banking payment, UnionPay QR code payment and WeChat payment, in an aim to satisfy different settlement requirements of merchants.

During the Reporting Period, the number of mobile payment transactions via debit cards amounted to 39,805.3 thousand, representing an increase of 119.72% as compared with the corresponding period of the previous year. The transaction volume was RMB15,374 million, representing an increase of 100.79% as compared with the corresponding period of the previous year. Transaction volume of online acceptance was RMB123,899 million, representing an increase of 98.60% as compared with the corresponding period of the previous year.

### **2. Direct bank**

In line with the internet banking governance philosophy, the Company accelerated the reform and transformation of direct bank to a market-oriented, digitalised and proprietary quasi-corporate management model. On the basis of the open-ended comprehensive financial cloud service platform version 3.0, the Company continued to develop the “Group Wallet Ecosystem (集團錢包生態系統)” to provide highly-adhesive scenario-based financial solutions to group customers. The Company integrated services, such as deposits, loans, remittances, investments, payments, membership system, employee benefits, distribution and settlement, financing and intelligent services, into accessible, scenario-based and feasible functions, which enabled corporate managers to easily enjoy all-round online financial services covering management, operation, customer acquisition and cash realisation. The services effectively supported the real economy and further facilitated and deepened the development of inclusive finance services. As a result, the “Cloud Banking (雲銀行)” version 4.0 was preliminarily coming into shape. As at the end of the Reporting Period, total number of direct bank customers of the Company was 32,236.4 thousand with financial assets managed by the Company amounted to RMB118,031 million.



## Discussion and Analysis on Business Operation

### 3. Digitalised management

**Digitalised marketing.** The Company enriched the data-based marketing strategy through the development of business models and data governance. According to different important stages of the life cycle of customers, the Company launched targeted marketing for new customer acquisition, customer improvement and customer recovery. The Company established basic portraits for 12 types of retail customers, developed 839 customer labels, conducted 150 thousand targeted marketing activities and achieved 1.8 billion times of targeted customer contacts. The Company initiated the building of a tank of retail data-based marketing strategies to enhance system support for strategy development. A management system for all channels was established and a retail sales funnel analysis model was developed to further optimise the major indicators of sales and repeated purchases.

**Digitalised risk management.** Based on risk measurement model, the Company established a full-process comprehensive data-based intelligent risk management system for small business finance to improve customer experience and to effectively prevent external fraud risk, credit risk and operational risk. Based on the risk management system, the Company built the automatic financial services system for small business finance that included online secured loans, online credit loans and self-service loan renewal.

Dually driven by “data + model”, the Company strengthened the risk management and control of scenario-based consumer finance. Based on the accumulated data of scenario-based consumption, the Company improved the 360-degree customer portraits and successfully increased the monthly number of new credit customers by 4.7 times and the monthly number of new customers signing contracts by 6.2 times.

**Digitalised channel management.** By using “Location-based-service (LBS) application” and customer distribution map, the Company provided standardised operation process and intelligent system to support physical banking outlets to effectively explore potential customers and conduct targeted marketing. The Company further improved digitalised sales management system of retail business with penetrating management as the core so as to improve the efficiency of all channels.

**Digitalised management of customer experience.** The Company established an all-channel retail customer experience management system, streamlined and diagnosed 37 major business processes of retail customers, and promoted the optimisation of key processes. The Company also initiated the establishment of customer experience research and monitoring system to enhance data analysis from the perspective of customers and to monitor customer experience of all channels. The



## Discussion and Analysis on Business Operation

Company optimised the service management of all channels and improved the service quality based on the analysis results of over 200 monitoring indicators, including customer experience, operation, complaint and behaviour.

### 4. Physical distribution channels

The Company has established an effective domestic distribution network that covered all provinces in the Chinese Mainland with focus on the Yangtze River Delta, Pearl River Delta, Bohai Rim and other regions. As at the end of the Reporting Period, the sales network of the Company covered 129 cities in the Chinese Mainland, including 136 branch-level institutions (including 41 tier-one branches, 86 tier-two branches and 9 remote sub-branches), 1,159 business outlets of sub-branches (including business departments), 1,125 community sub-branches (including 48 small business special sub-branches), and 141 small business sub-branches.

The Company proactively promoted digitalised and refined management of physical distribution channels. A digitalised management system of basic channels was established based on the business classification, life cycle management and rating evaluation of the outlets, which focused on the monitoring of operation efficiency per unit floor area and per person, the transformation and upgrading of outlets as well as the improvement in productivity.

### 5. Operation Management

The Company fully implemented various requirements of the regulatory authorities and prioritised epidemic prevention and control and securing financial services. The Company continued to provide quality, highly efficient and competitive services to customers inside and outside the Bank by adhering to the “value-oriented” strategy. During the epidemic, the “95568 Remote Bank (95568遠程銀行)” ensured customers’ transactions in an orderly and stable manner through zero-contact services. The Company optimised the payment and settlement services through a green channel and reduced or waived handling fees to secure efficient and smooth financial services during the epidemic. Actively responding to the requirements of the State Council in “streamlining administration and delegating power, improving management and optimising services”, the Company adopted optimised service models such as quick account opening, online real estate mortgage, door-to-door services and joint witnessing so as to minimise service painpoints and enhance support to the real economy.

### (V) Fintech

During the Reporting Period, with scenario and mid-office as the two focuses, the Group strengthened the “three banking systems”, including mobile banking, online banking and WeChat banking, as well as the “four platforms”, including digitalised operation platform, bank-enterprise direct connect platform, online payment platform and open banking platform, and improved the “five capabilities” in customer experience, intelligent services, risk management and control, operation management and innovation empowerment. “Ten major events” of fintech for 2020 were proposed. Leveraging on the structural advantages of mid-office, data-empowered value and leading role of innovation, the Company steadily pressed ahead the strategy of “becoming a fintech-based bank” and achieved significant results.

In terms of scenario of NSOE strategy, the Company focused on key areas and addressed the construction of the cash management product system of “Express, Pool and Earnings (通、聚、盈)”, the online product system of trade finance, the product system of “E” series of new supply chain finance, the intelligent corporate risk control system and the digitalised marketing management and operating platform, in an aim to ensure the availability of basic financial services during the epidemic.

In terms of retail customer group ecosystem, the Company further enriched the library of scenarios and focused on the construction of product centre, intelligent marketing platforms, intelligent acceptance platforms, mobile finance platforms and internet integrated loan products. More than 20 scenarios for new customer management strategies were introduced, which enhanced the classified management of retail customer groups and contributed to the building of “a bank that knows you”.

In terms of scenario of inter-bank customer group ecosystem, the Company established an intelligent product factory and focused on the establishment of “Minsheng inter-bank e + platform”, “Inter-bank fund cloud” and “custody cloud”, which formed a diversified and multi-level product portfolio. The Company also offered one-stop “fund management +” services to expand the inter-bank service chain.

## Discussion and Analysis on Business Operation

Data empowerment enhanced the risk management of corporate and retail banking businesses. In particular, an intelligent risk management system of corporate banking was developed. The Company developed and launched machine learning models including “Xinzhu Credit Score (新竹信用分)”, “Baichuan Credit Score (百川信用分)”, “Lingxi Will Score (靈犀意願分)” and other machine learning models which had been tested and proved effective in consumer loan scenarios at a number of branches and sub-branches. The “Real-time Engine (實時引擎)” doubled the efficiency of the data-based mid-office. The Company focused on the construction of real-time large-screen value cloud map, interactive analysis on anti-fraud of transactions, and internet threat detection system so as to improve capabilities in refined operation, decision-making, and IT risk management.

The Company carried out forward-looking IT innovations by focusing on the construction of “zero-contact” online service system, “5G mobile banking”, remote corporate banking, “cloud witnessing (雲見證)” and “cloud signing (雲面簽)” services to lead the reform of the mobile finance industry. The integrated cloud native IT framework was included in the “Ten Best Cases of Cloud Native Applications (雲原生應用十大優秀案例)” jointly issued by the Cloud Computing Standards and Open Source Promotion Committee (雲計算標準和開源推進委員會) and the Cloud Native Computing Foundation.

The overall operation of production system ran smoothly. The Company focused on the construction of a unified internet security protection framework covering the Head Office, branches and sub-branches, as well as subsidiaries, to centralise security management and control.

During the Reporting Period, the Company invested RMB1,901 million for IT projects. As at the end of the Reporting Period, the number of the IT personnel of the Company and Minsheng Fintech Co, Ltd. was 2,419.

### **(VI) Comprehensive services**

During the Reporting Period, the Company strove for group-oriented, diversified and integrated development and promoted comprehensive service synergy within the Bank and between the Banks and its subsidiaries. The Company focused on key business and key customer groups and optimised the model and process of cross-selling between different business segments. The Company enriched the application scenarios and increased the proportion of competitive products to expand the depth and breadth of synergy. The Company further promoted business synergy between the Bank and its subsidiaries by expanding the scope of synergy and addressing key areas of synergy. Efforts were devoted to referral and two-way diversion of customers so as to create a comprehensive customer-oriented financial service system.

## Discussion and Analysis on Business Operation

The Company continued to promote the construction of a group-oriented, scientific and effective management and control system to create the culture of synergy and achieve the common development sense of “One Minsheng” throughout the Bank. The Company promoted strategic integration by enhancing the transmission of the Group’s strategies to its subsidiaries, optimising performance appraisal and resource allocation plans of subsidiaries, improving comprehensive risk management at the group level, and pushing forward the development of system platform of subsidiaries, in an aim to further improve the capabilities of the Group in providing comprehensive financial solutions to customers.

### **(VII) Overseas business**

During the Reporting Period, under the stringent market environment and regulatory pressure, the Hong Kong Branch actively followed the Company’s development strategy, implemented the Scheme for Reform and Transformation and the Three-year Development Plan and continued to strengthen the three major businesses of the Company, namely corporate banking, financial markets and private banking and wealth management, to give full play of its functions as an overseas business platform of the Company.

Capitalising on the cross-border synergy with the Head Office and grasping the strategic opportunities arising from the “Guangdong-Hong Kong-Macau Greater Bay Area” and others, Hong Kong Branch focused on providing professional cross-border financial solutions for quality customers. In the capital market, Hong Kong Branch expanded featured businesses and recorded remarkable returns from investment banking businesses, such as syndicated loans, M&A loans and structured financing. The successful landing of projects of strategic customers, such as Wumart Group and Golden Eagle Group, strengthened the professional position of Hong Kong Branch in the capital market and emerging economic sectors.

Capitalising on the strategic position of Hong Kong as an international financial centre, the Hong Kong Branch actively expanded its financial markets business. During the Reporting Period, Hong Kong Branch actively developed bond investment and trading, agency business of foreign exchanges and derivatives, and achieved higher returns. As at the end of the Reporting Period, total bond investments balance and agency sales and settlements of foreign exchanges of Hong Kong Branch were HKD60,906 million and USD4,151 million, respectively. The debt issuance business of Hong Kong Branch continued to grow. As at the end of the Reporting Period, the underwriting scale of USD bonds for urban investment of the overseas institutions of the Company ranked second in the market, reflecting the Company’s brand influence and market position in the overseas bond market. The custody business of Hong Kong Branch developed rapidly by emphasising cultivating local custody customer base and improving comprehensive service capabilities. As at the end of the Reporting Period, assets under the custody of Hong Kong Branch reached HKD54,392 million.

## Discussion and Analysis on Business Operation

During the Reporting Period, the personal banking business of Hong Kong Branch continued to grow steadily. The personal wealth management of the Hong Kong Branch was positioned as a light-capital internet bank based on online banking and mobile banking. Focusing on cross-border wealth management business, Hong Kong Branch aimed to expand its market shares in mid- to high-end cross-border individual customer groups and develop itself into a platform of the Company to acquire and manage mid- to high-end customers. With enhanced cross-border comprehensive financial service capabilities, it has become one of the Chinese joint-stock commercial banks with online fund wealth management platform in Hong Kong market.

### **(VIII) Major equity investments and management of consolidated financial statements**

As at the end of the Reporting Period, the Company had investments in subsidiaries of RMB7,336 million. For details, please refer to the notes to the financial statements.

#### **1. Minsheng Financial Leasing**

Minsheng Financial Leasing, one of the first five financial leasing companies with banking background approved by the CBRC, was established in April 2008. 54.96% equity interest of Minsheng Financial Leasing was held by the Company.

During the Reporting Period, Minsheng Financial Leasing enhanced strategic synergy and maintained growth in a prudent way. The assets structure and risk management and control were further improved and the results were satisfactory. As at the end of the Reporting Period, total assets of Minsheng Financial Leasing amounted to RMB195,077 million, representing an increase of 3.91% as compared with the end of the previous year. Net assets amounted to RMB19,547 million, representing an increase of 2.07% as compared with the end of the previous year. During the Reporting Period, Minsheng Financial Leasing focused on “One Minsheng” strategy of the Group. The strategic synergy model was further optimised, differentiated advantages of leasing products were put into full play and management capabilities complementary to that of the Head Office were enhanced continuously so as to provide comprehensive financial services to the customers. Facing the negative impacts of the epidemic, Minsheng Financial Leasing actively followed the national policy to support the development of small and micro enterprises. It vigorously expanded automobile retail business, such as commercial vehicles and engineering machines and provided professional and distinctive financial leasing services for over 110 thousand small and medium car owners. In active response to national strategy of expanding domestic demands, it also expanded the scale of domestic lease assets, and assisted manufacturers to resume work and production. Minsheng Financial Leasing further strengthened its comprehensive risk management, optimised the risk management and control system and improved relevant capabilities in order to maintain its stable and sustainable development.

### 2. Minsheng Royal Fund

Minsheng Royal Fund is a Sino-Foreign fund management joint venture established in November 2008 under the approval of the CSRC. 63.33% equity interest of Minsheng Royal Fund was held by the Company. It mainly engages in fund raising, fund sales, asset management and other business approved by the CSRC.

As at the end of the Reporting Period, Minsheng Royal Fund had total assets of RMB2,161 million and net assets of RMB1,190 million. A total of 66 public funds were managed under Minsheng Royal Fund, which covered various types of products with high, medium and low risks and cross-border products. The scale of funds under its management amounted to RMB144,726 million. Of which, non-monetary wealth management funds under its management reached RMB120,067 million, representing an increase of 15.38% as compared with the end of the previous year. Minsheng Royal Fund also managed 45 private equity management plans with a management scale of RMB31,917 million.

The performance of medium- and long-term investments of Minsheng Royal Fund was remarkable. As at the end of the Reporting Period, Minsheng Royal Fund ranked 33rd out of 91 funds in terms of the active management capacity for three-year-term stock investment and ranked 18th out of 87 funds in terms of the active management capacity for three-year-term bond investment. It also ranked 7th out of 73 funds in terms of the active management capacity for five-year-term stock investment and ranked 3rd out of 63 funds in terms of the active management capacity for five-year-term bond investment<sup>5</sup>. With such outstanding results, Minsheng Royal Fund has won 20 “Golden Bull Awards (金牛獎)” in recent eight years, showing high recognition by the investors and the industry on its investment capacities and overall strengths. Minsheng Royal Fund initiated and established Minsheng Royal Asset Management on 24 January 2013, and currently holds 51.00% equity interest of Minsheng Royal Asset Management. Minsheng Royal Asset Management’s registered capital was RMB668 million and the scope of business included specific customer asset management and other businesses permitted by the CSRC. As at the end of the Reporting Period, assets managed by Minsheng Royal Asset Management amounted to RMB49,063 million.

<sup>5</sup> Source: Galaxy Securities Fund Research Centre.



## Discussion and Analysis on Business Operation

### 3. CMBC International

CMBC International is a wholly-owned subsidiary of the Company established on 11 February 2015 in Hong Kong with the approval of the CBRC. It has a registered capital of HKD3 billion. CMBC International and its subsidiaries have licenses granted by the Securities and Futures Commission of Hong Kong to carry out activities of type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management). The principle business of CMBC International includes sponsorship of listing in Hong Kong, financial advisory on merger, acquisition and restructuring, underwriting and issuance of bonds, asset management, stock brokerage, direct investment and structured finance. CMBC International is an important and strategic platform for the integrated development and international expansion of the Company.

As at the end of the Reporting Period, CMBC International had total assets and total liabilities of HKD27,458 million and HKD23,350 million, respectively. Net assets amounted to HKD4,108 million. During the Reporting Period, net profit of CMBC International amounted to HKD255 million, of which profits attributable to Minsheng Bank is HKD198 million, representing an increase of 16.47% as compared with the corresponding period of the previous year.

During the Reporting Period, through adhering to the “One Minsheng (一個民生)” strategy and strengthening business synergy, CMBC International further optimised the structures of products and customers of investment and financing business to overcome the impacts of the epidemic and fluctuations in the capital market in the first half of the year. Great efforts were made to consolidate and increase revenues and the market position in terms of investment banking and asset management businesses in a comprehensive manner.

During the Reporting Period, CMBC International completed one IPO sponsorship project and participated in eleven new shares underwriting projects on the Main Board of the Hong Kong Stock Exchange. Leveraging on its advantages of domestic and overseas network and business synergy mechanism, CMBC International completed 41 Chinese-issued USD bond underwriting projects with a total underwriting scale of USD10,850 million. As at the end of the Reporting Period, benefiting from the outstanding results of the assets portfolio and brand advantages, the scale of the assets under the management of CMBC International reached HKD21,268 million, which increased by 20.84% as compared with the end of the previous year. Based on the regulatory trends of Hong Kong, CMBC International moderately adjusted the development of its non-standardised financing business and put efforts in promoting standardised investment business. The proportion of its structured finance business continued to drop. The investment and financing business grew at a moderate pace.



## Discussion and Analysis on Business Operation

### 4. Minsheng rural banks

Minsheng rural banks (collectively referred to as “rural banks”) are the rural banks initiated and established by the Company as a major promoter. As at the end of the Reporting Period, the Company established a total of 29 rural banks with 84 business outlets. Total assets, total loans and total deposits amounted to RMB34,809 million, RMB21,097 million and RMB29,150 million, respectively. Total net profits amounted to RMB84 million during the Reporting Period.

During the Reporting Period, the Company adopted measures in compliance with the relevant requirements of the Board to maintain “effective risk control, steady business development and effective internal management” to encourage the rural banks to focus on their original functions and positioning in strict compliance with regulations and laws, support the rural vitalisation strategies, and sincerely serve the “rural areas, agriculture and farmers”, small business customers as well as residents in communities. All rural banks were committed to exploring local markets and improving service quality so as to explore a business model of sustainable development. The rural banks have become important platforms of the Company to perform social responsibilities and effectively expand brand and service coverage to county areas.

During the Reporting Period, all rural banks strove to overcome the negative impacts from the epidemic. With the safety of the personnel and business outlets secured, the rural banks actively responded to the requirements of the government and regulatory authorities by introducing favourable policies, such as loan renewals, deferred payments and reduction or waiver of interests. In the first half of the year, loans to small and micro enterprises and customers engaged in “rural areas, agriculture and farmers” exceeded RMB6 billion. Approximately RMB4 million funds or goods were donated to support the resumption of work and production of customers and help them overcome difficulties. In addition, while fighting against the epidemic, the rural banks managed to maintain stable operation and optimise business structure. Capabilities to serve the real economy achieved steady improvements.

### 5. Structured entities consolidated to the financial statements of the Group

For details of the structured entities consolidated to the financial statements of the Group, please refer to the Note 8 “Interests in Structured Entities” to the financial statements.

## Discussion and Analysis on Business Operation

### 6. Management of consolidated financial statements

During the Reporting Period, the Company focused on its strategic position as “a bank of comprehensive services” and adhered to its “One Minsheng” strategy. Through further strengthening the management of consolidated financial statements of the Group, the synergy effect of the Group was gradually increasing.

The Board strengthened the normalised supervision of management of the consolidated financial statements, conducted the full-process management of the consolidated financial statements, and supervised the Senior Management to duly perform their duties in the management of consolidated financial statements. The Board also optimised the functions of the management system of consolidated financial statements of the Group for higher efficiency. Based on the regulatory requirements and actual situation of the Company, the Company further enhanced the corporate governance and the management of subsidiaries in terms of risk, capital, business synergy, internal transactions and other matters. The width and depth of management were expanded to improve the efficiency of group-oriented management.

### XII. Risk Management

During the Reporting Period, in the face of the combined effects of the COVID-19 epidemic and the economic downturn, the Company adhered to its core risk management principle of “Tallying with strategies and development, ensuring compliance and stable growth, and carrying out proactively and overall risk management”. The Company strictly followed the national policies and requirements for supporting the prevention and control of the epidemic and facilitating the development of the real economy, such as policies on ensuring “stability on the six fronts” and “security in six areas” and “concessing financial interests for enterprises”. Greater efforts were made to assume its obligations and perform social responsibilities. The Company focused on the coordinated development of quality, profit and scale. The Company also stepped up the prevention and control of the epidemic while maintaining operation and management and stroke a balance between short-term and long-term development and between incomes and risk management.

During the Reporting Period, the Company established an overall risk management system based on asset scale and business complexity. The Risk Management Committee of the Head Office coordinated risk management of all levels to effectively transfer the risk appetites of the Board to business units. Three lines of defence of risk management were further optimised to fully cover all organisations, employees and businesses. Management of credit risk, market risk, operational risk, liquidity risk and reputation risk was continuously improved. As such, the Company maintained stable asset quality and healthy asset structure, ensured the long-term interests of shareholders, employees and customers, and maximised shareholders’ value. During the Reporting Period, the Company won the “Achievement in Enterprise Risk Management (全面風險管理成就獎)” by the Asian Banker.

### **(I) Credit risk**

Credit risk is the risk that a borrower or a counterparty defaults in making repayments in a timely manner in full amount for whatever reasons. Under the coordination of the Risk Management Commission of the Company, a platform consisting of risk management strategies, portfolio management and risk measurement tools has been established to control risks and support the strategic business transformation. The risk management system covers the whole process including pre-approval investigation, approval review, post-loan management, collection and preservation of assets. Credit risks of loans extension and non-credit business are also strictly controlled.

Firstly, the Company strengthened risk policy guidance and constraint. The Company strictly followed the policy direction of the government and economic and financial policies regarding the prevention and control of epidemic and carried out full-coverage admittance and strategy management of all business lines, major industries and key businesses and products. Through in-depth studies on macro-economy, industries and regions, the Company strengthened risk pre-judgment, further optimised industrial policies and standards for customer admittance, and strongly supported the development of NSOE customers, SME customers and small business customers. The Company continued to refine its portfolio management and put great efforts in supporting real economy. Focusing on quality industries, the Company actively supported the manufacturing industry. Resources were mainly invested in quality and high-potential customers. By adopting credit limit management, the Company adjusted and reduced loans to customers who generated less profits and controlled the financing concentration of industries with high exposures. Through further consolidating the measurement and system basis for the purpose of formulation, monitoring and dynamic adjustment of portfolio management indicators, the asset structure of the Company was further optimised. Secondly, the Company strictly implemented operating strategies and took various measures to support the expansion of key customer groups. Since the outbreak of the epidemic, the Company duly performed its social responsibilities by taking a series of measures to support companies on the front line of combating the epidemic, including increasing credit extension, renewing loans, conducting remote due diligence and online approval as well as protecting credit record. In addition, the Company prioritised the approval of credit extension to quality strategic customers and firmly grasped business opportunities in key business lines such as investment banking, cross-border finance and financial markets. The Company also established a “one-stop” approval mechanism which solved the difficulties in business expansion through negotiation. The Company strictly guarded against the bottom line of risk and compliance while maintaining a steady growth of credit extension. Thirdly, the Company optimised post-loan and post-investment management system and mechanism, and further refined the relevant management of existing credit. Through implementing regular and differentiated post-loan and post-investment management, the Company examined risk exposures of key industries, institutions, customers and products, and took effective response measures accordingly. Fourthly, the Company improved the efficiency of risk early-warning management. The Company promoted the application of the

## Discussion and Analysis on Business Operation

“Sky Eye (天眼)” system, a model-driven proactive risk monitoring and early-warning system for retail business, which was featured with classified management, early-warning, active exit and effective transmission. The Company set up a new big data-driven monitoring and early-warning management model for corporate business, which was featured with centralised management by the Head Office and synergy between the Head Office and branches. The timeliness, effectiveness and accuracy of risk early-warning management continued to improve. Fifthly, the Company strengthened collection and disposal of NPLs and improved the effectiveness of collection and disposal. By optimising management system and mechanism, innovating disposal methods, adopting centralised disposal and strengthening supervision and execution, the management was further enhanced. The efficiency and effectiveness was also improved with application of various approaches, such as repayment collection, transfer, repossession, litigation and writing-off. Sixthly, the Company promoted the application and upgrading of risk management tools. The Company further optimised its big data-based and machine learning-based internal rating system and continued to apply the customer-side RAROC in the management of customer classification, risk policies, pricing of loans and performance appraisal, so as to further improve the customer-centric mechanism for balancing risks and returns. In addition, stress testing and model verification were conducted continuously to assist the management in making decision. Seventhly, the Company started the establishment of an intelligent risk control system based on the fintech strategy. With specified management targets, planning and implementation visions, the Company identified management deficiencies, focused on customer experience, strengthened coordination and cooperation, and pushed forward all relevant works in an orderly manner, so as to clearly identify, monitor and prevent risks of all types, formats, formation mechanisms and transmission routes.

### **(II) Market risk**

Market risk refers to the risk of adverse changes in market prices (interest rates, exchange rates, stock prices and commodity prices), inflicting losses in on- and off-balance sheet businesses of commercial banks. The Company manages its interest rate risk, exchange rate risk, stock price risk and commodity price risk in accordance with the regulatory requirements and the rules of the Basel accords. The Company continuously improves its market risk management system in the areas of limit management, measurement, middle office supervision, stress test and contingency management to cope with the increasingly volatile environment of banking industry.

During the Reporting Period, the Company further enhanced the professional management of market risks and pressed ahead with various management tasks. Awareness of risk prevention and control had been raised and risk management under market fluctuations had been carried out proactively. Firstly, the Company refined the management system of market risk limit and optimised the formulation of market risk limit benchmarks to improve its risk management.

## Discussion and Analysis on Business Operation

Secondly, the Company established a contingency management mechanism of market risk to ensure the timely response and orderly management under market turmoil. And such mechanism would be triggered promptly in face of turmoil in the international financial markets caused by the epidemic and falling oil prices. Thirdly, the Company continued to implement Basel Committee's minimum capital requirements for market risk in order to fulfill the latest management requirements of market risk capital measurement and to propose feasible system optimisation plans. Fourthly, the Company strengthened regulatory statistics and monitoring management of market risk. The external supervision reports were integrated with internal capital assessment and capital constraints were tightened by distributing quantitative market risk capital to each business unit. Fifthly, the Company consolidated market risk management by strengthening the upgrading of data mart and management system of market risk, and applied them to the measurement, monitoring, statistics and management. Sixthly, the Company established a risk research and judgement mechanism to improve its proactive risk management capability and carried out in-depth and forward-looking researches on bonds denominated in foreign currencies, local government bonds, exchange rate risk and structured deposits.

### **(III) Liquidity risk**

Liquidity risk refers to the risk of a commercial bank which is unable to obtain sufficient funds in a timely manner or to cope with increase in assets or fulfill debt obligations at reasonable costs. During the Reporting Period, the Company continued to strengthen the abilities to identify, measure, monitor, control and mitigate liquidity risk and to optimise business maturity structure and strengthen the management of current assets of high quality, so that liquidity risk tolerance could remain at a safe and stable level. The Company also raises core liquidity risk control indicators to ensure the sustainable development of each business to enhance the capital efficiency.

The Company carried out scientific, refined and highly efficient management of liquidity risk and pursued a higher level of balance in terms of liquidity, safety and profitability. Firstly, the Company further optimised the management system of liquidity to enhance management effectiveness. Secondly, the Company adjusted liquidity management policies dynamically and strengthened forward-looking arrangements for market anticipation and funding positions. Thirdly, the Company properly arranged the structure and timing of asset and liability maturity to control liquidity risk exposure. Fourthly, the Company strengthened management of quality liquidity assets to ensure liquidity safety and the qualification and improvement of liquidity indicators. Fifthly, the Company continuously strengthened the safeguard mechanism to ensure core liquidity indicators to meet requirement and improved contingency management and stress testing.

## Discussion and Analysis on Business Operation

### **(IV) Operational risk**

Operational risk refers to the risk of loss due to deficient and flawed internal procedures, personnel and IT system or external events. The major operational risk of the Company comprises internal and external fraud, employment system, safety of working places, and events related to customers, products and operation, damages of tangible assets, interruption of business, paralysis of IT system and management of execution, transfer and processes.

During the Reporting Period, the Company continued to focus on key aspects of operational risk management and improve its operational risk management capability. Firstly, the Company strengthened the application of the three major operational risk management tools, established identification and assessment system for operational risks in major business and management, improved the operational risk monitoring and early-warning system, refined the damaged data verification mechanism and further enhanced the synergy between the application results of various tools and the three major tools. Secondly, the Company facilitated the implementation of business continuity management projects and organised the analysis of business impact and risk evaluation, optimised business continuity plans and contingency plan system and continued to carry out emergency drills for important businesses. Thirdly, the Company optimised its outsourcing risk management system, carried out strict review on outsourced projects and entry approval of vendors and screened and inspected existing businesses.

### **(V) Country risk**

Country risk refers to the risk of borrower or debtor in a certain country or region failing or unwilling to repay debts to banking financial institutions, or banking financial institutions suffering from commercial losses in a country or region or incurring other losses due to economic, political and social changes and incidents in such country or region. The Company managed and controlled country risk through a series of management tools, including evaluation and rating of country risk, setting country risk limit for the Company and compiling statistics, carrying out analysis and monitoring regarding country risk exposure.

During the Reporting Period, the Company further optimised its country risk management system by subdividing the procedures of country risk management. Firstly, the Company formulated and published the Management Plan for the Rating and Limit of Country Risk of China Minsheng Bank for 2020 (《中國民生銀行2020年度國別風險評級與限額管理方案》). Country risk ratings and annual risk limit management of major countries and regions were realised through qualitative and quantitative indicators. Secondly, the Company enhanced the management of country risk reserves and promoted the application of country risk reserves in management accounting. Quarterly reserve provision was adjusted to monthly. Thirdly, the Company supervised and prepared reports on



## Discussion and Analysis on Business Operation

country risk on a timely basis and monitored the limit control, distribution of country risk exposure and public sentiment in relation to major country risk. Fourthly, the Company prepared country risk analysis reports regarding the U.S. obligatory rights and long-arm jurisdiction in accordance with the regulatory requirements and completed country risk evaluation of cross-border institutions.

### **(VI) Interest rate risk in banking book**

Interest rate risk in banking book refers to the adverse changes in the level of interest rate, term structure and other factors which lead to loss on the economic value and overall revenue of banking book, primarily caused by the mismatch of the maturity profiles and benchmark rates between financial positions and instruments of the banking book as well as embedded options. It can be classified into gap risk, benchmark risk and option risk according to the risk categories.

During the Reporting Period, the Company continued to strengthen the management of interest rate risk in banking book. Firstly, the Company gradually optimised the governance structure of interest rate risk in banking book in accordance with the interest rate risk supervision requirements of regulatory authorities, so as to improve the management of interest rate risk in banking book. Secondly, the Company regularly monitored the repricing of financial positions and instruments upon each maturity through the asset and liability management system. It also measured and analysed interest rate risks in banking book through re-pricing gap analysis, duration analysis, scenario analysis and stress testing. Thirdly, the Company analysed the core factors that affected interest rate risk in banking book and conducted researches on patterns and characteristics of customer behaviour to carry out relevant management measures. Fourthly, the Company strengthened researches on interest rate trends, strictly managed structural factor management of interest rate risk in banking book, and improved the management and control of maturity mismatch, investment duration and fluctuation in the profit or loss of valuation.

### **(VII) Reputation risk**

Reputation risk management refers to the establishment and improvement of reputation risk management mechanisms, proactive prevention and control of risk and elimination of adverse impacts through daily management of reputation risk and proper handling of incidents of reputation risk and adoption of various methods, so as to minimise the losses and negative public perceptions and achieve the overall objectives of reputation risk management. The Company has regarded reputation risk management as one of its major tasks for maintaining normal operation, promoting favourable public opinion and performing the responsibilities of a corporate citizen.



## Discussion and Analysis on Business Operation

During the Reporting Period, the Company fully implemented the Guidelines for the Management of Reputation Risk of Commercial Banks (《商業銀行聲譽風險管理指引》) and the Administrative Measures for Reputation Risk of China Minsheng Bank (《中國民生銀行聲譽風險管理辦法》). In respect of overall risk management, the Company refined its management mechanism, improved its handling efficiency and enhanced its reputation to develop a favourable public environment for the business development of the Company. Firstly, the Company promptly evaluated potential threat of risk contagion to predict potential public opinion risks, deploy special monitoring, and formulate plans in advance. Secondly, the Company actively publicised its contribution to and achievements in innovation and business development, assistance to fight against the epidemic and resume work, active concession of interests such as reduction of fees and surcharges, provision of financial services and the fulfillment of social responsibilities.

### **(VIII) Information technology risk**

Information technology risk is the operational, legal and reputation risk due to natural factors, human factors, technical flaws and management defects in relation to the application of information technology in a commercial bank.

During the Reporting Period, the Company implemented IT risk management in all areas, including IT governance, information system development and maintenance, data governance and information security, and continued to improve the IT risk management and promote business development in accordance with the Guidelines on the Risk Management of Information Technology of Commercial Banks (《商業銀行信息科技風險管理指引》). Firstly, based on the Strategic Development Plan for Fintech of China Minsheng Bank (《中國民生銀行科技金融戰略發展規劃》), the Company promoted the strategy of becoming a fintech-based bank with focus on the establishment of distributed core system. The Company applied data-driven and new technologies to fully improve IT productivity and reduce the negative impact of the epidemic. Secondly, with focus on technological development, the Company advanced reform and transformation and upgraded businesses and completed the setting up of scenario-based and intelligent system platforms so as to provide online and offline integrated platform services. The Company made solid progress in promoting the application of innovative technologies including distributed system, cloud computing, blockchain and others, and refined the structure and standards of IT systems. Thirdly, the Company strengthened its fundamental capabilities by improving the disaster recovery system, the service management system for production and operation, and the operation management of the data centre, so as to ensure the safety and stability of its production systems. Fourthly, the Company continued to improve data governance and data-based intelligent services and expanded the application scenarios of risk data. Fifthly, the Company continued to improve information security management and defence system, strictly complied with the safety requirements during the epidemic, and provided effective technical support and safe services, in an aim to keep IT security under control and improve self-management and control. Sixthly, the Company strengthened

## Discussion and Analysis on Business Operation

management and control of IT risks, conducted risk assessment and inspection and improved risk prevention and control and emergency response in order to comprehensively prevent and control IT risks in critical periods.

### **(IX) Internal control, compliance and anti-money laundering**

During the Reporting Period, the Company optimised the overall management mechanism and solidified foundation to improve the capability and level of management. Satisfactory results were achieved in epidemic response, improvement of regulatory assessment, system management, compliance inspection, management of related party transactions, inspection and control of compliance risk, rectification and accountability, appraisal and evaluation, team building and system development. Firstly, the Company took active measures to ensure compliant operations in assisting the prevention and control of the epidemic. The coordination and communication with regulators were strengthened to effectively transmit regulatory policies of the epidemic prevention and control, implement the regulatory requirements, and carry out reporting and feedback in a timely manner. Secondly, the Company continued to conduct special tasks to improve regulatory assessment and fruitful results have been achieved. According to the CBIRC's assessment results, the ranking of the Company among all joint-stock commercial banks climbed four places as compared with the previous year. The 2019 rating of the Company by the State Administration of Foreign Exchange also improved as compared with the previous year. Thirdly, the Company refined its systems to promote compliant operation and management. The Company formulated and implemented the system improvement plan for 2020, analysed and interpreted the impacts of new regulatory policies, optimised systems and mechanisms and promoted tier-two branches to formulate and implement the list of fundamental rules and regulations for business development. Fourthly, the Company strengthened compliance inspection to consolidate the prevention and control of its compliance risks in advance. The Guidelines for Compliance Inspection (《合規審查指引》) and the Case Analysis of Business Innovation Compliance Risks (《業務創新合規風險案例解析》) were formulated and issued to improve the quality and efficiency of compliance inspection. The compliance management mechanism of system development was optimised and implemented to ensure a rigid control of business system compliance. Fifthly, the mechanism and procedures of related party transaction management were optimised to consolidate the management. The Company optimised the management system of related party transaction by refining management rules, developing a reporting mechanism to the Board of Supervisors, and specifying the handling process of late reporting and failure reporting of business units. Sixthly, management measures were strengthened to improve the inspection and control of compliance risks. With highlighted regulatory concerns and deficiencies of internal control, the Company completed 2,471 internal control inspections and reviews in an orderly manner. The Company prepared and updated the list of key check points in internal control and compliance inspection, in order to regulate and standardise the inspections. The off-site inspection system was developed and improved to conduct regular screening and early-warning of compliance risks. In response to new regulations,

## Discussion and Analysis on Business Operation

the system of case prevention and case reporting were refined. The Notice on Strengthening Case Risk Prevention of Tier-two Branches (《關於加強二級分行案件風險防控工作的通知》) was issued to strengthen the case prevention of tier-two branches. The Company strengthened the notification of case (risk) information and increased the application of case prevention results. Seventhly, the Company launched special activities of “Rectification Year in Compliance with Laws and Regulations (依法合規整改年)” to strengthen rectifications. Special activities were organised within the Group, such as reviewing problems identified in all internal and external audits and inspections since 2017, multi-level supervision and conducting ultimate rectifications from the perspectives of rules, procedures and systems. Eighthly, the Company strictly implemented internal control and compliance assessment and accountability to strengthen the compliance constraints. The indicator system of internal control and compliance assessment covering the Head Office, business units and subsidiaries was refined, so as to regulate and improve the assessments. The Company further optimised the accountability mechanism, strengthened and implemented the accountability of problems identified in regulatory inspections, and enhanced the accountability and supervision of business units. Ninthly, professional internal control and compliance teams were established and the scope of professional internal compliance management was extended. A multi-level and full-coverage internal control and compliance organisation structure with the cooperation between professional internal control and compliance teams and other special teams was established within the Bank. Tenthly, the Company promoted the development of internal control and compliance system to improve the online management of internal control and compliance. The RLAES and Regulations Warehouse System (監管外規庫系統), related party transaction management system, off-site inspection system and case prevention screening and data reporting system were launched. The management system of rules and regulations was upgraded and the CONFIDENCE problem governance system was improved.

In respect of anti-money laundering management, with improving the effectiveness of anti-money laundering management as the core, the Company actively responded to the regulatory policies and requirements in relation to anti-money laundering and promoted key tasks of rectifying problems identified in the inspections by the PBOC and improving the effectiveness of anti-money laundering. The Company also further improved the management system for money laundering risk, and enhanced the quality and effectiveness of anti-money laundering. Firstly, in accordance with regulatory requirements, the Company formulated and implemented an emergency plan for anti-money laundering during the epidemic, reported the progress of anti-money laundering during the epidemic, screened and inspected risks in relation to tradings of wild animals and epidemic-related fraud risks, and prepared regulatory reports on large-amount and suspicious transactions. Secondly, the Board of Directors, the Board of Supervisors and the Senior Management of the Company continued to strengthen duty performance in anti-money laundering, and comprehensively strengthened the guidance and deployment for anti-money laundering from the chief executives.

## Discussion and Analysis on Business Operation

Thirdly, the Company stepped up the rectification and accountability of problems identified in the inspections by the PBOC and carried out internal accountability to Senior Management, the management and employees of the accountable institutions. Fourthly, the Company pooled efforts to improve the regulatory rating on anti-money laundering. As at the end of the Reporting Period, 20 tier-one branches moved upwards in the regulatory rating for anti-money laundering in 2019. Fifthly, the Company carried out the “Special Work of Improvement of Effectiveness of Anti-money Laundering (反洗錢有效性全面提升專項工作)” within the whole Bank. With focus on enhancing the effectiveness of rectification, improving the internal control system, strengthening the responsibility performance, enhancing technology development and establishing a professional anti-money laundering team, the Company formulated and implemented 45 specific tasks in 15 aspects to further improve the anti-money laundering management system. Sixthly, the Company improved the allocation of anti-money laundering resources and the Anti-money Laundering Management Department (a tier-two department) of the Head Office had been put into operation. The Company set up positions specialised for anti-money laundering at certain departments of the Head Office and established anti-money laundering centres at internal control and compliance departments at tier-one branches. Seventhly, the Company also strengthened the inspection and audit management of anti-money laundering by re-inspecting six tier-one branches and launching the first special audit regarding anti-money laundering for the whole bank. Eighthly, the Company extensively intensified duty performance, strengthened data governance of existing customers, comprehensively improved and emphasised the money laundering risk rating system of customers and further enhanced professional management of anti-money laundering risk monitoring. Ninthly, the Company attached greater importance to anti-money laundering in its business operation. Monthly analysis reports on the early-warning and monitoring of suspicious transactions were improved and the “Anti-money Laundering Case Study (反洗錢典型案例選編)” was published so as to give full swing to the application value of anti-money laundering. Tenthly, the Company further accelerated the technology empowerment in anti-money laundering. The restructuring of anti-money laundering system was launched and the Company achieved a breakthrough in AI-based anti-money laundering monitoring project. Lastly, the Company further promoted the publication and training of anti-money laundering and included anti-money laundering education into compulsory annual trainings for all existing and new employees. 4,194 employees had passed the anti-money laundering qualification examination and the qualified anti-money laundering talent pool had been further expanded.

During the Reporting Period, no domestic and overseas institutions or staff of the Company were found to have participated in or be involved in any money laundering and terrorist financing activities.

### **XIII. Prospects and Measures**

#### **(I) Competition and development trend of the banking industry**

2020 is the final year for China to complete the process of building a moderately well-off society in an all-round way and the final year of the 13th Five-Year Plan. Under the special circumstances of normalised prevention and control of the epidemic, and standing on the historical intersection of the “two centenary goals”, Chinese economy is facing a more complicated domestic and international environment. In respect of the international market, the spread of the epidemic around the world has caused significant impacts on both supply and demand sides. The global economy has plunged while the international financial markets have fluctuated drastically. Geopolitical risks have significantly increased. In respect of the domestic market, the Chinese economy is still in a stage of changing development model, optimising economic structure and transforming growth momentum. Various structural, institutional and cyclical issues will be intertwined. Together with the temporary impact of the epidemic on the domestic economic development at the beginning of the year, the economy will face significant downward pressure throughout the year. However, the basic trend of steady long-term growth for China’s economy remains unchanged at present and for a period to come. With the high concern, rapid deployment and responsive measures by the CPC Central Committee and the State Council, the situation of epidemic prevention and control continue to improve, and the production and daily life are recovering. The impact of the epidemic has been fully reflected and the economic recovery since the second quarter will continue in the second half of 2020.

In order to make up for the loss brought about by the epidemic and facilitate the economic recovery, a combination of policies focusing on “fiscal easing, credit expansion and cost reduction” will be implemented to support the continuous recovery of the real economy. Benefits of macro control policies will be further demonstrated. Proactive fiscal policies are expected to be more effective. A special transfer payment mechanism will be established to allow direct transfer of funds to grassroots in cities and counties, directly benefiting enterprises and citizens. Fiscal expenditure structure will be optimised to ensure higher quality and efficiency in the use of expenditures. Further reduction in taxes and surcharges will lower production and operation costs of enterprises, providing solid financial support for epidemic prevention and control as well as economic and social development. The prudent monetary policy will be made more flexible as the government maintains moderate money supply. Various monetary policy tools will be used to maintain reasonably sufficient liquidity. The financial system will continue to ensure stability on the “six fronts and security in the six areas”, with greater financial support for stabilising enterprises and employment. M2 and social financing scale will maintain steady growth. Policies will be more “accurate and targeted” while coordinated efforts will be made for the smooth transmission of monetary policies by shifting from “monetary easing” to “credit expansion”. Rational concession of interests of financial institutions will continue to support the development of market entities. LPR reform will be deepened to



## Discussion and Analysis on Business Operation

continuously lower the effective loan interest rate and significantly reduce the overall financing cost of enterprises, which will be favorable to facilitate economic development and stabilise enterprises and employment. Fiscal policy and monetary policy are expected to be integrated with the policies in relation to employment, consumption, investment, industry and regions, to effectively boost consumption and investment. Initiatives will be taken to divert investments into areas that have multiplier effect, such as new-type infrastructure, new urbanisation, advanced manufacturing and projects regarding people's well-being, which will benefit both the supply side and the demand side, so as to ensure "stability on the six fronts" and "security in the six areas". In the final year of preventing and mitigating material financial risks, stringent regulations will be adopted to curb the recurrence of risks. Banks will be urged to conduct asset classification, disclose non-performing assets and make full allowance. The capital of small and medium-sized banks will be replenished through various channels. In the long run, policies will focus on reformatory solutions in response to changes and new situations. "11 financial reform measures" will be implemented to promote further opening-up of the financial markets, accelerate the establishment of market-oriented allocation mechanism, improve the socialist market economic system and boost the overall development of the Hainan Free Trade Port. Mechanisms that impede economic development will be removed and micro entities will be invigorated in response to long-term changes in the external environment.

In the second half of 2020, under the guidance of policies, asset growth and credit percentage of the banking industry are expected to remain at a high level. With a focus on "promoting consumption, strengthening infrastructure, increasing support for small and micro enterprises, improving people's well-being and bolstering weaknesses", credit extension will be further adjusted and optimised. In line with the requirement of "substantial reduction in overall financing costs", the financial system will be urged to reasonably concess interests for enterprises by RMB1.5 trillion this year. In compliance with the policy to prevent funds from simply circulating in the financial sector for the sake of arbitrage, interest rates of loans will continue the downward trend. The decrease in asset income will be larger than that in liability cost. Net interest margin may further decrease. NPL ratio will continue to rise and the overall asset quality for the year is expected to remain stable. The banking industry will further increase capital replenishment to serve the real economy and prevent financial risks. As affected by the epidemic, the interest concession and other factors, the profitability of the banking industry decreased and the operation of bank further differentiated. As such, banks will need to strike a balance among "stabilising growth, concessing interests and preventing risks". In the process of implementing anti-epidemic measures and interest concession, different types of banks are affected differently. Large commercial banks at the head will need to take a "leading role" in serving the real economy and concessing interests. Small banking institutions at the tail will need to guard against the bottom line of not triggering systemic financial risks, further replenish capital, improve corporate governance and risk control system, and provide better services for local small and micro enterprises and other customers. Medium-sized banks will need to focus on their advantages and develop core competitiveness while serving the real economy and preventing risks.

### (II) Development strategies of the Company

To cope with changes in external conditions and internal development demands, the Company formulated the Overall Implementation Scheme for Reform and Transformation and the Three-Year Development Plan of China Minsheng Bank (2018–2020) (《中國民生銀行改革轉型暨三年發展規劃整體實施方案(2018–2020)》). The Company strategically positions itself as “a bank for the NSOEs, a fintech-based bank and a bank of comprehensive services”. 2020 is the critical and final year of reform and transformation as well as the three-year development plan.

**A bank for the NSOEs.** Under the mission of “caring for the well-being of the people and serving the people”, the Company will firmly adhere to the NSOEs strategy. With focus on large- and medium-sized quality NSOEs, enterprises along the upstream and downstream of the supply chain of core enterprises and small and micro enterprises, the Company will fully integrate and serve the national strategies to support the development of the real economy. In response to the negative impact of the epidemic, the Company will take the initiative to improving service quality and efficiency, reasonably increasing credit extension to the manufacturing industry and NSOEs, and facilitating the resumption of work and production of medium, small and micro enterprises. The Company will continue to innovate business models and mechanisms, enhance integrated, customised and comprehensive financial services for the NSOE customers and their senior management, in an aim to become the host bank and preferred bank of the NSOE customers.

**A fintech-based bank.** In pursuit of becoming a “digital bank empowered by technology (科技引領·數字民生)”, the Company will empower its business with fintech to facilitate reform. Dually driven by “technology + data”, the Company aims to launch a digital, online and intelligent business model. Through establishing systems relevant to ecosystem, scenario, framework, technology and mechanism, the Company will promote comprehensive digital transformation and deep integration of online and offline management in respect of products, marketing, channels, operations, risk control and decision-making. The Company will join hands with partners in establishing an open, cooperative and win-win financial eco-system as well as an open bank with shared intelligent and inclusive services. Extensive business innovations will be carried out by exploring and applying technologies such as AI, big data and 5G, setting up an innovative laboratory, and establishing an agile synergy mechanism between IT and business development. The Company will build up a digital perception system to improve intelligent marketing, intelligent risk control and intelligent management, and to develop core competitiveness in intelligent decision-making. The Company will accelerate the transformation of distributed, cloud-based and platform-based technology framework, to achieve scenario-based middle office and products and technology platforms, so as to take a leading position among the peers.



## Discussion and Analysis on Business Operation

**A bank of comprehensive services.** The Company will enhance the “One Minsheng” synergy system to achieve integrated and comprehensive services of the Group. The Company will expedite diversified business layouts based on differentiated positionings of subsidiaries in the fields of leasing, fund, asset management and investment bank. The Company will accelerate the establishment of the wealth management subsidiary and explore new models, new business trends and new scenarios. The Company will enhance the synergy between risk management and business development. Efforts will be made to promote synergy and interaction between business segments, business units, domestic and overseas branches, and the parent company and subsidiaries. By strengthening the synergy and integration of the front, middle and back offices and the Head Office, branches and sub-branches, the Company will provide customers with integrated and comprehensive financial services, including “investment, lending and bonds”, “commercial banking + investment banking + transaction banking” as well as services integrating commerce, capital and intelligence. The comprehensive service philosophy of “customer-centric” and “creating value for customers” will be integrated into operation and development.

In implementing the scheme for reform and transformation and the three-year development plan, the Company will adhere to the core principles of improving development quality and efficiency, consolidate advantages in strategic businesses, including direct bank, small business finance, investment banking, credit card, supply chain finance and asset management, and facilitate the transformation from a bank focusing on traditional businesses into a digitalised and light-capital benchmark bank of comprehensive services in the industry. In addition, the Company will exert greater efforts on reform and innovation to make breakthroughs in mechanisms and systems of major management aspects, including organisational efficiency enhancement, talent management 2.0 (人才管理2.0), differentiated resource allocation as well as short-term and long-term evaluations and incentives. As such, it will also strive to establish a customer-centric operation and management system, stimulate organisational vitality and support its business development.

In 2020, in the face of various challenges, such as greater downward pressure of the macro-economy, complicated and ever-changing international situations and intensified market competition, the Company will continue to implement three major strategies, focus on the key areas of financial services and strengthen financial service functions. Based on the principle of serving the real economy and the people’s well-being, the Company will further improve basic products and services to satisfy the fundamental needs of customers. To align with national strategies, the Company will provide greater financial support to the NSOEs, small and micro enterprises, and enterprises engaged in advanced manufacturing and agriculture as well as green credit. Moreover, adhering to the philosophy of “compliant operation is the core competitiveness”, the Company will guard against the bottom line of compliance, further refine the system and mechanism of internal control and compliance and enhance compliance culture. Through multiple measures including deepening reforms, promoting development, restructuring business, controlling risks, boosting

## Discussion and Analysis on Business Operation

energy, ensuring compliance, consolidating brand and enhancing Party building, the Company will pursue its original mission and further improve services for the real economy. The Company also aims to achieve organic development featuring high quality, high efficiency and high dynamics, and strives to become a first-class commercial bank with distinctive features, increased value, continuous innovation and stable operation.

### **(III) Potential risks**

Currently, in view of the substantial uncertainties in the epidemic, international and domestic macro-economies and the international industry chains, continuous fluctuations in the currency, bond and capital markets as well as intertwined risks of various types and inadequate effective demands, enterprises are less willing to make investments. All these unfavourable conditions will pose tremendous challenges to commercial banks in terms of business development and asset quality management.

Firstly, there will be risks arising from uncertainties of the external environment. As the epidemic continues unabated, the global macro-economy will be further affected. Struck by the epidemic and trade protectionism, the global industry chain is facing potential risk of supply disruption. As fluctuations of the global financial markets increase, market risks will climb significantly. Various uncertainties from the external environment will increase foreign trade risks. Secondly, there will be risks arising from uncertainties of the domestic environment. Due to the epidemic rebound in certain parts of China, the pressure to prevent domestic epidemic rebound remains high, which may hinder back consumption recovery. NSOEs and SMEs will face operation pressure which will bring potential pressure to the asset quality of commercial banks. Mitigating existing risks in areas such as capital market, government platform and real estate will remain a long-term and protracted process that needs to be proceeded in a prudent and orderly manner. Thirdly, compliance risk management faces challenges. Commercial banks have to make targeted loan extensions to mitigate difficulties in and high cost of NSOEs and small and micro enterprises in financing. In addition, commercial banks have to prevent moral risks and incompliant fund flows, which levies higher requirement on compliance risk management. Fourthly, narrowed interest margin poses challenges. Affected by factors including lower market interest rate and reasonable interest concession of financial institutions, profitability of commercial banks will be further constricted. With pressure on both profitability and asset quality, commercial banks have to reasonably balance short-term and long-term incomes while ensuring investors' return, and they also have to effectively control credit, market, operational, liquidity and IT risks while securing sustainable development. Fifthly, the opening up of the financial industry to overseas markets brings new challenges. As the domestic financial industry accelerates the pace of opening up, commercial banks will be required to improve their operation and management.

## Discussion and Analysis on Business Operation

Facing the new situation, the Company will continue to implement the decisions deployed by the CPC Central Committee and the State Council, insist on promoting steady growth, and prioritise risk prevention and control. The Company will persist in compliant operations, and continue to enhance overall risk management capabilities to prevent and mitigate financial risks and promote healthy and orderly business development from the perspectives of philosophy, mechanism, culture, team and technology.

# Changes in Share Capital and Information on Shareholders

## I. Changes in ordinary shares

(Unit: Share)

	31 December 2019		Changes over the Reporting Period (+,-)	30 June 2020	
	Number of shares	Percentage (%)	Number of shares	Number of shares	Percentage (%)
I. Shares subject to restriction on sales	—	—	—	—	—
1. State-owned shares	—	—	—	—	—
2. State-owned legal person shares	—	—	—	—	—
3. Other domestic shares	—	—	—	—	—
Of which:					
Held by domestic legal person	—	—	—	—	—
Held by domestic natural person	—	—	—	—	—
4. Foreign investor shares	—	—	—	—	—
Of which:					
Held by overseas legal person	—	—	—	—	—
Held by overseas natural person	—	—	—	—	—
II. Shares not subject to restriction on sales	43,782,418,502	100.00	—	43,782,418,502	100.00
1. Ordinary shares in RMB	35,462,123,213	81.00	—	35,462,123,213	81.00
2. Domestic listed foreign invested shares	—	—	—	—	—
3. Overseas listed foreign invested shares	8,320,295,289	19.00	—	8,320,295,289	19.00
4. Others	—	—	—	—	—
III. Total number of ordinary shares	43,782,418,502	100.00	—	43,782,418,502	100.00

## Changes in Share Capital and Information on Shareholders

### II. Top Ten Shareholders of the Company and Their Shareholdings:

(Unit: Share)

Total number of ordinary shareholders as at the end of the Reporting Period								389,575
Particulars of shareholding of the top ten shareholders								
Name of shareholder	Changes over the Reporting Period	Number of shares held as at the end of the Reporting Period	Shareholding percentage (%)	Number of shares subject to restriction on sales held	Type of shareholder	Shares pledged or locked-up		
						Status	Number	
HKSCC Nominees Limited	830,852	8,276,571,966	18.90	–	Others	–	Unknown	
Dajia Life Insurance Co., Ltd. – Conservative Investment Portfolio	–	4,508,984,567	10.30	–	Domestic legal person	–	Nil	
Dajia Life Insurance Co., Ltd. – Steady Investment Portfolio	–	2,843,300,122	6.49	–	Domestic legal person	–	Nil	
China Oceanwide Holdings Group Co., Ltd.	–	2,019,182,618	4.61	–	Domestic non-state-owned legal person	Pledged	2,015,582,617	
Tsinghua Tongfang Guoxin Investment Holding Co., Ltd.	–	1,865,558,336	4.26	–	Domestic non-state-owned legal person	Pledged	1,863,332,321	
New Hope Liuhe Investment Co., Ltd.	–	1,828,327,362	4.18	–	Domestic non-state-owned legal person	–	Nil	
Shanghai Giant Lifetech Co., Ltd.	–	1,379,679,587	3.15	–	Domestic non-state-owned legal person	Pledged	1,379,678,400	
Huaxia Life Insurance Co., Ltd. – Universal Insurance Product	–	1,375,763,341	3.14	–	Domestic non-state-owned legal person	–	Nil	
China Shipowners Mutual Assurance Association	–	1,324,284,453	3.02	–	Domestic non-state-owned legal person	–	Nil	
Orient Group Incorporation	–	1,280,117,123	2.92	–	Domestic non-state-owned legal person	Pledged	1,223,869,488	

## Changes in Share Capital and Information on Shareholders

<b>Shareholdings of the top ten holders of shares not subject to restriction on sales</b>			
<b>Name of shareholder</b>	<b>Number of shares not subject to restriction on sales held</b>	<b>Class and Number of shares</b>	
		<b>Class</b>	<b>Number</b>
HKSCC Nominees Limited	8,276,571,966	H shares	8,276,571,966
Dajia Life Insurance Co., Ltd. — Conservative Investment Portfolio	4,508,984,567	A Shares	4,508,984,567
Dajia Life Insurance Co., Ltd. — Steady Investment Portfolio	2,843,300,122	A Shares	2,843,300,122
China Oceanwide Holdings Group Co., Ltd.	2,019,182,618	A Shares	2,019,182,618
Tsinghua Tongfang Guoxin Investment Holding Co., Ltd.	1,865,558,336	A Shares	1,865,558,336
New Hope Liuhe Investment Co., Ltd.	1,828,327,362	A Shares	1,828,327,362
Shanghai Giant Lifetech Co., Ltd.	1,379,679,587	A Shares	1,379,679,587
Huaxia Life Insurance Co., Ltd. — Universal Insurance Product	1,375,763,341	A Shares	1,375,763,341
China Shipowners Mutual Assurance Association	1,324,284,453	A Shares	1,324,284,453
Orient Group Incorporation	1,280,117,123	A Shares	1,280,117,123
Statement on the related relationship or concerted actions among the aforesaid shareholders	Orient Group Incorporation and Huaxia Life Insurance Co., Ltd. had entered into an agreement on concerted actions. The Company is not aware of any related relationship among other shareholders mentioned above save as mentioned above.		

- Notes: 1. The number of shares held by holders of H shares was recorded in the Register of Members as kept by the H Share registrar of the Company;
2. HKSCC Nominees Limited acted as an agent representing the total amount of H shares held by all institutional and individual investors that registered in the accounts of such investors as at 30 June 2020.

## Changes in Share Capital and Information on Shareholders

### III. Substantial Shareholders' and Other Persons' Interests or Short Positions in the Shares and Underlying Shares of the Company Under Hong Kong Laws and Regulations

As at 30 June 2020, the following persons (other than the Directors, Supervisors and chief executives of the Company) had the following interests or short position in the shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO and as the Company is aware of:

Name of substantial shareholder	Class of shares	Long/short position	Capacity	Number of shares	Notes	Percentage of the relevant shares in issue (%)	Percentage of all the issued ordinary shares (%)
Dajia Life Insurance Co., Ltd.	A	Long	Beneficial owner	7,352,284,689	1	20.73	16.79
	H	Long	Beneficial owner	457,930,200	1	5.50	1.05
Dajia Insurance Group Co., Ltd.	A	Long	Interest held by the corporation(s) controlled by this substantial shareholder	7,352,284,689	1	20.73	16.79
	H	Long	Interest held by the corporation(s) controlled by this substantial shareholder	457,930,200	1	5.50	1.05
Orient Group Co., Ltd.	A	Long	Party to the acting in concert agreement	3,048,721,959	2	8.60	6.96
Orient Group Incorporation	A	Long	Party to the acting in concert agreement	3,048,721,959*	2	8.60	6.96
Huaxia Life Insurance Co., Ltd.	A	Long	Party to the acting in concert agreement	3,048,721,959*	2	8.60	6.96
China Oceanwide Holdings Group Co., Ltd.	A	Long	Beneficial owner	2,019,182,618	3 and 4	5.69	4.61
Oceanwide Group Co., Ltd.	A	Long	Interest held by the corporation(s) controlled by this substantial shareholder	2,019,182,618	3 and 4	5.69	4.61



## Changes in Share Capital and Information on Shareholders

Name of substantial shareholder	Class of shares	Long/short position	Capacity	Number of shares	Notes	Percentage of the relevant shares in issue (%)	Percentage of all the issued ordinary shares (%)
Tohigh Holdings Co., Ltd.	A	Long	Interest held by the corporation(s) controlled by this substantial shareholder	2,019,182,618	3 and 4	5.69	4.61
New Hope Group Co., Ltd.	A	Long	Interest held by the corporation(s) controlled by this substantial shareholder	1,930,715,189*	5 and 8	5.44	4.41
New Hope Liuhe Co., Ltd.	A	Long	Interest held by the corporation(s) controlled by this substantial shareholder	1,828,327,362*	5	5.16	4.18
New Hope Liuhe Investment Co., Ltd.	A	Long	Beneficial owner	1,828,327,362*	5	5.16	4.18
Li Wei	A	Long	Interest held by the corporation(s) controlled by the spouse of this substantial shareholder	1,930,715,189*	6 and 8	5.44	4.41
Liu Chang	A	Long	Interest held by the corporation(s) controlled by this substantial shareholder	1,930,715,189*	7 and 8	5.44	4.41
Oceanwide International Equity Investment Limited	H	Long	Beneficial owner	604,300,950			
		Long	Interest held by the corporation(s) controlled by this substantial shareholder	408,000,000			
				1,012,300,950	9	12.17	2.31

## Changes in Share Capital and Information on Shareholders

Name of substantial shareholder	Class of shares	Long/short position	Capacity	Number of shares	Notes	Percentage of the relevant shares in issue (%)	Percentage of all the issued ordinary shares (%)
		Short	Beneficial owner	604,300,950	9	7.26	1.38
Alpha Frontier Limited	H	Long	Beneficial owner	713,501,653	10 and 11	8.58	1.63
Chongqing Cibi Business Information Consulting Co., Ltd.	H	Long	Interest held by the corporation(s) controlled by this substantial shareholder	713,501,653	10 and 11	8.58	1.63
Giant Investment Co., Ltd.	H	Long	Interest held by the corporation(s) controlled by this substantial shareholder	713,501,653	10 and 11	8.58	1.63

\* As far as the Company is aware, the above numbers of shares reflected the interests or short positions of the relevant substantial shareholders as at 30 June 2020. However, these numbers of shares were not reported in the disclosure forms completed by these substantial shareholders because the changes in their interests did not result in a disclosure obligation in accordance with SFO.

### Notes:

- Dajia Insurance Group Co., Ltd. was deemed to have interests in the 7,352,284,689 A shares and 457,930,200 H shares of the Company by virtue of its control over 99.98% of the issued share capital of Dajia Life Insurance Co., Ltd.  
The interests that Dajia Insurance Group Co., Ltd. and Dajia Life Insurance Co., Ltd. held in the 7,352,284,689 A shares and 457,930,200 H shares, as set out in the above table, were from the same block of shares.
- The interests that Orient Group Co., Ltd. (which held 35,000,000 A shares of the Company), Orient Group Incorporation (which held 1,280,117,123 A shares of the Company) and Huaxia Life Insurance Co., Ltd. (which held 1,733,604,836 A shares of the Company) held in the 3,048,721,959 A shares, as set out in the above table, were deemed to be jointly owned by the three parties after they had become persons acting in concert.
- The 2,019,182,618 A shares were held by China Oceanwide Holdings Group Co., Ltd., of which 98% of the issued share capital was held by Oceanwide Group Co., Ltd., which was wholly-owned by Tohigh Holdings Co., Ltd. Mr. Lu Zhiqiang (a Non-executive Director of the Company) held 77.14% of the issued share capital of Tohigh Holdings Co., Ltd.  
According to the SFO, Mr. Lu Zhiqiang, Tohigh Holdings Co., Ltd. and Oceanwide Group Co., Ltd. were deemed to have interests in the 2,019,182,618 A shares held by China Oceanwide Holdings Group Co., Ltd. (Mr. Lu Zhiqiang's interests in shares are disclosed in this Interim Report in the section headed "Interests of the Directors, Supervisors and chief executives in the securities of the Company or its associated corporations under Hong Kong laws and regulations").
- The interests that China Oceanwide Holdings Group Co., Ltd., Oceanwide Group Co., Ltd. and Tohigh Holdings Co., Ltd. held in the 2,019,182,618 A shares, as set out in the above table, were from the same block of shares.
- The 1,930,715,189 A shares comprised 102,387,827 A shares directly held by South Hope Industrial Co., Ltd. and 1,828,327,362 A shares directly held by New Hope Liuhe Investment Co., Ltd. 51% of the issued share capital of South Hope Industrial Co., Ltd. was held by New Hope Group Co., Ltd., while New Hope Liuhe Investment Co., Ltd. was held as to 25% and 75% of its issued share capital by New Hope Group Co., Ltd. and New Hope Liuhe Co., Ltd., respectively. 24.86% and 29.08% of the issued share capital of New Hope Liuhe Co., Ltd. were held by New Hope Group Co., Ltd. and South Hope Industrial Co., Ltd., respectively.  
According to the SFO, New Hope Group Co., Ltd. was deemed to have interests in the 102,387,827 A shares held by South Hope Industrial Co., Ltd. and in the 1,828,327,362 A shares held by New Hope Liuhe Investment Co., Ltd. Meanwhile, New Hope Liuhe Co., Ltd. was also deemed to have interests in the 1,828,327,362 A shares held by New Hope Liuhe Investment Co., Ltd.

## Changes in Share Capital and Information on Shareholders

6. Ms. Li Wei is the spouse of Mr. Liu Yonghao (a Non-executive Director of the Company). According to the SFO, Ms. Li was deemed to have interests in the 1,930,715,189 A shares of the Company in which Mr. Liu Yonghao had interests (Mr. Liu Yonghao's interests in shares are disclosed in this Interim Report in the section headed "Interests of the Directors, Supervisors and chief executives in the securities of the Company or its associated corporations under Hong Kong laws and regulations").
7. Ms. Liu Chang held 9.41% of the issued share capital of New Hope Group Co., Ltd. (see note 5 above). According to the SFO, Ms. Liu was deemed to have interests in the 1,930,715,189 A shares of the Company in which New Hope Group Co., Ltd. had interests. Ms. Liu Chang is the daughter of Mr. Liu Yonghao (a Non-executive Director of the Company).
8. The interests that New Hope Group Co., Ltd., Ms. Li Wei and Ms. Liu Chang held in the 1,930,715,189 A shares, as set out in the above table, were from the same block of shares.
9. The 1,012,300,950 H shares (long position) comprised 604,300,950 H shares directly held by Oceanwide International Equity Investment Limited and 408,000,000 H shares directly held by Long Prosper Capital Company Limited, while the 604,300,950 H shares (short position) (all of which were held through other unlisted derivatives) were directly held by Oceanwide International Equity Investment Limited. Long Prosper Capital Company Limited was a wholly-owned subsidiary of Oceanwide International Equity Investment Limited. 89.80% of the issued share capital of Oceanwide International Equity Investment Limited was indirectly held by Oceanwide Holdings Co., Ltd. 68.49% of the issued share capital of Oceanwide Holdings Co., Ltd. was held by China Oceanwide Holdings Group Co., Ltd. 98% of the issued share capital of China Oceanwide Holdings Group Co., Ltd. was held by Oceanwide Group Co., Ltd., which was wholly-owned by Tohigh Holdings Co., Ltd. Mr. Lu Zhiqiang (a Non-executive Director of the Company) held 77.14% of the issued share capital of Tohigh Holdings Co., Ltd.
10. The 713,501,653 H shares (long position) were held by Alpha Frontier Limited. 42.04% of the issued share capital of Alpha Frontier Limited was held by Chongqing Cibi Business Information Consulting Co., Ltd., a wholly-owned subsidiary of Giant Investment Co., Ltd. Mr. Shi Yuzhu (a Non-executive Director of the Company) held 97.86% of the issued share capital of Giant Investment Co., Ltd.  
  
According to the SFO, Mr. Shi Yuzhu, Giant Investment Co., Ltd. and Chongqing Cibi Business Information Consulting Co., Ltd. were deemed to have interests in the 713,501,653 H shares held by Alpha Frontier Limited (Mr. Shi Yuzhu's interests in shares are disclosed in this Interim Report in the section headed "Interests of the Directors, Supervisors and chief executives in the securities of the Company or its associated corporations under Hong Kong laws and regulations").
11. The interests that Mr. Shi Yuzhu, Giant Investment Co., Ltd., Chongqing Cibi Business Information Consulting Co., Ltd., and Alpha Frontier Limited held in the 713,501,653 H shares, as set out in the above table, were from the same block of shares.

Save as disclosed above and the section headed "Interests of the Directors, Supervisors and chief executives in the securities of the Company or its associated corporations under Hong Kong laws and regulations", the Company is not aware of any other person having any interests or short positions in the shares and underlying shares of the Company as at 30 June 2020 as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

## Changes in Share Capital and Information on Shareholders

### **IV. Information on Preference Shares in the Three Years Immediately Before the End of the Reporting Period**

#### **(I) Issuance and listing of preference shares**

In order to optimise capital structure, provide capital support to the implementation of all strategies, improve capital adequacy ratio and promote sustainable development of the Company, pursuant to the approval by the CBRC (Yin Jian Fu [2016] No. 168) (銀監覆[2016]168號) and the approval by the CSRC (Zheng Jian Xu Ke [2019] No. 1158) (證監許可[2019]1158號), the Company issued preference shares (preference share name: Minsheng Preference 1; code: 360037) in the amount of 200 million shares to qualified investors through a private offering in the domestic market on 15 October 2019. The nominal value of the preference shares was RMB100 per share and the preference shares were issued at par, which amounted to RMB20,000 million in total. The net proceeds raised from the domestic preference shares issuance were approximately RMB19,970 million after deduction of issuance expenses, all of which will be used to replenish the other tier-1 capital of the Company. The use of proceeds was as stated in the prospectus.

For the issuance terms of the preference shares, please refer to the announcements of the Company published on the website of the SSE, the HKEXnews website of the SEHK and the website of the Company.

#### **(II) Number of holders of preference shares and particulars of shareholding**

##### **1. Offshore preference shares**

As at the end of the Reporting Period, the number of holder of offshore preference shares of the Company was one. As at 31 July 2020, the number of holder of offshore preference shares of the Company was one.

## Changes in Share Capital and Information on Shareholders

Particulars of shareholding of the top ten holder(s) of preference shares (or nominees) of the Company are set out as follows (the following data was based on the registered holder of preference shares as at 30 June 2020):

(Unit: Share)

Name of shareholder	Type of shareholder	Class of share	Changes over the Reporting Period	Shareholding percentage (%)	Number of shares held	Number of shares subject to restriction on sales held	Number of shares pledged or locked-up
The Bank of New York Mellon Depository (Nominees) Limited	Overseas legal person	Offshore preference shares	—	100	71,950,000	—	Unknown

- Notes: 1. The number of shares held by the preference shareholder was recorded in accordance with the register of holders of preference shares of the Company;
2. As the preference shares were issued through private offering in offshore market, information of nominees of the allotted investors was recorded on the register of holders of the preference shares.
3. The Company does not know if there is any related relationship or concerted action among the above holder of preference shares and the top ten shareholders of ordinary shares.

## Changes in Share Capital and Information on Shareholders

### 2. Domestic preference shares

Particulars of shareholding of the top ten holders of domestic preference shares of the Company are set out as follows (the following data was based on the registered holders of the domestic preference shares as at 30 June 2020):

(Unit: Share)

No.	Name of shareholder	Type of shareholder	Class of share	Changes over the Reporting Period	Shareholding percentage (%)	Number of shares held	Number of shares subject to restriction on sales held	Number of shares pledged or locked-up
1.	Bosera Fund – ABC – Agricultural Bank of China Limited	Others	Domestic preference share	–	15.00	30,000,000	–	Nil
2.	CCB Trust Co., Ltd. – “Qian Yuan – Ri Xin Yue Yi” Open-Ended Wealth Management Single Fund Trust	Others	Domestic preference share	–	10.00	20,000,000	–	Nil
3.	Bosera Fund – ICBC – Bosera – ICBC – Flexible Allocation No. 5 Specific Multi-Customer Asset Management Plan	Others	Domestic preference share	–	10.00	20,000,000	–	Nil
4.	China Post & Capital Fund – Huaxia Bank – Huaxia Bank Co., Ltd.	Others	Domestic preference share	–	9.00	18,000,000	–	Nil
5.	Ping An Property & Casualty Insurance Company of China, Ltd. – Traditional – General Insurance Product	Others	Domestic preference share	–	7.00	14,000,000	–	Nil
6.	China Life Insurance Company Limited – Traditional – General Insurance Product – 005L – CT001SH	Others	Domestic preference share	–	5.00	10,000,000	–	Nil

## Changes in Share Capital and Information on Shareholders

(Unit: Share)

No.	Name of shareholder	Type of shareholder	Class of share	Changes over the Reporting Period	Shareholding percentage (%)	Number of shares held	Number of shares subject to restriction on sales held	Number of shares pledged or locked-up
7.	Ping An Property & Casualty Insurance Company of China, Ltd. — Self-owned Funds	Others	Domestic preference share	—	5.00	10,000,000	—	Nil
8.	Taiping Life Insurance Co., Ltd. — Traditional — General Insurance Product — 022L — CT001SH	Others	Domestic preference share	—	5.00	10,000,000	—	Nil
9.	China CITIC Bank Corporation Limited — Hui Ying Series of CITIC Wealth Management Products	Others	Domestic preference share	—	5.00	10,000,000	—	Nil
10.	China Resources SZITIC Trust Co., Ltd. — China Resources Trust-Hui Cui No. 1 Single Fund Trust	Others	Domestic preference share	10,000,000	5.00	10,000,000	—	Nil

- Notes: 1. The number of shares held by the domestic preference shareholders was recorded in accordance with the register of holders of domestic preference shares of the Company;
2. According to publicly available information and after a preliminary assessment, the Company considered that there was related relationship between “Bosera Fund — ABC — Agricultural Bank of China Limited” and “Bosera Fund — ICBC — Bosera — ICBC — Flexible Allocation No. 5 Specific Multi-Customer Asset Management Plan”; there was related relationship between “Ping An Property & Casualty Insurance Company of China, Ltd. — Traditional — General Insurance Product” and “Ping An Property & Casualty Insurance Company of China, Ltd. — Self-owned Funds”. Save as disclosed above, the Company does not know if there is any related relationship or concerted action among the above holders of domestic preference shares or among the above holders of domestic preference shares and top ten holders of ordinary shares;
3. “Shareholding percentage” refers to the percentage of the number of shares held by the holders of domestic preference shares to the total number of domestic preference shares of the Company.



## Changes in Share Capital and Information on Shareholders

### **(III) Other information on the preference shares**

During the Reporting Period, no preference shares of the Company have been repurchased, converted into ordinary shares nor have their voting rights restored.

According to the requirements promulgated by the Ministry of Finance, such as the Accounting Standards for Business Enterprises No. 37 — Presentation of Financial Instruments (《企業會計準則第37號 — 金融工具列報》), there was no need for the issued and existing preference shares of the Company to be settled through delivery of cash or other financial assets or exchange of financial assets or financial liabilities. In the future, the Company will have no obligation to deliver a variable quantity of its equity instruments as other equity instruments for accounting purpose.

No dividend was distributed in respect of the preference shares of the Company during the Reporting Period.

### **V. Issuance of Financial Bonds of the Company During the Reporting Period**

#### **(I) First tranche of Special Financial Bonds for Loans to Small and Micro Enterprises in 2020**

Pursuant to the approval by the CBIRC (Yin Bao Jian Fu [2018] No.189) (銀保監覆 [2018]189號) and the approval by the PBOC in the administrative permit (Yin Shi Chang Xu Zhun Yu Zi [2018] No.211) (銀市場許准予字[2018]第211號), the Company completed the book building on 18 March 2020 and issued the first tranche of special financial bonds for loans to small and micro enterprises of China Minsheng Banking Corp., Ltd. in 2020 with a total amount of RMB20,000 million (bond name: 20 Minsheng Small and Micro Enterprises Bond 01; bond code: 2028008) through public offering in the national interbank bond market on 20 March 2020. As assessed by Dagong Global Credit Rating Co., Ltd., the credit rating of the bonds was AAA (please refer to [www.chinabond.com.cn](http://www.chinabond.com.cn) for details). The bonds were issued for a term of 3 years with fixed coupon rate of 2.75%. The interest was payable on an annual basis.

The proceeds from the issuance will be specifically used for loans to small and micro enterprises in accordance with the applicable laws and approvals of the regulatory authorities.

As at the end of the Reporting Period, the balance of the first tranche of financial bonds of China Minsheng Banking Corp., Ltd. in 2020 was RMB20,000 million.

## Changes in Share Capital and Information on Shareholders

### (II) Tier-Two Capital Bonds in 2020

Pursuant to the approval by the CBIRC (Yin Bao Jian Fu [2020] No.348) (銀保監覆[2020]348號) and the approval by the PBOC in the administrative permit (Yin Xu Zhun Yu Jue Zi [2020] No.18) (銀許准予決字[2020]第18號), the Company completed the book building on 24 June 2020 and issued the tier-two capital bonds of China Minsheng Banking Corp., Ltd. in 2020 with a total amount of RMB50,000 million (bond name: 20 Minsheng Tier-Two; bond code: 2028022) through public offering in the national interbank bond market on 29 June 2020. As assessed by Golden Credit Rating International Co., Ltd., the credit rating of the tier-two capital bonds was AAA (please refer to [www.chinabond.com.cn](http://www.chinabond.com.cn) for details). The tier-two capital bonds were issued for a term of 10 years with fixed coupon rate of 3.75%. The interest was payable on an annual basis. The issuer shall have a conditional redemption option at the end of the fifth year. As long as the capital level of the Company is in compliance with the regulatory capital requirements under the CBIRC upon the exercise of redemption option, the Company may, subject to the approval by the CBIRC, exercise one-off redemption of all or part of the bonds at par value at the last day of the fifth interest bearing year of the bonds. If the bonds fail to meet the standards of tier-two capital instruments due to changes of regulatory requirements during the term of the bonds, the Company may exercise early redemption option, subject to the prevailing regulatory requirements at that time and approval of the CBIRC. The exercise of early redemption option by the Company is not subject to the consent of bond holders.

According to applicable rules, the proceeds from the issuance of bonds were fully accounted as tier-two capital of the Company. The use of the proceeds was as stated in the prospectus.

As at the end of the Reporting Period, the balance of the tier-two capital bonds of China Minsheng Banking Corp., Ltd. in 2020 was RMB50,000 million.

### VI. Controlling Shareholder and Ultimate Controller

The Company does not have any controlling shareholder or ultimate controller. As at the end of the Reporting Period, the top ten shareholders of the Company (other than HKSCC Nominees Limited) held an aggregate of 44.95% of the total shares of the Company. Dajia Life Insurance Co., Ltd. — Conservative Investment Portfolio, the single largest shareholder of the Company, held 10.30% of the total shares of the Company. There was no shareholder who could control more than half of the voting rights of the Board of the Company or at general meetings in accordance with the shareholding, the Articles of Association, or any agreements.

## Changes in Share Capital and Information on Shareholders

### VII. Substantial Shareholders

#### (I) Substantial shareholders with aggregate shareholding of 5% or more of the Company as at the end of the Reporting Period

- (1) Dajia Life Insurance Co., Ltd. (former Anbang Life Insurance Co., Ltd.): It was incorporated on 23 June 2010; its registered capital was RMB30,790 million; its unified social credit code is 91110000556828452N; its legal representative is He Xiaofeng; its controlling shareholder is Dajia Insurance Group Co., Ltd.; the controlling shareholder and the ultimate controller of Dajia Insurance Group Co., Ltd. is China Insurance Security Fund Co., Ltd.; its principal business includes: various personal insurance businesses such as life insurance, health insurance and accidental injury insurance, reinsurance of the above insurance businesses, insurance fund application business permitted under the PRC laws and regulations, and other businesses approved by the CIRC.

As at the end of the Reporting Period, no shares of the Company held by Dajia Life Insurance Co., Ltd. were pledged.

- (2) Orient Group Incorporation: It was incorporated on 16 August 1989; its registered capital was RMB3,714,576,124; its unified social credit code is 91230199126965908A; its legal representative is Sun Mingtao; its controlling shareholder is Orient Group Co., Ltd.; its ultimate controller is Zhang Hongwei; its ultimate beneficiary is Zhang Hongwei; its parties acting in concert are Orient Group Co., Ltd. and Huaxia Life Insurance Co., Ltd.; its principal business includes: food procurement, import and export of goods (or technologies) (except prohibited items and items restricted to state-owned enterprises and other restricted items unless authorised or approved by the relevant authorities), economic and technical cooperation with foreign entities, international project contracting, employment agency, property management, sales and distribution of building materials, furniture and decoration materials, construction machines, hardware and electrical appliances, sanitary wares, production and sales of electrical contact materials, development of silver-free electrical contacts, sales of food, plantation of paddy rice as well as cultivation and development of premium seeds. As at the end of the Reporting Period, 1,223,869,488 ordinary shares of the Company held by Orient Group Incorporation were pledged, accounting for 2.80% of the total share capital of the Company.

## Changes in Share Capital and Information on Shareholders

Orient Group Co., Ltd. (former Orient Group Investment Holding Co., Ltd.): It was incorporated on 26 August 2003; its registered capital was RMB1,000 million; its unified social credit code is 911100007541964840; its legal representative and ultimate controller is Zhang Hongwei; its parties acting in concert are Orient Group Incorporation and Huaxia Life Insurance Co., Ltd.; its principal business includes: project investment, investment management, real estate development, import and export agency, import and export of goods, economic and trade consultation, etc.. As at the end of the Reporting Period, 35,000,000 ordinary shares of the Company held by Orient Group Co., Ltd. were pledged, accounting for 0.08% of the total share capital of the Company.

Huaxia Life Insurance Co., Ltd.: It was incorporated on 30 December 2006; its registered capital is RMB15,300 million; its unified social credit code is 91120118791698440W; its legal representative is Li Fei; it does not have any controlling shareholder, ultimate controller or ultimate beneficiary; its parties acting in concert are Orient Group Incorporation and Orient Group Co., Ltd.; its principal business includes: various personal insurance businesses such as life insurance, health insurance and accidental injury insurance, reinsurance of the above business, insurance fund application businesses permitted under the PRC laws and regulations, and other businesses approved by the CIRC. As at the end of the Reporting Period, no shares of the Company held by Huaxia Life Insurance Co., Ltd. were pledged. According to CBIRC's Announcement on the Takeover of Six Institutions Including Tianan Property Insurance Co., Ltd. in Accordance with Laws published on CBIRC's official website on 17 July 2020, Huaxia Life Insurance Co., Ltd. was taken over by the CBIRC from 17 July 2020 to 16 July 2021, which might be extended according to laws.

- (3) China Oceanwide Holdings Group Co., Ltd.: It was incorporated on 7 April 1988; its registered capital was RMB20,000 million; its unified social credit code is 911100001017122936; its legal representative is Lu Zhiqiang; its controlling shareholder is Oceanwide Group Co., Ltd.; its ultimate controller is Lu Zhiqiang; its ultimate beneficiaries are Lu Zhiqiang, Huang Qiongzi and Lu Xiaoyun; its parties acting in concert are China Oceanwide International Investment Company Limited, Oceanwide International Equity Investment Limited and Long Prosper Capital Company Limited; its principal business includes: finance, real estate and investment management, etc.

China Oceanwide International Investment Company Limited: It was incorporated on 15 October 2008; its registered capital was HKD1,548,058,790; its controlling shareholder is China Oceanwide Holdings Group Co., Ltd.; its ultimate controller is Lu Zhiqiang; its ultimate beneficiaries are Lu Zhiqiang, Huang Qiongzi and Lu Xiaoyun; its parties acting in concert are China Oceanwide Holdings Group Co., Ltd., Oceanwide International Equity Investment Limited and Long Prosper Capital Company Limited; its principal business includes: investment holding, etc.

## Changes in Share Capital and Information on Shareholders

Oceanwide International Equity Investment Limited: It was incorporated on 17 March 2016; its registered capital was USD50,000; its controlling shareholder is Wuhan CBD (Hong Kong) Company Limited; its ultimate controller is Lu Zhiqiang; its ultimate beneficiaries are Lu Zhiqiang, Huang Qiongzi and Lu Xiaoyun; its parties acting in concert are China Oceanwide Holdings Group Co., Ltd., China Oceanwide International Investment Company Limited and Long Prosper Capital Company Limited; its principal business includes: investment holding, etc.

Long Prosper Capital Company Limited: It was incorporated on 31 August 2016; its registered capital was USD50,000; its controlling shareholder is Oceanwide International Equity Investment Limited; its ultimate controller is Lu Zhiqiang; its ultimate beneficiaries are Lu Zhiqiang, Huang Qiongzi and Lu Xiaoyun; its parties acting in concert are China Oceanwide Holdings Group Co., Ltd., China Oceanwide International Investment Company Limited and Oceanwide International Equity Investment Limited; its principal business includes: investment holding, etc.

As at the end of the Reporting Period, a total of 3,027,883,568 ordinary shares of the Company held by China Oceanwide Holdings Group Co., Ltd., Oceanwide International Equity Investment Limited and Long Prosper Capital Company Limited were pledged, accounting for 6.91% of the total share capital of the Company.

### **(II) Other substantial shareholders of the Company in accordance with the Provisional Measures for Equity Management of Commercial Banks (《商業銀行股權管理暫行辦法》) under the order of the CBRC (No. 1 of 2018)**

- (1) New Hope Liuhe Investment Co., Ltd.: It was incorporated on 25 November 2002; its registered capital was RMB576,555,600; its unified social credit code is 91540091744936899C; its legal representative is Wang Pusong; its controlling shareholder is New Hope Liuhe Co., Ltd.; its ultimate controller is Liu Yonghao; its ultimate beneficiary is Liu Yonghao; its party acting in concert is South Hope Industrial Co., Ltd.; its principal business includes: venture capital investment, investment management, financial advisory, wealth management consultancy, corporate restructuring consultancy, market research, credit investigation, technology development and transfer and technical consultancy services, etc. As at the end of the Reporting Period, no shares of the Company held by New Hope Liuhe Investment Co., Ltd. were pledged.

## Changes in Share Capital and Information on Shareholders

South Hope Industrial Co., Ltd.: It was incorporated on 17 November 2011; its registered capital was RMB1,034,313,725; its paid-up registered capital was RMB884,313,725; its unified social credit code is 9154009158575152X0; its legal representative is Li Jianxiong; its controlling shareholder is New Hope Group Co., Ltd.; its ultimate controller is Liu Yonghao; its ultimate beneficiary is Liu Yonghao; its party acting in concert is New Hope Liuhe Investment Co., Ltd.; its principal business includes: research and development, wholesale and retail of feeds, electronic products, hardware and electrical appliances, general merchandise, textiles, office equipment (excluding colour copier), building materials (excluding hazardous chemicals and wood materials), agricultural by-products and special products (excluding products specified by the State), chemical products (excluding hazardous chemicals), mechanical equipment, investment and consultancy services (excluding intermediary services). As at the end of the Reporting Period, no shares of the Company held by South Hope Industrial Co., Ltd. were pledged.

(2) Shanghai Giant Lifetech Co., Ltd.: It was incorporated on 12 July 1999; its registered capital was RMB245,400,640; its unified social credit code is 913101041346255243; its legal representative is Wei Wei; its controlling shareholder is Giant Investment Co., Ltd.; its ultimate controller is Shi Yuzhu; its ultimate beneficiary is Shi Yuzhu; it has no party acting in concert; its principal business includes: production and sales of food (through its subsidiaries), sales of cosmetics, cleaning products, healthcare equipment and kitchenware, technical development, consultancy, services and transfer in healthcare food aspect, wholesale of non-physical goods; prepackaged food (excluding cooked or braised and refrigerated or frozen food), investment management, asset management, investment consultancy, business information consultancy and business management consultancy. As at the end of the Reporting Period, 1,379,678,400 ordinary shares of the Company held by Shanghai Giant Lifetech Co., Ltd. were pledged, accounting for 3.15% of the total share capital of the Company.

(3) China Shipowners Mutual Assurance Association: It was incorporated on 1 January 1984; its registered capital was RMB100,000; its unified social credit code is 51100000500010993L; its legal representative is Song Chunfeng; it has no controlling shareholder; it has no ultimate controller; it has no ultimate beneficiary; it has no party acting in concert; its principal business includes: marine mutual assurance, business training, marine information exchange, international cooperation and consultancy services. As at the end of the Reporting Period, no shares of the Company held by China Shipowners Mutual Assurance Association were pledged.



## Changes in Share Capital and Information on Shareholders

- (4) Good First Group Co., Ltd.: It was incorporated on 2 May 1995; its registered capital was RMB133 million; its unified social credit code is 91310000612260305J; its legal representative is Wu Di; its controlling shareholder is Huang Xi; its ultimate controller is Huang Xi; its ultimate beneficiary is Huang Xi; its parties acting in concert are Tibet Heng Xun Corporate Management Co., Ltd. and Tibet Rong Jie Corporate Management Co., Ltd.; its principal business includes: research, development and sale of high-tech products; industrial investment; investment in education, agriculture, secondary industry, entertainment industry and healthcare products; sales of photographic equipment and new-type building materials; wholesale and retail of chemicals (excluding hazardous chemicals and chemicals subject to supervision and control), textiles, hardware and electrical appliances, general merchandise, metal materials, building materials, automobiles (excluding passenger cars) and parts, general machinery, electronic products and telecommunication devices and mineral products as approved by the country.

Tibet Heng Xun Corporate Management Co., Ltd.: It was incorporated on 26 December 2014, its registered capital was RMB10 million; its ultimate controller is Huang Xi; its ultimate beneficiary is Huang Xi; its parties acting in concert are Good First Group Co., Ltd. and Tibet Rong Jie Corporate Management Co., Ltd.; its principal business includes investment holding, etc.

Tibet Rong Jie Corporate Management Co., Ltd.: It was incorporated on 26 December 2014, its registered capital was RMB10 million; its ultimate controller is Huang Xi; its ultimate beneficiary is Huang Xi; its parties acting in concert are Good First Group Co., Ltd. and Tibet Heng Xun Corporate Management Co., Ltd.; its principal business includes investment holding, etc.

As at the end of the Reporting Period, a total of 758,730,000 ordinary shares of the Company held by Good First Group Co., Ltd., Tibet Heng Xun Corporate Management Co., Ltd. and Tibet Rong Jie Corporate Management Co., Ltd. were pledged, accounting for 1.73% of the total share capital of the Company.



## Changes in Share Capital and Information on Shareholders

- (5) Tsinghua Tongfang Guoxin Investment Holding Co., Ltd.: It was incorporated on 23 May 2007; its registered capital was RMB2,574,162,500; its unified social credit code is 91500000660887401L; its legal representative is Liu Qinqin; its largest shareholder is Tongfang Financial Holding (Shenzhen) Co., Ltd., a wholly-owned subsidiary of Tongfang Co., Ltd., a company controlled by CNNC Capital Holding Co., Ltd.; it has no controlling shareholder; it has no ultimate controller; its ultimate beneficiary is Tsinghua Tongfang Guoxin Investment Holding Co., Ltd.; its party acting in concert is Chongqing International Trust Company Limited; its principal business includes: investments with its own fund (excluding financial businesses such as accepting public deposits or accepting public deposits in any form, extending loans or trading securities and futures); consultancy services in relation to investment information and policies for its connected companies; planning and consultancy services in relation to corporate restructuring and merger and acquisition; and corporate management services (businesses that require pre-approvals according to laws and shall operate only upon approvals from the relevant authorities). As at the end of the Reporting Period, 1,863,332,321 ordinary shares of the Company held by Tsinghua Tongfang Guoxin Investment Holding Co., Ltd. were pledged, accounting for 4.26% of the total share capital of the Company.

Chongqing International Trust Company Limited: It was incorporated on 22 October 1984; its registered capital was RMB15,000 million; its unified social credit code is 91500000202805720T; its legal representative is Weng Zhenjie; its controlling shareholder is Tsinghua Tongfang Guoxin Investment Holding Co., Ltd.; it has no ultimate controller; its ultimate beneficiary is Chongqing International Trust Company Limited; its party acting in concert is Tsinghua Tongfang Guoxin Investment Holding Co., Ltd.; its principal business includes: funds trust, chattel trust, real estate trust, negotiable securities trust, other properties or property rights trusts; fund investment business as a promoter of investment fund or fund management companies; asset restructuring, mergers and acquisitions and project financing, corporate wealth management, financial advisory and other services of enterprises; securities underwriting business approved by the relevant authorities of the State Council; intermediary business, consultancy, credit investigation; safe custody and safety deposit box business; use of inherent properties through balances with banks and other financial institutions, placements with banks and other financial institutions, loans, leasing and investment; guarantee for others with inherent properties; lending between financial institutions, and other business permitted by the laws and regulations and approved by the CBIRC (including businesses denominated in RMB and foreign currencies). As at the end of the Reporting Period, no shares of the Company held by Chongqing International Trust Company Limited were pledged.

# Directors, Supervisors, Senior Management, Employees and Business Network

## I. Directors, Supervisors and Senior Management

### (I) Basic information

Name	Gender	Year of birth	Position	Term of office	Shares held at the beginning of the Reporting Period (share)	Shares held at the end of the Reporting Period (share)
GAO Yingxin	M	1962	Chairman & Executive Director	16 July 2020–present	0	0
ZHANG Hongwei	M	1954	Vice Chairman & Non-executive Director	10 January 2001–present	0	0
LU Zhiqiang	M	1951	Vice Chairman & Non-executive Director	14 November 2006–present	0	0
LIU Yonghao	M	1951	Vice Chairman & Non-executive Director	23 June 2009–present	0	0
ZHENG Wanchun	M	1964	Executive Director	17 March 2016–present	0	0
			President	6 January 2016–present		
SHI Yuzhu	M	1962	Non-executive Director	30 March 2017–present	0	0
WU Di	M	1965	Non-executive Director	11 March 2013–present	0	0
SONG Chunfeng	M	1969	Non-executive Director	30 March 2017–present	0	0
WENG Zhenjie	M	1962	Non-executive Director	20 February 2017–present	0	0
LIU Jipeng	M	1956	Independent Non-executive Director	20 February 2017–present	0	0
LI Hancheng	M	1963	Independent Non-executive Director	20 February 2017–present	0	0
XIE Zhichun	M	1958	Independent Non-executive Director	29 March 2017–present	0	0
PENG Xuefeng	M	1962	Independent Non-executive Director	30 March 2017–present	0	0
LIU Ningyu	M	1969	Independent Non-executive Director	30 March 2017–present	0	0
TIAN Suning	M	1963	Independent Non-executive Director	30 August 2018–present	0	0
ZHANG Juntong	M	1974	Chairman of the Board of Supervisors & Employee Supervisor	20 February 2017–present	0	0
GUO Dong	M	1961	Vice Chairman of the Board of Supervisors & Employee Supervisor	30 March 2016–present	0	0
WANG Hang	M	1971	Shareholder Supervisor	20 February 2017–present	0	0
ZHANG Bo	M	1973	Shareholder Supervisor	20 February 2017–present	0	0
LU Zhongnan	M	1955	Shareholder Supervisor	16 January 2007–present	0	0
WANG Yugui	M	1951	External Supervisor	20 February 2017–present	0	0
BAO Jiming	M	1952	External Supervisor	20 February 2017–present	0	0
ZHAO Fugao	M	1955	External Supervisor	21 June 2019–present	0	0
LI Jian	M	1966	Employee Supervisor	13 March 2020–present	0	0
CHEN Qiong	F	1963	Executive Vice President	20 August 2018–present	0	0
SHI Jie	M	1965	Executive Vice President	17 January 2017–present	0	0
LI Bin	F	1967	Executive Vice President	17 January 2017–present	0	0
LIN Yunshan	M	1970	Executive Vice President	17 January 2017–present	0	0
HU Qinghua	M	1963	Executive Vice President	20 August 2018–present	0	0
			Chief Risk Officer	3 August 2017–present		
BAI Dan	F	1963	Chief Financial Officer	21 May 2012–present	10,000	10,000
			Board Secretary	22 August 2018–present		

## Directors, Supervisors, Senior Management, Employees and Business Network

Name	Gender	Year of birth	Position	Term of office	Shares held at the beginning of the Reporting Period (share)	Shares held at the end of the Reporting Period (share)
ZHANG Yuebo	M	1962	Chief Audit Officer	20 February 2017–present	0	0
OUYANG Yong	M	1963	Assistant President	26 June 2018–present	0	0
HONG Qi	M	1957	Former Chairman & Former Executive Director	6 November 2014–16 July 2020	0	0
WANG Jiazhi	M	1959	Former Vice Chairman of the Board of Supervisors & Former Employee Supervisor	10 April 2012–13 March 2020	911,664	911,664

### Notes:

1. Mr. Li Jian was elected as an Employee Supervisor at the employee representative meeting of the Company on 13 March 2020;
2. The Resolution on Nominating Mr. Gao Yingxin As a Candidate for Executive Director of the Company was discussed and approved at the 19th extraordinary meeting of the seventh session of the Board of the Company on 5 June 2020. On 29 June 2020, Mr. Gao Yingxin was elected as an Executive Director at the 2019 annual general meeting of the Company;
3. The Resolution on Electing Chairman of the Seventh Session of the Board of the Company was discussed and approved at the 21st extraordinary meeting of the seventh session of the Board of the Company on 30 June 2020. Mr. Gao Yingxin was elected as the Chairman of the seventh session of the Board of the Company. The Company issued the Announcement on CBIRC's Approval of Qualification of Chairman on 17 July 2020, stating CBIRC's approval on the qualification of Mr. Gao Yingxin as a Director and the Chairman of the Company;
4. The Company issued the Announcement on Resignation of Chairman of the Board on 30 June 2020, stating that due to his age, Mr. Hong Qi tendered his resignation as an Executive Director and the Chairman of the seventh session of the Board, the chairman of the Strategic Development and Consumer Rights Protection Committee and a member of the Nomination Committee under the Board and other positions of the Company;
5. On 13 March 2020, Mr. Wang Jiazhi ceased to act as the Vice Chairman of the Board of Supervisors and member of the related special committees under the Board of Supervisors due to retirement;
6. As at the date of the disclosure of this report, the qualification of Mr. Weng Zhenjie as a Director is subject to the approval of the CBIRC. Mr. Weng Zhenjie attended all the meetings as a non-voting delegate during the Reporting Period;
7. According to the regulations of the CSRC, the commencement date of term of office of the re-elected Directors in the above table shall be the date of approval of qualification of their first appointment as Directors, and the commencement date of term of office of the re-elected Supervisors in the above table shall be the date of their first appointment as Supervisors;
8. During the Reporting Period, none of the incumbent Directors, Supervisors and Senior Management or Directors, Supervisors or Senior Management retired during the Reporting Period had been subject to any penalty imposed by the securities regulatory authorities in the past three years.

**(II) Resignation of Directors, Supervisors and Senior Management during the Reporting Period and the reasons therefor**

1. On 13 March 2020, Mr. Wang Jiazhi ceased to act as the Vice Chairman of the Board of Supervisors and member of the related special committees under the Board of Supervisors due to retirement.
2. On 29 June 2020, Mr. Hong Qi tendered his resignation as an Executive Director and the Chairman of the Board, the chairman/member of the related special committees under the Board and other positions of the Company due to his age.

**(III) Changes of information of Directors and Supervisors**

1. Mr. Zhang Hongwei, a Non-executive Director of the Company, ceased to serve as a director and the honorary chairman of Orient Group Incorporation (listed on the SSE (stock code: 600811)).
2. Mr. Lu Zhiqiang, a Non-executive Director of the Company, ceased to serve as the president of China Oceanwide Holdings Group Co., Ltd. and the chairman of Oceanwide Holdings Co., Ltd. (listed on the Shenzhen Stock Exchange (SZSE) (stock code: 000046)).
3. Mr. Wu Di, a Non-executive Director of the Company, ceased to serve as a standing committee member of International Boxing Federation, the vice president of Asian Boxing Confederation, the standing committee member of Chinese Boxing Federation, the standing chairman of China International Chamber of Commerce for the Private Sector and the honorary vice chairman of Fujian Province Guangcai Promotion Society.
4. Mr. Weng Zhenjie, a Non-executive Director of the Company, was appointed as the chairman of Guodu Securities Co., Ltd. (listed on National Equities Exchange and Quotations (stock code: 870488)).
5. Mr. Liu Jipeng, an Independent Non-executive Director of the Company, was appointed as an independent director of Valiant Corporation Limited (listed on the SZSE (stock code: 002643)). Mr. Liu ceased to serve as an independent non-executive director of China-Singapore Suzhou Industrial Park Development Co., Ltd.

## Directors, Supervisors, Senior Management, Employees and Business Network

6. Mr. Li Hancheng, an Independent Non-executive Director of the Company, was appointed as an independent director of SnowValley Agricultural Development Co., Ltd.
7. Mr. Wang Hang, a Shareholder Supervisor of the Company, was appointed as the chairman of the board of directors of Sichuan Xinwang Bank Co., Ltd. and an independent director of Kingsoft Cloud Holdings Limited (listed on the NASDAQ (stock code: KC)).
8. Mr. Zhang Bo, a Shareholder Supervisor of the Company, was appointed as the vice chairman and president of Oceanwide Holdings Co., Ltd. (listed on the SZSE (stock code: 000046)) and the chairman of Wuhan CBD Co., Ltd.
9. Mr. Bao Jiming, an External Supervisor of the Company, ceased to serve as an independent non-executive director of Youngor Group Co., Ltd. (listed on the SSE (stock code: 600177)) and Wanxiang Qianchao Co., Ltd. (listed on the SZSE (stock code: 000559)).

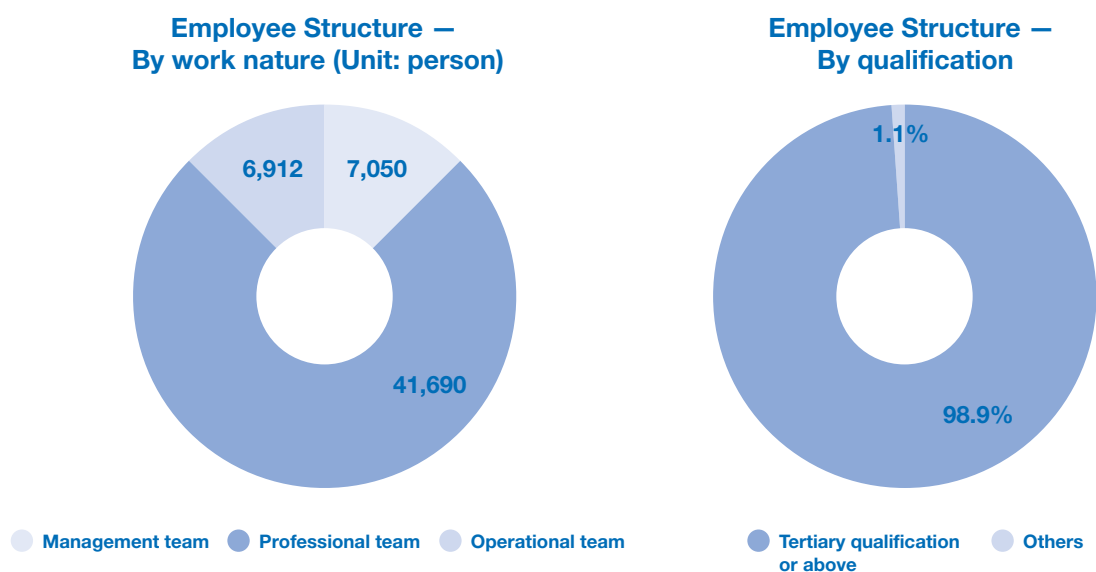
### **(IV) Service contracts of Directors and Supervisors**

In accordance with rules 19A.54 and 19A.55 of the Hong Kong Listing Rules, the Company has entered into contracts with its Directors and Supervisors in respect of compliance with the relevant laws and regulations, the Articles of Association of the Company and the provisions of arbitration. Except as disclosed above, the Company has not entered into and does not intend to enter into any service contracts with its Directors or Supervisors in respect of their services as Directors or Supervisors (excluding the service contracts which will expire within one year or are terminable by the Group within one year without payment of compensation, other than statutory compensation).

## Directors, Supervisors, Senior Management, Employees and Business Network

### II. Employees

As at the end of the Reporting Period, the Group had 58,275 employees, of which 55,652 were employees of the Company and 2,623 were employees of the subsidiaries of the Company. Divided by work nature, 7,050 employees were categorised as the management team, 41,690 employees as the professional team, and 6,912 employees as the operational team. The Company had 55,034 employees with tertiary qualification or above, accounting for 98.9% of the total number of employees. 515 employees of the Company had retired.



### III. Business Network

As at the end of the Reporting Period, the Company had 42 branches in 41 cities across China, with 2,427 banking outlets in total.

During the Reporting Period, the Company opened 4 new tier-two branches, namely Lianyungang Branch, Heze Branch, Wanzhou Branch and Xianyang Branch.

## Directors, Supervisors, Senior Management, Employees and Business Network

Major entities of the Company as at the end of the Reporting Period are shown as follows:

Name of entity	Number of outlets	Headcount	Total assets (in RMB million) (excluding deferred income tax assets)	Address
Head Office	1	13,644	4,331,968	No. 2 Fuxingmennei Avenue, Xicheng District, Beijing
Beijing Branch	167	3,706	826,808	No. 2 Fuxingmennei Avenue, Xicheng District, Beijing
Shanghai Branch	88	2,557	438,118	No. 100 Pudong Nan Road, Pudong New Area, Shanghai
Guangzhou Branch	82	2,257	235,146	Minsheng Tower, No. 68 Liede Avenue, Zhujiang New Town, Tianhe District, Guangzhou
Shenzhen Branch	75	2,069	243,765	Minsheng Finance Tower, Haitian Road, Futian District, Shenzhen
Wuhan Branch	98	1,464	86,839	China Minsheng Bank Tower, No. 396 Xinhua Road, Jianghan District, Wuhan
Taiyuan Branch	107	1,349	99,785	3-5/F, 9-21/F, Block 3, Tower B, Shanxi International Finance Centre, No. 426 Nanzhonghuan Street, Xiaodian District, Taiyuan
Shijiazhuang Branch	142	2,099	103,403	Minsheng Bank Tower, No. 197 Yu Hua Dong Road, Chang'an District, Shijiazhuang
Dalian Branch	48	856	92,678	Minsheng International Finance Centre, No. 52 Renmin Dong Road, Zhongshan District, Dalian
Nanjing Branch	195	3,142	387,257	No. 20 Hongwu Bei Road, Nanjing
Hangzhou Branch	85	1,715	183,551	Block Jinzun, Zunbao Mansion, No. 98 Shimin Street, Qianjiang New Town, Jianggan District, Hangzhou
Chongqing Branch	111	1,003	98,161	Tongjuyuanjing Building, No. 9 Jianxin Bei Road, Jiangbei District, Chongqing
Xi'an Branch	90	1,176	92,464	China Minsheng Bank Tower, No. 78 Erhuan Nan Road Xiduan, Xi'an
Fuzhou Branch	43	941	53,369	No. 282 Hudong Road, Fuzhou
Jinan Branch	129	1,918	135,102	No. 229 Luoyuan Street, Jinan
Ningbo Branch	43	741	51,679	No. 815 Ju Xian Road, Gaoxin District, Ningbo
Chengdu Branch	115	1,394	128,316	Block 6, No. 966 Tianfu Avenue Beiduan, Gaoxin District, Chengdu
Tianjin Branch	53	917	87,335	China Minsheng Bank Tower, No. 43 Jianshe Road, Heping District, Tianjin
Kunming Branch	85	805	62,502	No. 11800 Caiyun Bei Road, Kunming
Quanzhou Branch	45	553	25,119	No. 689 Citong Road, Fengze District, Quanzhou
Suzhou Branch	37	1,110	92,601	Minsheng Finance Tower, Block 23, Times Square, Suzhou Industrial Park, Suzhou
Qingdao Branch	51	879	95,905	No. 190, Hai'er Road, Laoshan District, Qingdao
Wenzhou Branch	19	540	58,089	Minsheng Bank, Financial Building, No. 1 Huaijiang Road, Lucheng District, Wenzhou
Xiamen Branch	24	530	35,380	Xiamen Minsheng Banking Mansion, No. 50 Hubin Nan Road, Xiamen
Zhengzhou Branch	109	1,561	94,779	Minsheng Bank Tower, No. 1 CBD Shangwu Waihuan Road, Zhengdong New District, Zhengzhou
Changsha Branch	46	925	71,079	Minsheng Tower, No. 189 Binjiang Road, Yuelu District, Changsha



## Directors, Supervisors, Senior Management, Employees and Business Network

Name of entity	Number of outlets	Headcount	Total assets (in RMB million) (excluding deferred income tax assets)	Address
Changchun Branch	25	540	24,115	Minsheng Tower, No. 500 Changchun Avenue, Nangan District, Changchun
Hefei Branch	60	767	71,755	Yinbao Building, Intersection of Wuhu Xi Road and Jinzhai Road, Shushan District, Hefei
Nanchang Branch	39	587	66,915	No. 545, Huizhan Road, Honggutan New District, Nanchang
Shantou Branch	25	437	27,506	1-3/F, Huajing Plaza, No. 17 Hanjiang Road, Longhu District, Shantou
Nanning Branch	32	561	70,466	1-3/F, 3M/F, 30-31/F and 36/F, Block C, China Resources Building, No. 136-5 Minzu Avenue, Nanning
Hohhot Branch	21	378	26,760	China Minsheng Bank Tower, Block C, Oriental Junzuo, No. 20 Chile Chuan Avenue, Saihan District, Hohhot, Inner Mongolia
Shenyang Branch	47	483	25,646	No. 65 Nanjing Bei Street, Heping District, Shenyang
Guiyang Branch	39	226	56,113	Block 8, Tianyi International Plaza, No. 33 Changling Nan Road, Gaixin District, Guiyang
Haikou Branch	16	496	6,967	Zhonghuan International Plaza, No. 77 Binhai Avenue, Longhua District, Haikou
Lhasa Branch	4	183	7,426	Global Plaza, No. 8 Beijing Xi Road, Lhasa
Shanghai Pilot Free Trade Zone Branch	1	168	67,683	40/F, No. 100 Pudong Nan Road, Pudong New Area, Shanghai
Harbin Branch	8	102	18,537	1-6/F, Zone One, Olympic Centre, No. 11 Aijian Road, Daoli District, Harbin
Lanzhou Branch	10	232	16,109	1-4/F, Gansu Daily Press Plaza, No. 123 Baiyin Road, Chengguan District, Lanzhou
Urumqi Branch	6	245	14,314	No. 314, Yangzhiang Road, Saybagh District, Urumqi
Xining Branch	2	173	8,050	1-4/F, Annex Building of Telecom Industrial Tower, No. 102 Kunlun Zhong Road, Chengzhong District, Xining
Yinchuan Branch	3	123	5,010	1-5/F, Block 19, Jinhaimingyue, No. 106 Shanghai Xi Road, Jinfeng District, Yinchuan
Hong Kong Branch	1	100	163,397	40/F and 4106-08, 41/F, Two International Finance Centre, 8 Finance Street, Central, Hong Kong
Inter-Region adjustment	—	—	-1,957,853	—
<b>Total</b>	<b>2,427</b>	<b>55,652</b>	<b>6,930,114</b>	<b>—</b>

### Notes:

1. The number of institutions takes into account all types of banking outlets, including the Head Office, 42 tier-one branches and 41 business departments of tier-one branches (excluding the Hong Kong Branch), business departments of tier-two branches, remote sub-branches, county-level sub-branches, intra-city sub-branches, small-business special sub-branches, community sub-branches and small-business sub-branches;
2. Headcount of the Head Office includes the total number of employees in the departments of the Head Office and the SBUs, such as the Credit Card Centre and others, exclusive of employees of branches. Of which, the headcount of the Credit Card Centre was 8,225;
3. Inter-region adjustment arises from the reconciliation and elimination of inter-region balances.

# Corporate Governance

## I. Corporate Governance Overview

During the Reporting Period, in active response to the national policies on ensuring stability on the six fronts and security in six areas, as well as financially supporting enterprises to stabilise employment, the Company duly performed its duties in inclusive finance, consumer rights protection and social responsibilities. The Company optimised the duty performance mechanism, working procedures and functions of the special committees of the Board of Directors and the Board of Supervisors. Self-evaluation on performance of corporate governance and internal trouble shooting on mechanism of corporate governance were carried out. During the Reporting Period, in strict accordance with the latest regulatory policies and requirements, the Company further improved functions of the Board, strengthened the internal control management, refined enterprise risk management, enhanced duty performance of the Board and intensified compliance management of related party transactions. It also gave full swing to the role of the Board of Supervisors in corporate governance. These efforts have jointly facilitated the compliant operations and stable development of the Company and enhanced the due diligence and self-discipline of the Directors, Supervisors and the Senior Management, and thus improved corporate governance. Details are as follows:

1. During the Reporting Period, the Company had organised, prepared and convened a total of 42 meetings of various kinds, including two shareholders' general meetings, nine Board meetings, 19 meetings of the special committees of the Board, five meetings of the Board of Supervisors and seven meetings of the special committees of the Board of Supervisors. 196 resolutions on the Company's Annual Report, Working Report of the Board, Working Report of the Board of Supervisors, Working Report of the President, financial budgets and final account reports, profit distribution plans and related party transactions, were discussed and approved at these meetings.
2. During the Reporting Period, in accordance with the domestic and overseas regulatory requirements, the Company formulated the Administrative Measures for Information Technology of China Minsheng Bank (《中國民生銀行信息科技管理辦法》), the Administrative Measures for Consumer Rights Protection of China Minsheng Bank (《中國民生銀行消費者權益保護管理辦法》), the Guiding Opinion on Consumer Rights Protection by the Board of China Minsheng Bank (《中國民生銀行董事會消費者權益保護指導意見》) and the Guiding Opinion on Risk Management by the Board of China Minsheng Bank for 2020 (《中國民生銀行董事會2020年風險管理指導意見》), which further improved the corporate governance system of the Company.

3. Pursuant to the Measures for Performance Appraisal of Senior Management of China Minsheng Banking Corp., Ltd. (《中國民生銀行股份有限公司高級管理人員盡職考評辦法》), the Compensation and Remuneration Committee of the Board evaluated the performance of the Senior Management for 2019 in the first half of 2020, which enabled the Board to fully understand the duty performance of the Senior Management and continuously improve the incentive and constraint mechanism for the Senior Management.

Pursuant to the Provisional Measures for Performance Evaluation of Directors of China Minsheng Banking Corp., Ltd. (《中國民生銀行股份有限公司董事履職評價試行辦法》), the Compensation and Remuneration Committee of the Board evaluated the annual performance of the Directors for 2019 in the first half of 2020, which strengthened the evaluation and assessment of the Directors' performance.

4. During the Reporting Period, the Board of Supervisors of the Company conducted comprehensive and multi-level supervision in key areas to promote a steady and compliant development of the Company. Firstly, in regards to supervision on the implementation of policies, the Board of Supervisors strengthened the supervision over the Board and the Senior Management on the implementation of major national decisions and deployments on NSOEs, small and micro enterprises, inclusive finance, stabilising businesses and employment, as well as various regulatory requirements. Secondly, emphasising on risk supervision, the Board of Supervisors continued to strengthen the supervision on all substantive risks to improve the enterprise risk management of the Company. Thirdly, focusing on supervision on rectification, the Board of Supervisors strengthened supervision on the rectifications of problems identified in regulatory inspections in various ways, such as organising special interviews, reviewing special reports and issuing supervisory notices, so as to enhance the internal control and compliance management of the whole bank. Fourthly, in regard to financial supervision, the Board of Supervisors reviewed financial budgets and final account reports, profit distribution plans, and received reports on the preparation of regular reports and business operation of the Company to improve financial management and optimise business strategies. Fifthly, with the supervision on duty performance as the core, the Board of Supervisors improved the performance evaluation system, which fully demonstrated its independence and authority in corporate governance.

## Corporate Governance

5. During the Reporting Period, the Board of Supervisors continuously improved the mechanism, measures and methods of supervision to overlook all aspects in a risk-sensitive approach. Firstly, it continuously strengthened the supervision on the Board and the Senior Management by issuing supervisory notices. Secondly, it further improved the progress of supervision by clarifying the party responsible for rectification through briefing reports and evaluating the progress, measures and effects of rectification. Thirdly, it further improved the transmission and sharing mechanism of supervision information to enhance the efficiency and effectiveness. Fourthly, it continued to strengthen self-construction to enhance the capability of Supervisors in performing their duties.
  
6. During the Reporting Period, by resolutely implementing the national strategies, the Company focused on inclusive finance, targeted poverty alleviation, NSOEs, small and micro enterprises and other areas and served the real economy unswervingly. The Board discussed the Development Plan of Fintech Strategy of China Minsheng Bank (2019–2022) (《中國民生銀行科技金融戰略發展規劃(2019–2022)》), conducted regular reporting and information exchange in order to improve the effectiveness and comprehensiveness of the duty performance systems of the Board in respect of consumer rights protection, inclusive finance and data and IT governance. The Board continuously refined capital management, closely tracked and monitored the implementation progress of annual capital strategies and carried out capital replenishment plans. Decision-making mechanism for material investments, in particular in fixed assets, was optimised to strengthen budget management and project management. Efforts had been made to promote the construction of corporate value management system by streamlining the management process and introducing ESG (Environmental, Social and Governance). The Board normalised supervision on consolidated management of the Group by improving annual planning, reporting and assessment, and supervising the Senior Management to duly fulfill their duties in consolidated management. To refine the corporate governance systems of the subsidiaries, the Company focused on the supervision on problem rectifications to push forward legal person governance and strengthen the assessment on and correction of strategy implementation by subsidiaries.

7. During the Reporting Period, continuous initiatives and improvements were carried out for the enterprise risk management of the Company by the Board so as to fully perform its duties in risk guidance and risk management. Regulatory requirements regarding risk management duties of the Board were reviewed to comprehensively and systematically enhance the capability and effectiveness of the Board in performing risk management duties. In accordance with the strategies of the Board, the overall risk management of the Bank and the internal and external changes, the Board formulated the Guiding Opinion on Risk Management by the Board of Directors of China Minsheng Bank for 2020 (《中國民生銀行2020年董事會風險管理指導意見》), conducted comprehensive evaluation of the Bank in respect of overall risk management for 2019, enhanced duty performance of the Board in risk management and strengthened the effectiveness of risk management and supervision with targeted goals. Regular discussion and review on reports of enterprise risk management and reports of various specific risks were carried out to obtain thorough and timely understanding of risks and their development trends and enhance the transparency of risk management of the Board.
8. During the Reporting Period, the Company carried out internal control and comprehensive audit, enhanced the compliance awareness of all employees and strengthened risk prevention and thus achieved more effective internal control.
9. During the Reporting Period, in order to ensure equal access to material information of the Company of all shareholders and investors in a timely, accurate and complete manner, the Company published a total of 45 A share announcements and 84 H share announcements, including 40 overseas regulatory announcements. The Company completed the preparation and publication of the 2019 Annual Report and the First Quarterly Report of 2020. In order to enhance its influence in the capital market, during the Reporting Period, the Company contacted over 150 investors in aggregate through on-site visits, teleconferences, emails and E-interaction platform of the SSE (上交所e互動平台).

During the Reporting Period, upon a thorough internal inspection, the Company confirmed that no information had been provided to any substantial shareholder or ultimate controller before its publication.

### II. Shareholders' General Meetings

During the Reporting Period, the Company held two shareholders' general meetings, at which a total of 23 resolutions were discussed and approved. Details are as follows:

On 20 April 2020, the first extraordinary general meeting for 2020 of the Company was held in Beijing in which shareholders attended and voted on-site and online. For details of the resolutions, please refer to the website of the Company ([www.cmbc.com.cn](http://www.cmbc.com.cn)), the website of the SSE ([www.sse.com.cn](http://www.sse.com.cn)) and the HKEXnews website of the SEHK ([www.hkexnews.hk](http://www.hkexnews.hk)) as well as China Securities Journal, Shanghai Securities News and Securities Times dated 21 April 2020.

On 29 June 2020, the 2019 annual general meeting, the first A share class meeting for 2020 and the first H share class meeting for 2020 of the Company were held in Beijing, in which shareholders attended and voted on-site and online. For details of the resolutions, please refer to the website of the Company ([www.cmbc.com.cn](http://www.cmbc.com.cn)), the website of the SSE ([www.sse.com.cn](http://www.sse.com.cn)) and the HKEXnews website of the SEHK ([www.hkexnews.hk](http://www.hkexnews.hk)) as well as China Securities Journal, Shanghai Securities News and Securities Times dated 30 June 2020.

### III. Meetings of the Board and Its Special Committees

During the Reporting Period, nine Board meetings were convened.

During the Reporting Period, a total of 19 meetings of the special committees of the Board were convened, including two meetings of the Strategic Development and Consumer Rights Protection Committee, four meetings of the Risk Management Committee, five meetings of the Audit Committee, three meetings of the Related Party Transactions Supervision Committee, two meetings of the Nomination Committee and three meetings of the Compensation and Remuneration Committee.

During the Reporting Period, the Strategic Development and Consumer Rights Protection Committee of the Board discussed a total of 23 proposals, and received and studied six special working reports. The Risk Management Committee discussed a total of 12 proposals, and reviewed and studied 18 special risk reports. The Audit Committee discussed a total of 22 proposals, and received and studied three special working reports. The Related Party Transactions Supervision Committee discussed a total of 12 proposals, and received and studied two special working reports. The Nomination Committee discussed a total of six proposals. The Compensation and Remuneration Committee discussed a total of seven proposals, and received and studied two special working reports.

#### **IV. Meetings of the Board of Supervisors and Its Special Committees**

During the Reporting Period, five meetings of the Board of Supervisors of the Company were convened to discuss 17 proposals and review 32 reports.

During the Reporting Period, the special committees of the Board of Supervisors of the Company convened seven meetings, including five meetings of the Supervisory Committee and two meetings of the Nomination and Examination Committee.

During the Reporting Period, the Supervisory Committee discussed one proposal and received 15 special reports, and the Nomination and Examination Committee discussed seven proposals in total. Supervisors attended the meetings of the Board and important business meetings of the Senior Management as non-voting delegates to actively carry out their duties in supervising the legality and compliance of the proposals and decision-making process and provide independent supervisory opinions and suggestions in due course. The Board of Supervisors continued regular supervision and strengthened supervision on the strategy implementation, risk management, internal control and compliance and rectification of problems identified in regulatory inspections. It compiled one analysis and supervision report of the operation of other banks and financial institutions, issued 19 supervisory notices and four briefing reports on implementing supervisory suggestions. The Board of Supervisors provided supervisory opinions and suggestions on relevant works of the Company, which were highly valued by the Board and the Senior Management of the Company. Relevant departments were required to carry out rectifications according to the opinions and suggestions. It conducted the supervision and evaluations on the performance of the Directors, Supervisors and the Senior Management in accordance with relevant requirements in a timely manner. By-election of Supervisors was carried out in compliance with laws and regulations.

#### **V. Internal Control and Internal Audit**

##### **(I) Internal control evaluation**

The Company has set up a comprehensive corporate governance structure with clear division of responsibilities among the Board, the Board of Supervisors and the management team and maintained effective internal control management system. In compliance with the Law of the People's Republic of China on Commercial Banks (《中華人民共和國商業銀行法》), Guidelines for Internal Control of Commercial Banks (《商業銀行內部控制指引》), the Basic Standard for Corporate Internal Control (《企業內部控制基本規範》) and other laws and regulations and regulatory rules, the Company has gradually formed a set of rational and comprehensive internal control systems, mechanisms and procedures for the prevention, control, subsequent supervision and rectification of risks.



## Corporate Governance

The Company gave full play to the role of internal audit in supervision and evaluation, constantly improved the evaluation and supervision system of internal control, optimised procedures and tools of internal control evaluation, improved the internal control system and enhanced refined internal control management. During the Reporting Period, in accordance with the principles of internal control evaluation and annual audit plan, the Company conducted comprehensive inspection of internal control evaluation on six tier-one branches in Suzhou, Taiyuan, Nanning, Yinchuan, Guiyang and Changchun, and two tier-two branches in Ordos and Luohe, during the first half of the year in aggregate, which covered key businesses and major risks. The Company supervised the effective implementation of the rectifications of internal control and risks-related issues through various measures, including daily monitoring, subsequent centralised audits and assessment on effectiveness of internal control. Audit accountability on major risk events was also conducted according to the Company's regulations. Through constant internal control evaluations, the Company effectively improved the internal control system and enhanced the internal control management.

### **(II) Internal audit**

The Company has set up an internal audit organisation — the Audit Department, which adopted an independent internal audit model with a vertical management structure topped by the Head Office. Currently, the Company had six regional audit centres in the North, East, South, Central, Northeast and West China. The Company set up the Corporate Business Audit Centre, Retail Business Audit Centre, Financial Markets Business Audit Centre, Information Technology Audit Centre, Public Service Audit Centre, Systematic Risk Audit and Data Application Centre, Planning and Project Management Centre and Evaluation Supervision Centre according to the characteristics of specialised operation of the Company. The Audit Department is responsible for performing independent inspection and evaluation on all businesses and management of the Company, supervising and examining the effectiveness of internal control and carrying out independent and objective evaluation and consultation of internal control. To ensure the independence and effectiveness of the internal audit, material audit findings and internal control defects would be directly reported to the Board and notices would be given to the Senior Management. The Company has formulated and improved standardised policies and systems for internal audit. An integrated audit examination system comprising on-site and off-site audit was established with off-site audit covering all asset and liability businesses of the Company. Risk-oriented audit on internal control was adopted, covering all business lines including corporate banking, retail banking, financial markets, trade finance, credit card, financial accounting and risk management as well as all internal control management procedures. The Company had principally achieved full coverage of audit on risk exposures in credit, operation, market and compliance.

The Company performed supervision and examination on the internal control of business units through various forms including comprehensive audits, special audits and economic accountability audits. During the Reporting Period, in accordance with the annual audit plan, the Audit Department efficiently completed the audit tasks for the first half of the year and carried out a total of 27 special audits, eight audits on comprehensive internal control of business units and 91 economic accountability audits. 16 special audit reports, three comprehensive internal control audit reports and 88 economic accountability audit reports in aggregate were issued. It also issued 11 risk reminders and audit suggestions. Moreover, 20 reports concerning major events, updates and researches were issued. As a result, it gave full swing to the role of internal audit in supervision, evaluation and consultation. The problems identified in the audits were tracked and urged to be rectified and the persons responsible for the non-compliance were held accountable for audit. All these efforts had notably improved the internal control and management of the Company.

### **VI. Compliance with the Corporate Governance Code Set Out in Appendix 14 to the Hong Kong Listing Rules**

During the Reporting Period, the Company has fully complied with the code provisions of the Corporate Governance Code set out in Appendix 14 to the Hong Kong Listing Rules and most of the recommended best practices contained therein.

# Report of the Board of Directors

## **I. Profit Distribution for 2019**

The Company distributed dividends to all shareholders according to the Profit Distribution Plan for 2019, which was discussed and passed at the 20th meeting of the seventh session of the Board and the 2019 annual general meeting. On the basis of the total share capital of the Company as at the record dates, the Company distributed a cash dividend for 2019 of RMB3.70 (tax inclusive) to all shareholders whose names appeared on the registers as at the record dates for every 10 shares being held. The total cash dividend amounted to RMB16,199 million. The cash dividend was denominated and declared in RMB and was paid in RMB to holders of A shares and in Hong Kong dollar to holders of H shares.

The Company has distributed the cash dividend to holders of A shares, investors of Northbound Trading, holders of H shares and investors of Southbound Trading in July 2020 in accordance with relevant provisions. The implementation of the profit distribution plan was thus completed. For details, please refer to the announcement of the Company dated 29 June 2020 published on the HKEXnews website of the SEHK and the announcements dated 30 June 2020 and 7 July 2020 published on the website of the SSE, respectively.

## **II. Interim Profit Distribution Plan for 2020**

No interim profit will be distributed and no capital reserve will be used for capitalisation for the interim period of 2020.

## **III. Securities Transactions by Directors, Supervisors and Relevant Employees**

The Company has adopted its own code of conduct regarding Directors' and Supervisors' dealings in the securities on terms no less exacting than the Model Code. The Company has made specific enquiries to all Directors and Supervisors who have confirmed that their actions and behaviours have been in line with the Model Code during the Reporting Period. The Company also formulated guidelines for dealings in securities of the Company by relevant employees, which are no less strict than the Model Code. The Company is not aware of any non-compliance with these guidelines by the relevant employees.

#### IV. Interests of the Directors, Supervisors and Chief Executives in the Securities of the Company or Its Associated Corporations Under Hong Kong Laws and Regulations

(I) As at 30 June 2020, the following Directors of the Company had the following interests in the shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO and as the Company is aware of:

Name	Position	Class of shares	Long/short position	Capacity	Number of shares	Notes	Percentage of the relevant class of shares in issue (%)	Percentage of all the issued ordinary shares (%)
Liu Yonghao	Non-executive Director	A	Long	Interest held by his controlled corporation(s)	1,930,715,189	1	5.44	4.41
		H	Long	Interest held by his controlled corporation(s)	133,469,000	2	1.60	0.30
Zhang Hongwei	Non-executive Director	A	Long	Interest held by his controlled corporation(s)	1,315,117,123	3	3.71	3.00
Lu Zhiqiang	Non-executive Director	A	Long	Interest held by his controlled corporation(s)	2,019,182,618	4	5.69	4.61
		H	Long	Interest held by his controlled corporation(s)	1,020,538,470	5	12.27	2.33
		H	Short	Interest held by his controlled corporation(s)	604,300,950	5	7.26	1.38
Shi Yuzhu	Non-executive Director	A	Long	Interest held by his controlled corporation(s)	1,379,679,587	6	3.89	3.15
		H	Long	Interest held by his controlled corporation(s)	713,501,653	7	8.58	1.63

Notes:

- The 1,930,715,189 A shares comprised 102,387,827 A shares directly held by South Hope Industrial Co., Ltd. and 1,828,327,362 A shares directly held by New Hope Liuhe Investment Co., Ltd. 51% of the issued share capital of South Hope Industrial Co., Ltd. was held by New Hope Group Co., Ltd., while New Hope Liuhe Investment Co., Ltd. was held as to 25% and 75% of its issued share capital by New Hope Group Co., Ltd. and New Hope Liuhe Co., Ltd. respectively. 24.86% and 29.08% of the issued share capital of New Hope Liuhe Co., Ltd. were held by New Hope Group Co., Ltd. and South Hope Industrial Co., Ltd., respectively. According to the SFO, New Hope Group Co., Ltd. was deemed to be interested in the 102,387,827 A shares held by South Hope Industrial Co., Ltd. and 1,828,327,362 A shares held by New Hope Liuhe Investment Co., Ltd.

As Mr. Liu Yonghao held 90.59% of the issued share capital of New Hope Group Co., Ltd., Mr. Liu Yonghao was deemed to be interested in the 1,930,715,189 A shares held by New Hope Group Co., Ltd. according to the SFO. Such interests held by Mr. Liu Yonghao and the interests held by New Hope Group Co., Ltd., Ms. Li Wei and Ms. Liu Chang, the details of which are disclosed in the section headed "Substantial shareholders' and other persons' interests or short positions in the shares and underlying shares of the Company under Hong Kong laws and regulations" in this Interim Report, were from the same block of shares.

- The 133,469,000 H shares (long position) were directly held by South Hope Industrial Co., Ltd. (see note 1 above).

## Report of the Board of Directors

3. The 1,315,117,123 A shares were directly held by Orient Group Incorporation. 29.66% of the issued share capital of Orient Group Incorporation was held by Orient Group Co., Ltd. 94% of the issued share capital of Orient Group Co., Ltd. was held by Mingze Orient Investment Co., Ltd., while Mingze Orient Investment Co., Ltd. was wholly-owned by Mr. Zhang Hongwei. As disclosed in the section headed "Substantial shareholders' and other persons' interests or short positions in the shares and underlying shares of the Company under Hong Kong laws and regulations" in this Interim Report, Orient Group Incorporation is a party to the acting in concert agreement.
4. The 2,019,182,618 A shares were held by China Oceanwide Holdings Group Co., Ltd., of which 98% of the issued share capital was held by Oceanwide Group Co., Ltd., which was wholly-owned by Tohigh Holdings Co., Ltd. Mr. Lu Zhiqiang held 77.14% of the issued share capital of Tohigh Holdings Co., Ltd.
5. The 1,020,538,470 H shares (long position) comprised 8,237,520 H shares directly held by China Oceanwide International Investment Company Limited, 604,300,950 H shares directly held by Oceanwide International Equity Investment Limited and 408,000,000 H shares directly held by Long Prosper Capital Company Limited, while the 604,300,950 H shares (short position) were directly held by Oceanwide International Equity Investment Limited. Long Prosper Capital Company Limited was a wholly-owned subsidiary of Oceanwide International Equity Investment Limited. 89.80% of the issued share capital of Oceanwide International Equity Investment Limited was indirectly held by Oceanwide Holdings Co., Ltd., while all of the issued share capital of China Oceanwide International Investment Company Limited and 68.49% of the issued share capital of Oceanwide Holdings Co., Ltd. were held by China Oceanwide Holdings Group Co., Ltd. (see note 4 above).
6. The 1,379,679,587 A shares were held by Shanghai Giant Lifetech Co., Ltd. 90.49% of the issued share capital of Shanghai Giant Lifetech Co., Ltd. was held by Giant Investment Co., Ltd., of which 97.86% of the issued share capital was held by Mr. Shi Yuzhu.
7. The 713,501,653 H shares (long position) were held by Alpha Frontier Limited. 42.04% of the issued share capital of Alpha Frontier Limited was held by Chongqing Cibi Business Information Consulting Co., Ltd., which was wholly-owned by Giant Investment Co., Ltd. (see note 6 above).

### (II) As at 30 June 2020, the following Director of the Company had the following interests in Pengzhou Minsheng Rural Bank Co., Ltd., a subsidiary of the Company:

Name	Position	Long/short position	Capacity	Contribution to the registered capital	Note	Percentage of the total registered capital (%)
Liu Yonghao	Non-executive Director	Long	Interest held by his controlled corporation(s)	RMB2,000,000	1	3.64

Note:

1. New Hope Group Co., Ltd. is interested in RMB2,000,000 of the registered capital of Pengzhou Minsheng Rural Bank Co., Ltd. As Mr. Liu Yonghao held 90.59% of the issued share capital of New Hope Group Co., Ltd., Mr. Liu Yonghao was deemed to be interested in the equity interest held by New Hope Group Co., Ltd. in Pengzhou Minsheng Rural Bank Co., Ltd. according to the SFO.

**(III) As at 30 June 2020, the following Director of the Company had the following interests in Shanghai Songjiang Minsheng Rural Bank Co., Ltd., a subsidiary of the Company:**

Name	Position	Long/short position	Capacity	Contribution to the registered capital	Note	Percentage of the total registered capital (%)
Shi Yuzhu	Non-executive Director	Long	Interest held by his controlled corporation(s)	RMB24,000,000	1	10

Note:

- Shanghai Giant Lifetech Co., Ltd. is interested in RMB24,000,000 of the registered capital of Shanghai Songjiang Minsheng Rural Bank Co., Ltd. 90.49% of the issued share capital of Shanghai Giant Lifetech Co., Ltd. was held by Giant Investment Co., Ltd., of which 97.86% of the issued share capital was held by Mr. Shi Yuzhu. Mr. Shi Yuzhu was deemed to be interested in the equity interest held by Shanghai Giant Lifetech Co., Ltd. in Shanghai Songjiang Minsheng Rural Bank Co., Ltd. according to the SFO.

**(IV) As at 30 June 2020, the following Director of the Company had the following interests in Tibet Linzhi Minsheng Rural Bank Co., Ltd., a subsidiary of the Company:**

Name	Position	Long/short position	Capacity	Contribution to the registered capital	Note	Percentage of the total registered capital (%)
Shi Yuzhu	Non-executive Director	Long	Interest held by his controlled corporation(s)	RMB2,500,000	1	10

Note:

- Shanghai Giant Lifetech Co., Ltd. is interested in RMB2,500,000 of the registered capital of Tibet Linzhi Minsheng Rural Bank Co., Ltd. 90.49% of the issued share capital of Shanghai Giant Lifetech Co., Ltd. was held by Giant Investment Co., Ltd., of which 97.86% of the issued share capital was held by Mr. Shi Yuzhu. Mr. Shi Yuzhu was deemed to be interested in the equity interest held by Shanghai Giant Lifetech Co., Ltd. in Tibet Linzhi Minsheng Rural Bank Co., Ltd. according to the SFO.

Save as disclosed above, as at 30 June 2020, none of the Directors, Supervisors or chief executives held or was deemed to hold any interests and/or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (as defined in the SFO), which were recorded in the register required to be kept under Section 352 of the SFO, or which were required to be notified to the Company and the SEHK pursuant to Divisions 7 and 8 of Part XV of the SFO and the Model Code set out in Appendix 10 to the Hong Kong Listing Rules, nor had they been granted such rights.

### V. Consumer Rights Protection

During the Reporting Period, facing the new situations and challenges arisen from the COVID-19 epidemic, consumer rights protection of the Company fully complied with regulatory requirements. Adhering to the “people-centred” development philosophy, the Company promoted the “customer-centric” concept to protect consumer rights and engaged it in all aspects of corporate governance. The Board of Directors, the Board of Supervisors and the Senior Management further strengthened their duty performance in and supervision on consumer rights protection. To promote the overall transformation and improvement of consumers rights protection, the Company continuously improved the system, mechanism and the management and control of the whole process, strengthened the management and handling of complaints and organised financial knowledge education to cultivate consumer rights protection culture. Firstly, in respect of developing policy system for consumer rights protection, the Company improved the fundamental management framework, introduced special regulations and formulated or revised related operational policies to further specify performance requirements, improve complaint handling mechanism and address the direction of relevant works. Secondly, in respect of improving the system and mechanism, in accordance with the regulatory requirements, the Company identified deficiencies and continuously improved the system and mechanism of consumer rights protection. Various working mechanisms relevant to problem rectification, interviews, reportings, special audits and emergency responses, have been established. Thirdly, in respect of enhancing the management and control of consumer rights protection throughout the whole service process, the Company implemented the relevant requirements in pre-sales, in-sales and after-sales of products and services. Fourthly, in respect of strengthening the management and handling of complaints, the Company improved the multi-level and comprehensive complaint management mechanism, optimised the disclosure of complaint information, improved problem tracing and rectification at the origin. The Company intensified the management of key complaints and improved the quality, efficiency and management of complaint handling. Fifthly, in respect of promoting financial knowledge, the Company organised to participate in various campaigns, such as “15 March” Education Week, “Protect Your Wealth by Acquiring Financial Knowledge (普及金融知識·守住“錢袋子”)” and “Financial Knowledge Promotion Tour (普及金融知識萬里行)”, to enhance consumers’ awareness of and capability in risk prevention, and to fulfill social responsibilities and maintain a harmonious and stable financial market. In the “15 March” Consumer Rights Protection Education Week initiated by the CBIRC in 2020, the Company was accredited as the “Outstanding Organiser”. In the event of “Protect Your Wealth by Acquiring Financial Knowledge (普及金融知識·守住“錢袋子”)” organised by the PBOC in 2020, three videos originally produced by the Company, namely “Living up to the Good Times (不負好時光)”, “Who Moved My Loan (誰動了我的貸款)” and “Protecting Your Financial Pass (保護您的「金融通行證」)”, won the second, the third and the excellence awards, respectively, in the Excellent Promotion Video Selection, which was jointly organised by the Consumer Rights Protection Department of the PBOC and the *Financial Times*. Sixthly, in respect of cultivating the culture of consumer rights protection, the Company further integrated the concept into its corporate value, and organised segmented and classified consumer rights protection trainings to strengthen the awareness of all employees and improve the quality of customer service. Seventhly, the Company actively carried out consumer rights protection works during the epidemic prevention and control period. By strengthening consumer rights protection measures and optimising working mechanisms, the Company effectively brought convenience and benefits to the public, assisted in preventing and controlling the epidemic, and provided safe and handy financial services to go through the hard times with its customers.



# Major Events

## I. Material Litigation and Arbitration

During the Reporting Period, the Company had no litigation or arbitration proceeding that had significant impact on its operations. As at the end of the Reporting Period, there were 3,725 pending litigations with disputed amounts of over RMB1 million involving the Company as plaintiff for approximately RMB19,691.92 million and 308 pending litigations involving the Company as defendant for approximately RMB3,462.30 million.

## II. Purchase and Disposal of Assets and Mergers and Acquisitions

The Company has strictly complied with the Articles of Association, the Basic Accounting Rules (《基本財務規則》) and the Administrative Measures for Fixed Assets (《固定資產管理辦法》) of the Company. The Company has made arrangements for writing off residual value and account treatment of fixed assets that satisfied the conditions for disposal. The shareholders' interest has not been prejudiced and the Company has not experienced any loss of assets.

## III. Material Contracts and Their Performances

The Company participated in and won the bid for the land use right of Plot Z4 at Core Area of Beijing CBD in East Third Ring Road, Chaoyang District, Beijing. The preliminary design of the project is in progress;

The Company participated in and won the bid for the land use right of Plot 2010P26 at the intersection of Douzaiwei Road and Hubin South Road in Xiamen. Construction of the project has been completed and has passed completion inspection. In November 2017, Xiamen Branch of the Company relocated to the new building and commenced operation. The settlement and auditing for the project were generally completed;

The Company participated in and won the bid for the land use right of the granted parcel of land of Plot 2012-8 on the north of Headquarters Economic Zone in Donghai Sub-District, Quanzhou. The construction commenced in May 2016. The construction of major structure and roof were completed. The construction of facade, the installation of mechanical and electrical equipments and renovation of public facilities are under progress;

The Company participated in and won the bid for the land use right of Plot G at the Strait Financial Business District on the south of Aofeng Road and the east of Aofeng Side Road in Taijiang District, Fuzhou. The land handover was completed with Fuzhou Land Development Centre (福州市土地發展中心) in August 2018. The construction plan is under development;

## Major Events

The Shunyi Headquarters in Beijing has been accepted for completion and put into operation. The settlement and auditing of the construction has been completed and the transfer of entitlement is in progress. As at the end of the Reporting Period, the determination of land premium had been completed. The Phase II of Shunyi Headquarters in Beijing was granted a Project Filing Certificate of Beijing Non-Governmental Investment in Industrial and IT Fixed Assets (Shun Jing Xin Bei [2019] No. 0008) (《北京市非政府投資工業和信息化固定資產投資項目備案證明》(順經信備[2019]0008號)) on 14 May 2019, a Letter of Preliminary Review Opinions on “Plan Integration” Synergetic Platform of Shunyi Phase II Cloud Computing Centre of Minsheng Bank (Jing Gui Zi (Shun) Chu Shen [2019] No. 0002) (《關於民生銀行順義二期雲計算數據中心項目「多規合一」協同平台初審意見的函》(京規自(順)初審[2019]0002號)) on 11 June 2019, Review Opinions on Energy Conservation of Shunyi Headquarters Phase II Cloud Computing Centre of China Minsheng Bank from Beijing Municipal Development and Reform Commission (Jing Fa Gai Neng Ping [2020] No. 8)(《北京市發展改革委員會關於中國民生銀行順義總部基地二期雲計算數據中心項目的節能審查意見》(京發改能評[2020]8號)) on 17 March 2020 and a Letter of Consolidated Consulting Opinions on “Plan Integration” Synergetic Platform of Headquarters Phase II Cloud Computing Centre (《關於總部基地二期雲計算數據中心項目「多規合一」協同平台綜合會商意見的函》) on 15 May 2020. The preliminary design of the project was completed on 24 April 2020. Application for planning permits and other preliminary approval procedures are under progress. The preparation of budget estimates and documents for discussion of the relevant decision-making committees of the Company are also under progress;

The Company participated in and won the bid for the land use right of the granted parcel of land of Plot Zheng Zheng Dong Chu (2013) No. 4 on the south of Baifo Road and the east of Xuzhuang Street in Zhengdong New District, Zhengzhou, and has completed the earthwork excavation and pile foundation construction. The construction is currently suspended;

The Company participated in and won the bid for the land use right of the granted parcel of land of Plot Zheng Zheng Dong Chu (2014) No. 1 on the west of East Fourth Ring Road and the south of Lianhu Road in Zhengdong New District, Zhengzhou. Currently, the project has not commenced construction;

The Company participated in and won the bid for the land use right of the granted parcel of land of Plot Zheng Zheng Dong Chu (2014) No. 3 on the south of Shangding Road and the west of Mingli Road in Zhengdong New District, Zhengzhou. Currently, the project has not commenced construction.

### **IV. Major Guarantees**

During the Reporting Period, no major guarantees of the Group were required to be disclosed except for the financial guarantees provided in the course of business operation and approved by the PBOC.

### **V. Commitments by the Company**

During the Reporting Period, the Company had no commitment requiring explanation.

### **VI. Repurchase, Sale or Redemption of Securities**

During the Reporting Period, the Group had neither sold nor repurchased or redeemed any securities of the Company.

### **VII. Audit Committee**

As at the end of the Reporting Period, the members of the Audit Committee of the Company included Liu Ningyu (chairman), Song Chunfeng, Weng Zhenjie, Peng Xuefeng and Tian Suning. On 17 May 2019, the Resolution on the Appointment of Members of Special Committees of the Seventh Session of the Board (《關於增補公司第七屆董事會部分專門委員會成員的決議》) was discussed and approved at the 16th meeting of the seventh session of the Board, pursuant to which, Liu Ningyu shall act as the chairman and Song Chunfeng, Weng Zhenjie, Peng Xuefeng and Tian Suning as the members of the Audit Committee of the Company.

The main responsibilities of the Audit Committee include reviewing and supervising the financial reporting procedures and the internal control system of the Company and providing advice to the Board. The Audit Committee of the Company has reviewed and confirmed the 2020 Interim Report and the 2020 Interim Results Announcement as at 30 June 2020.

### **VIII. Appointment and Removal of Accounting Firms**

The 2019 annual general meeting of the Company resolved to engage PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers as the auditing firms responsible for domestic and international auditing of the Company for 2020, respectively. According to the terms of contracts, the total remuneration agreed between the Company and the above auditors in respect of their audit services for the year, including the auditing of the 2020 financial statements, the agreed procedures of the first quarterly and third quarterly financial statements, the review of the 2020 interim financial statements, the auditing of internal control for 2020, and the auditing of tier-two capital bonds and financial bonds projects, was RMB9.50 million, including service fees of RMB1 million for internal audit.

### **IX. Major Related Party Transactions**

There are no controlling relationship between shareholders of the Company.

For details of the related party transactions subject to relevant accounting standards as at the end of the Reporting Period, please refer to note 10 to the consolidated financial statements.

### **X. Restriction Commitments Regarding Additional Shares for Shareholders with Shareholding of 5% or More in the Company**

Not applicable.

### **XI. Penalties Imposed on the Company and Directors, Supervisors and Senior Management of the Company**

During the Reporting Period, the Company was not aware of the Company or any Directors, Supervisors and Senior Management of the Company being subject to any penalties that significantly affected the operation of the Company.

### **XII. Incentive Share Option Scheme and Its Implementation During the Reporting Period**

As at the end of the Reporting Period, the Company had no employee share ownership scheme.

### XIII. Environmental Policy of the Company and Its Performance

The Company and its subsidiaries were not included in the list of key pollutant-discharging units published by the environmental protection authority. Actively responded to the government's appeal on building a beautiful country, the Company has taken green development as an important approach to build ecological civilisation, and strengthened the guidance of green finance policy to implement green finance development strategy.

The Company strictly complied with the Law on Environmental Protection of the PRC (《中華人民共和國環境保護法》), Law on Energy Conservation of the PRC (《中華人民共和國節約能源法》), Law on Water Pollution Prevention and Control of the PRC (《中華人民共和國水污染防治法》), Law on Atmospheric Pollution Prevention and Control of the PRC (《中華人民共和國大氣污染防治法》), Law on Prevention and Control of Environmental Pollution by Solid Wastes of the PRC (《中華人民共和國固體廢物污染防治法》) and relevant laws and regulations in respect of environmental protection. During the Reporting Period, the Company were not subject to any penalty for violating laws and regulations related to environmental protection. During the Reporting Period, the Company improved early-warning mechanism to prevent environmental and social risks according to relevant government policies. The Company included green credit in the annual risk policies, put up with general strategies for green credit and specified qualitative and quantitative objectives and types of industries with favourable credit supports. The Company actively provided credit facilities and financial services to the energy saving and emission reduction enterprises with good market performance and strong self-innovating capabilities, as well as projects related to energy saving and environmental protection, cleaner production, clean energy, ecosystem protection, green upgrading of infrastructures and green services contained in the Guiding List of Green Industries (2019) (《綠色產業指導目錄 (2019年版)》) issued by National Development and Reform Commission, Categories of Strategic Emerging Industries (2018) (《戰略性新興產業分類 (2018)》) issued by the National Bureau of Statistics, and Green Credit Statistics (《綠色信貸統計》) and List of Projects Supported by Green Bonds (《綠色債券支持項目目錄》) issued by the PBOC and the CBIRC. On the other hand, the Company tightened the provision of loans to industries of high pollution and energy consumption and accelerated the exit of financing from enterprises with outdated production capacity and “zombie enterprises”. The Company clarified the criteria and requirements for admittance of green industries-related customers and projects, regional strategies and product strategies, granted no loans in any form to projects and enterprises that were prohibited by government orders and failed to meet environmental protection regulations, and actively collected relevant loans already provided. The environment evaluation has the veto for loan extension.

## Major Events

The direct impact on the environment imposed by the Company mainly included energy consumption and emission of daily operating offices. Based on the philosophy of “green company and green operation”, the Company actively saved energy in daily operation and the construction of office buildings. Adhering to the concept of sustainable development, the Company actively fulfilled its responsibilities in environmental protection, advocated multi-dimensional energy saving and emission reduction and minimised negative impact on the environment by advocating green office, raising the awareness of environmental protection of employees and promoting green bank. The detailed emission data and relevant management information will be disclosed in the 2020 Environmental, Social and Governance Report of the Company.

### **XIV. Social Responsibility and Targeted Poverty Alleviation**

#### **1. Targeted poverty alleviation plans**

The Company continuously implemented the decisions and deployment of the CPC Central Committee and the State Council in winning the battle against poverty. In accordance with the requirements of the regulatory authorities in this regard, with close attention of the management and joint efforts of all employees, the Company increased supporting strength and integrated internal and external resources to facilitate the implementation of all projects. Based on the work plans for and actual needs of Hua County and Fengqui County in Henan Province, the two long-term targets of poverty alleviation, as well as the characteristics of its own businesses, the Company formulated the Work Plan for Poverty Alleviation of China Minsheng Bank for 2020 (《中國民生銀行2020年脫貧攻堅工作計劃》) (the Plan) after consulting with relevant departments. The Plan specified the goals, tasks, philosophy, focus and measures and responsible departments for targeted poverty alleviation. The Company also issued the Notice on Further Increasing Loans for Poverty Alleviation (《關於進一步加大扶貧貸款投放力度的通知》) to encourage more loan support and pool up efforts of the whole bank for poverty alleviation.

## 2. Overview of targeted poverty alleviation during the Reporting Period

During the Reporting Period, the Company strengthened the management of poverty alleviation and focused on the prominent problems arising from meeting the needs of poverty-stricken people in food and clothing, and guaranteeing their compulsory education, basic medical care and housing. The Company strove to develop a role model for poverty alleviation by introducing a model driven by four wheels, namely targeted poverty alleviation by central units, targeted poverty alleviation through financial support, poverty alleviation in impoverished areas and poverty alleviation by the society. During the Reporting Period, the Company had held nine online meetings to allocate more resources to alleviate poverty and coordinate and arrange relevant works. RMB30 million was donated to the two targeted counties. The Company outperformed all planned indicators of targeted poverty alleviation committed to the central government six months ahead of schedule. The Nine-in-One (九位一體) poverty alleviation model was upgraded to Ten-in-One (十位一體) by adding cultural approaches to the existing nine approaches, namely Party building, education, healthcare, industry, finance, skills, consumption, E-Commerce and employment. The achievements of poverty alleviation in Hua County and Fengqiu County were further consolidated. As at the end of June, the balance of loans to the two counties for poverty alleviation amounted to RMB196 million, representing an increase of 11.36% as compared with the end of the previous year. The balance of loans nationwide for targeted poverty alleviation amounted to RMB16,490 million, representing an increase of 30.68% as compared with the end of the previous year. The balance of such loans to the poverty-stricken areas in the “three autonomous regions and three autonomous prefectures” (三區三州) amounted to RMB1,094 million, representing an increase of 127.44% as compared with the end of the previous year, higher than that of loans to the relevant provinces where they are located.

## XV. Other Major Events

During the Reporting Period, there were no other major events of the Company.



# Financial Reports

- I. Review Report
- II. Interim Financial Information (Condensed Consolidated Interim Income Statement, Condensed Consolidated Interim Statement of Comprehensive Income, Condensed Consolidated Interim Statement of Financial Position, Condensed Consolidated Interim Statement of Changes in Equity and Condensed Consolidated Interim Statement of Cash Flows)
- III. Notes to the Condensed Consolidated Interim Financial Statements
- IV. Unaudited Supplementary Financial Information

# Report on Review of Interim Financial Information



羅兵咸永道

**To the Board of Directors of China Minsheng Banking Corp., Ltd.**

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

## **Introduction**

We have reviewed the interim financial information set out on pages 143 to 297, which comprises the condensed consolidated interim statement of financial position of China Minsheng Banking Corp., Ltd. (the “Bank”) and its subsidiaries (together, the “Group”) as at 30 June 2020 and the condensed consolidated interim income statement, the condensed consolidated interim statement of comprehensive income, the condensed consolidated interim statement of changes in equity and the condensed consolidated interim statement of cash flows for the six-month period ended 30 June 2020, and a summary of significant accounting policies and other explanatory notes (the “Interim Financial Information”). The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting”. The directors of the Bank are responsible for the preparation and presentation of this Interim Financial Information in accordance with International Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this Interim Financial Information based on our review 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 International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Report on Review of Interim Financial Information (Continued)

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the Interim Financial Information of the Group is not prepared, in all material respects, in accordance with International Accounting Standard 34 “Interim Financial Reporting”.

The logo for PricewaterhouseCoopers, written in a cursive script.

**PricewaterhouseCoopers**

*Certified Public Accountants*

Hong Kong, 28 August 2020

# Condensed Consolidated Interim Income Statement

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

	Note 6	Six months ended 30 June	
		2020 (unaudited)	2019 (unaudited)
Interest income		133,674	122,868
Interest expense		(78,518)	(77,345)
<b>Net interest income</b>	1	<b>55,156</b>	45,523
Fee and commission income		30,662	29,435
Fee and commission expense		(2,236)	(2,153)
<b>Net fee and commission income</b>	2	<b>28,426</b>	27,282
Net trading gain	3	3,337	4,821
Net gain from investment securities	4	9,085	8,422
Including: disposals of financial assets measured at amortised cost		193	364
Other operating income		755	1,035
Operating expenses	5	(20,659)	(19,224)
Credit impairment losses	6	(43,014)	(29,313)
Other impairment losses		(3)	(123)
<b>Profit before income tax</b>		<b>33,083</b>	38,423
Income tax expense	7	(4,303)	(6,455)
<b>Net profit</b>		<b>28,780</b>	31,968
<b>Net profit attributable to:</b>			
Equity shareholders of the Bank		28,453	31,623
Non-controlling interests		327	345
<b>Earnings per share (expressed in RMB Yuan)</b>			
Basic and Diluted earnings per share	8	0.61	0.72

The accompanying notes form an integral part of these financial statements.

# Condensed Consolidated Interim Statement of Comprehensive Income

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

	Six months ended 30 June	
	2020 (unaudited)	2019 (unaudited)
<b>Net profit</b>	<b>28,780</b>	31,968
<b>Other comprehensive income of the period, net of tax</b>	<b>(1,769)</b>	837
Items that will not be reclassified subsequently to profit or loss:		
Changes in fair value of equity instruments designated as measured at fair value through other comprehensive income	<b>(37)</b>	(14)
Items that may be reclassified subsequently to profit or loss:		
Financial assets at fair value through other comprehensive income		
Changes in fair value	<b>(2,123)</b>	468
Allowance for impairment losses	<b>328</b>	425
Effective hedging portion of gains or losses arising from cash flow hedging instruments	<b>(1)</b>	(17)
Exchange difference on translating foreign operations	<b>64</b>	(25)
<b>Total comprehensive income of the period</b>	<b>27,011</b>	32,805
<b>Total comprehensive income attributable to:</b>		
Equity shareholders of the Bank	<b>26,702</b>	32,392
Non-controlling interests	<b>309</b>	413

The accompanying notes form an integral part of these financial statements.

# Condensed Consolidated Interim Statement of Financial Position

As at 30 June 2020

(Expressed in millions of Renminbi, unless otherwise stated)

	Note 6	30 June 2020 (unaudited)	31 December 2019 (audited)
<b>ASSETS</b>			
Cash and balances with central bank	9	411,384	371,155
Balances with banks and other financial institutions	10	62,352	53,180
Precious metals		10,183	15,237
Placements with banks and other financial institutions	11	260,097	248,565
Derivative financial assets	12	11,282	31,100
Financial assets held under resale agreements	13	18,712	65,799
Loans and advances to customers	14	3,730,214	3,430,427
Financial investments:	15		
– Financial assets at fair value through profit or loss		549,911	528,338
– Financial assets at fair value through other comprehensive income		503,617	512,888
– Financial assets measured at amortised cost		1,289,435	1,143,079
Long-term receivables	16	123,561	116,593
Property and equipment	17	53,111	51,365
Right-of-use assets	18	14,415	14,545
Deferred income tax assets	19	41,350	36,050
Investments in associates		2	3
Other assets	21	63,015	63,517
<b>Total assets</b>		<b>7,142,641</b>	<b>6,681,841</b>
<b>LIABILITIES</b>			
Borrowings from central bank		255,963	198,843
Deposits and placements from banks and other financial institutions	22	1,284,750	1,163,054
Financial liabilities at fair value through profit or loss		4,707	5,184
Borrowings from banks and other financial institutions	23	132,461	132,295
Derivative financial liabilities	12	14,170	17,793
Financial assets sold under repurchase agreements	24	107,446	101,705
Deposits from customers	25	3,936,314	3,637,034
Lease liabilities	26	10,489	10,420
Provisions	27	2,059	1,603
Debt securities issued	28	772,691	817,225
Current income tax liabilities		14,803	17,764
Deferred income tax liabilities	19	125	125
Other liabilities	29	67,786	47,967
<b>Total liabilities</b>		<b>6,603,764</b>	<b>6,151,012</b>

The accompanying notes form an integral part of these financial statements.

## Condensed Consolidated Interim Statement of Financial Position (Continued)

As at 30 June 2020

(Expressed in millions of Renminbi, unless otherwise stated)

	Note 6	30 June 2020 (unaudited)	31 December 2019 (audited)
<b>EQUITY</b>			
Share capital	30	43,782	43,782
Other equity instrument	31	69,860	69,860
Including: Preference shares		29,867	29,867
Perpetual bonds		39,993	39,993
Reserves			
Capital reserve	30	57,483	57,411
Surplus reserve	32	45,162	45,162
General reserve	32	81,754	81,657
Other reserves		477	2,227
Retained earnings	32	228,899	218,746
Total equity attributable to equity shareholders of the Bank		527,417	518,845
Non-controlling interests		11,460	11,984
<b>Total equity</b>		<b>538,877</b>	<b>530,829</b>
<b>Total liabilities and equity</b>		<b>7,142,641</b>	<b>6,681,841</b>

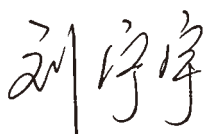
Approved and authorised for issue by the Board of Directors on 28 August 2020.



**Gao Yingxin**  
Chairman



**Zheng Wanchun**  
Director and President



**Liu Ningyu**  
Director



**(Company Seal)**

The accompanying notes form an integral part of these financial statements.



# Condensed Consolidated Interim Statement of Changes in Equity

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

Unaudited	Attributable to equity shareholders of the Bank												
	Note 6	Reserves									Non-controlling interests	Total equity	
		Share capital	Other equity instrument	Capital reserve	Surplus reserve	General reserve	Investment revaluation reserve	Exchange reserve	Cash flow Hedging reserve	Retained earnings			Total
<b>At 31 December 2019</b>	43,782	69,860	57,411	45,162	81,657	1,822	408	(3)	218,746	518,845	11,984	530,829	
Net profit	-	-	-	-	-	-	-	-	28,453	28,453	327	28,780	
Other comprehensive income, net of tax	-	-	-	-	-	(1,805)	44	(1)	11	(1,751)	(18)	(1,769)	
Total comprehensive income	-	-	-	-	-	(1,805)	44	(1)	28,464	26,702	309	27,011	
Profit distribution													
1. Appropriation to general reserve	-	-	-	-	35	-	-	-	(35)	-	-	-	
2. Cash dividends	-	-	-	-	-	-	-	-	(16,199)	(16,199)	(53)	(16,252)	
3. Perpetual bond interest	-	-	-	-	-	-	-	-	(1,940)	(1,940)	-	(1,940)	
Others													
1. Purchase of minority interests in subsidiaries	-	-	72	-	62	(8)	20	-	(97)	49	(751)	(702)	
2. Stock repurchase of subsidiaries	-	-	-	-	-	-	-	-	(40)	(40)	(29)	(69)	
<b>At 30 June 2020</b>	43,782	69,860	57,483	45,162	81,754	9	472	(4)	228,899	527,417	11,460	538,877	

The accompanying notes form an integral part of these financial statements.

## Condensed Consolidated Interim Statement of Changes in Equity (Continued)

For the six months ended 30 June 2020

(Expressed in millions of Renminbi, unless otherwise stated)

Unaudited	Attributable to equity shareholders of the Bank											Total equity	
	Note 6	Share capital 30	Other equity instrument 31	Reserves						Retained earnings 32	Non-controlling interests Total		
				Capital reserve 30	Surplus reserve 32	General reserve 32	Investment revaluation reserve 34	Exchange reserve	Cash flow Hedging reserve 34				
													Total
<b>At 31 December 2018</b>		43,782	9,892	57,470	39,911	74,370	1,133	362	23	193,131	420,074	10,927	431,001
Net profit		–	–	–	–	–	–	–	–	31,623	31,623	345	31,968
Other comprehensive income, net of tax		–	–	–	–	–	816	(30)	(17)	–	769	68	837
Total comprehensive income		–	–	–	–	–	816	(30)	(17)	31,623	32,392	413	32,805
Capital Injection by shareholders													
1. Capital injection by non-controlling shareholders		–	–	–	–	–	–	–	–	–	–	20	20
2. Capital injection to subsidiaries		–	–	(20)	–	5	–	–	–	(5)	(20)	20	–
3. Capital injection by holders of other equity instruments		–	39,992	–	–	–	–	–	–	–	39,992	–	39,992
Profit distribution													
1. Appropriation to general reserve		–	–	–	–	21	–	–	–	(21)	–	–	–
2. Cash dividends		–	–	–	–	–	–	–	–	(15,105)	(15,105)	(41)	(15,146)
Changes in share capital													
Retained earnings convert from investment revaluation reserve		–	–	–	–	–	1	–	–	(1)	–	–	–
<b>At 30 June 2019</b>		43,782	49,884	57,450	39,911	74,396	1,950	332	6	209,622	477,333	11,339	488,672

The accompanying notes form an integral part of these financial statements.

## Condensed Consolidated Interim Statement of Changes in Equity (Continued)

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

Audited	Attributable to equity shareholders of the Bank												
	Note 6	Reserves									Retained earnings	Non-controlling interests	Total equity
		Share capital	Other equity instrument	Capital reserve	Surplus reserve	General reserve	Investment revaluation reserve	Exchange reserve	Cash flow Hedging reserve	Total			
<b>At 31 December 2018</b>	43,782	9,892	57,470	39,911	74,370	1,133	362	23	193,131	420,074	10,927	431,001	
Net profit	-	-	-	-	-	-	-	-	53,819	53,819	1,105	54,924	
Other comprehensive income, net of tax	-	-	-	-	-	689	46	(26)	(3)	706	(38)	668	
Total comprehensive income	-	-	-	-	-	689	46	(26)	53,816	54,525	1,067	55,592	
Capital Injection by shareholders													
1. Change in shareholdings in subsidiaries	-	-	(59)	-	16	-	-	-	(16)	(59)	59	-	
2. Capital injection by other equity instrument holder	-	59,968	-	-	-	-	-	-	-	59,968	-	59,968	
Profit distribution													
1. Appropriation to surplus reserve	-	-	-	5,251	-	-	-	-	(5,251)	-	-	-	
2. Appropriation to general reserve	-	-	-	-	7,271	-	-	-	(7,271)	-	-	-	
3. Cash dividends	-	-	-	-	-	-	-	-	(15,663)	(15,663)	(69)	(15,732)	
<b>At 31 December 2019</b>	43,782	69,860	57,411	45,162	81,657	1,822	408	(3)	218,746	518,845	11,984	530,829	

The accompanying notes form an integral part of these financial statements.

# Condensed Consolidated Interim Statement of Cash Flows

For the six months ended 30 June 2020

(Expressed in millions of Renminbi, unless otherwise stated)

	Six months ended 30 June	
	2020 (unaudited)	2019 (unaudited)
<b>Cash flows generated from operating activities:</b>		
Profit before income tax	33,083	38,423
<i>Adjustments for:</i>		
– Credit impairment losses	43,014	29,313
– Other impairment losses	3	123
– Depreciation and amortisation	3,878	3,623
– Losses/(Gains) on disposal of property and equipment and other long-term assets	7	(177)
– Losses/(Gains) from changes in fair value	1,671	(2,967)
– Net gains on disposal of investment securities	(8,802)	(7,750)
– Interest expense on debt securities issued	12,267	12,715
– Interest income from investment securities	(32,143)	(31,925)
Subtotal	52,978	41,378
<i>Changes in operating assets:</i>		
Net (increase)/decrease in balances with central bank, banks and other financial institutions	(16,006)	16,002
Net (increase)/decrease in placements with banks and other financial institutions	(34,269)	5,577
Net decrease/(increase) in financial assets held under resale agreements	47,040	(3,272)
Net increase in loans and advances to customers	(334,067)	(150,705)
Net increase in other operating assets	(75,840)	(64,259)
Subtotal	(413,142)	(196,657)
<i>Changes in operating liabilities:</i>		
Net increase/(decrease) in borrowings from central bank	54,077	(70,483)
Net increase in deposits from customers	298,714	260,223
Net increase in deposits and placements from banks and other financial institutions	121,930	22,380
Net increase/(decrease) in financial assets sold under repurchase agreements	5,719	(8,296)
Income tax paid	(11,664)	(4,501)
Net increase in other operating liabilities	5,380	17,684
Subtotal	474,156	217,007
<b>Net cash used in operating activities</b>	<b>113,992</b>	<b>61,728</b>

The accompanying notes form an integral part of these financial statements.

## Condensed Consolidated Interim Statement of Cash Flows (Continued)

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

	Notes 6	Six months ended 30 June	
		2020 (unaudited)	2019 (unaudited)
<b>Cash flows from investing activities:</b>			
Proceeds from sale and redemption of investments		720,542	694,278
Proceeds from disposal of property and equipment, intangible assets and other long-term assets		372	352
Cash payment for investments		(759,394)	(817,929)
Cash payment for purchase of property and equipment, intangible assets and other long-term assets		(4,987)	(1,910)
<b>Net cash generated from investing activities</b>		<b>(43,467)</b>	<b>(125,209)</b>
<b>Cash flows from financing activities:</b>			
Capital injection by holders of other equity instruments		—	40,000
Capital contribution from non-controlling interests to subsidiaries		—	20
Proceeds from issue of debt securities		539,850	420,980
Repayment of debt securities issued		(591,680)	(384,023)
Interest paid on perpetual bonds and debt securities issued		(7,131)	(5,192)
Cash payment in other financing activities		(1,614)	(1,655)
<b>Net cash generated from financing activities</b>		<b>(60,575)</b>	<b>70,130</b>
<b>Net increase in cash and cash equivalents</b>		<b>9,950</b>	<b>6,649</b>
Cash and cash equivalents at 1 January		144,650	138,026
Effect of exchange rate changes on cash and cash equivalents		962	129
<b>Cash and cash equivalents at 30 June</b>	35	<b>155,562</b>	<b>144,804</b>

The accompanying notes form an integral part of these financial statements.

# Notes to the Condensed Consolidated Interim Financial Statements

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

## 1 General information

China Minsheng Banking Corp., Ltd. (the “Bank”) is a national joint-stock commercial bank established in the People’s Republic of China (“PRC”) on 7 February 1996 with the approval of the State Council of the PRC and the People’s Bank of China (“PBOC”).

The Bank obtained the financial service certificate No. B0009H111000001 as approved by the China Banking and Insurance Regulatory Commission (the former “China Banking Regulatory Commission” and “China Insurance Regulatory Commission”, the “CBIRC”), and the business licence as approved by the Beijing Administration for Industry and Commerce, the unified social credit code is No. 91110000100018988F.

The Bank’s A Shares and H Shares are listed in the Shanghai Stock Exchange and the Stock Exchange of Hong Kong Limited, the stock codes are 600016 and 01988, respectively.

In these condensed consolidated interim financial statements for the six months ended 30 June 2020, mainland China refers to the PRC excluding the Hong Kong Special Administrative Region of the PRC (“Hong Kong”), the Macau Special Administrative Region of the PRC (“Macau”) and Taiwan. Overseas refers to Hong Kong, Macau, Taiwan and other countries and regions.

The Bank and its subsidiaries (collectively the “Group”) mainly provide corporate and personal banking, treasury business, financial leasing, fund and asset management, investment banking and other financial services in the PRC.

As at 30 June 2020, the Bank had 42 tier-one branches and 32 subsidiaries.

## 2 Basis of preparation

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2020 have been prepared in accordance with International Accounting Standard (“IAS”) 34 “Interim Financial Reporting”, as well as with all applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

## Notes to the Condensed Consolidated Interim Financial Statements (Continued)

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

### 3 Significant accounting policies

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2020 have been prepared on the historical cost basis, except for certain financial instruments which are measured at fair value. Except for those described below, the accounting policies and critical accounting estimates and judgements used in preparing the unaudited condensed consolidated interim financial statements are the same as those followed in the preparation of the Group's consolidated annual financial statements for the year ended 31 December 2019.

The unaudited condensed consolidated interim financial statements should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2019, which have been audited.

#### 3.1 Standards and amendments effective in 2020 relevant to and adopted by the Group

In current interim period, the Group has adopted the following amendments of International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB"), that are mandatorily effective for the current interim period.

Amendments to IAS 1 and IAS 8	(1)	The Definition of Material
Amendments to IFRS 3	(1)	The Definition of A Business
Amendments to IFRS 9, IAS 39 and IFRS 7	(2)	Interest rate benchmark reform

(1) Descriptions of these amendments were disclosed in the Group's annual consolidated financial statements for the year ended 31 December 2019. The adoption of these amendments does not have a significant impact on the operating results, comprehensive income, or financial position of the Group.

#### (2) Amendments to IFRS 9, IAS 39 and IFRS 7: Interest rate benchmark reform

The IASB has issued amendments to IFRS 9, IAS 39 and IFRS 7 that provide certain reliefs in connection with interest rate benchmark reform. The amendments apply to all hedging relationships that are directly affected by interbank offered rates ("IBOR") reform. The reliefs relate to hedge accounting and have the effect that IBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement. The adoption of these amendments does not have a significant impact on the operating results, comprehensive income, or financial position of the Group.



## Notes to the Condensed Consolidated Interim Financial Statements (Continued)

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

### 3 Significant accounting policies (continued)

#### 3.2 Standards and amendments relevant to the Group that are not yet effective in the current interim period and have not been adopted before their effective dates by the Group

In the current interim period, the Group has not adopted the following new or amended standards issued by the IASB and the IFRS Interpretations Committee (“IFRIC”), that have been issued but are not yet effective.

Standards/Amendments			Effective date
Amendments to IAS 1	(1)	Presentation of Financial Statements on Classification of Liabilities	1 January 2022
Amendments to IFRS 3	(2)	Reference to the Conceptual Framework	1 January 2022
Amendments to IAS 37	(3)	Cost of Fulfilling a Contract	1 January 2022
Amendments to IAS 16	(4)	Proceeds before Intended Use	1 January 2022
Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41	(5)	IASB Annual Improvements 2018–2020 cycle	1 January 2022
IFRS 17	(1)	Insurance Contracts	1 January 2023
Amendments to IFRS 10 and IAS 28	(1)	Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture	The amendments were originally intended to be effective for annual periods beginning on or after 1 January 2016. The effective date has now been deferred.

(1) Descriptions of these amendments were disclosed in the Group’s annual consolidated financial statements for the year ended 31 December 2019. The Group anticipates that the adoption of these amendments will not have a significant impact on the Group’s consolidated financial statements.

## Notes to the Condensed Consolidated Interim Financial Statements (Continued)

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

### 3 Significant accounting policies (continued)

#### 3.2 Standards and amendments relevant to the Group that are not yet effective in the current interim period and have not been adopted before their effective dates by the Group (continued)

##### (2) Amendments to IFRS 3: Reference to the Conceptual Framework

The IASB issued amendments to IFRS 3: Reference to the Conceptual Framework. The amendments have updated IFRS 3, “Business combinations”, to refer to the 2018 Conceptual Framework for Financial Reporting, in order to determine what constitutes an asset or a liability in a business combination. In addition, the Board added a new exception in IFRS 3 for liabilities and contingent liabilities. The Board has also clarified that the acquirer should not recognise contingent assets, as defined in IAS 37, at the acquisition date. The Group anticipates that the adoption of the amendments will not have a significant impact on the Group’s consolidated financial statements.

##### (3) Amendments to IAS 37: Cost of Fulfilling a Contract

The IASB issued amendments to IAS 37: Cost of Fulfilling a Contract. The amendments clarify the meaning of “costs to fulfil a contract”, they explain that the direct cost of fulfilling a contract comprises: the incremental costs of fulfilling that contract and; an allocation of other costs that relate directly to fulfilling contracts. The amendments also clarify that, before a separate provision for an onerous contract is established, an entity recognises any impairment loss that has occurred on assets used in fulfilling the contract, rather than on assets dedicated to that contract. The amendments could result in the recognition of more onerous contract provisions, because previously some entities only included incremental costs in the costs to fulfil a contract. The Group anticipates that the adoption of the amendments will not have a significant impact on the Group’s consolidated financial statements.

## Notes to the Condensed Consolidated Interim Financial Statements (Continued)

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

### 3 Significant accounting policies (continued)

#### 3.2 Standards and amendments relevant to the Group that are not yet effective in the current interim period and have not been adopted before their effective dates by the Group (continued)

##### (4) Amendments to IAS 16: Proceeds before Intended Use

The IASB issued amendments to IAS 16: Proceeds before Intended Use. The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds received from selling items produced while the entity is preparing the asset for its intended use. The amendment also clarifies that an entity is “testing whether the asset is functioning properly” when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. An asset might therefore be capable of operating as intended by management and subject to depreciation before it has achieved the level of operating performance expected by management. The amendment requires entities to separately disclose the amounts of proceeds and costs relating to items produced that are not an output of the entity’s ordinary activities. An entity should also disclose the line item in the statement of comprehensive income where the proceeds are included. The Group anticipates that the adoption of the amendments will not have a significant impact on the Group’s consolidated financial statements.

##### (5) Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41: IASB Annual Improvements 2018–2020 cycle

The IASB issued amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41: Annual improvements 2018–2020 cycle, which include fees included in the 10% test for derecognition of financial liabilities, illustrative examples accompanying IFRS 16, “Leases”, subsidiary as a first-time adopter and taxation in fair value measurements. The Group anticipates that the adoption of the amendments will not have a significant impact on the Group’s consolidated financial statements.

# Notes to the Condensed Consolidated Interim Financial Statements (Continued)

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

## 4 Financial risk management

### 4.1 Financial risk management overview

In accordance with the Comprehensive Risk Management Framework of COSO and the Comprehensive Risk Management Guidelines of CBIRC, risk management includes identification, measurement, assessment, monitoring, reporting, control and mitigation of risks. The core characteristic of the financial business is taking risks; risks are inevitable in business. The Group's aim is to achieve an appropriate balance between risk and return and to minimise potential adverse effects from risks borne by the Group on its financial performance.

The Group provides commercial banking, leasing, fund raising and sales and other financial services through the Bank and its subsidiaries, Minsheng Financial Leasing Co., Ltd. ("Minsheng Financial Leasing"), Minsheng Royal Fund Management Co., Ltd. ("Minsheng Royal Fund"), CMBC International Holding Ltd. ("CMBC International") and 29 Rural banks. These subsidiaries are responsible for financial risk management in their respective businesses as separate entities. The financial risk arising from commercial banking was the most significant risk for the Group's operations. The Group formulated the "Administrative Measures of Subsidiaries of China Minsheng Banking Corporation Limited on Comprehensive Risk Management" to further enhance the risk management of these subsidiaries.

Based on new regulatory requirements and market changes, the Group formulated risk preferences and risk policies based on actual conditions, to clarify objectives of portfolio quota management, to improve risk quantification tools and information systems, to establish control mechanisms and to improve risk management covering the entire process. Meanwhile, to re-examine and optimise the preference transmission mechanism, risk policy, portfolio management, systems and tools based on execution to ensure preferences and policies have been implemented to strengthen the support of risk management for strategic decision-making.

The Bank has a Risk Management Committee under the Board of Directors, and the committee is responsible for setting up the Bank's overall risk management strategies, monitoring the Bank's risk management policies and their implementation, and assessing its effectiveness. In accordance with the risk management strategy, the Bank's senior management formulates and promotes the corresponding risk management policies.

## Notes to the Condensed Consolidated Interim Financial Statements (Continued)

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

### 4 Financial risk management (continued)

#### 4.1 Financial risk management overview (continued)

The Development and Planning Department under the Bank's senior management is responsible for the routine management of subsidiaries, to establish and optimise the risk management framework at Group level gradually.

#### 4.2 Credit risk

The Group is exposed to credit risk, which is the risk that a borrower or counterparty defaults as it fails to fully repay debts in a timely manner due to various reasons. Credit risk is the most important risk for the Group's operating activities; management therefore carefully manages its exposure to credit risk. Credit exposures arise principally from lending, trade finance, credit debt securities and leasing activities. There is also credit risk in off-balance sheet financial instruments, such as credit commitments and derivatives.

The Risk Management Committee is currently responsible for decision-making and overall coordination of credit risk prevention. The Bank adopts professional credit evaluation, full-process quality monitoring, faulty asset professional management and collecting and other major methods for credit risk management.

##### (1) Credit risk measurement

###### (a) *Loans and credit commitments*

The Group measures and manages the quality of its credit assets in accordance with the CBIRC Guidelines for Risk Classification of Loans (the "Guidelines"). The Guidelines require financial institutions to classify their credit assets into five categories, namely pass, special-mention, sub-standard, doubtful and loss, of which the last three categories are non-performing loans. At the same time, the Group includes its off-balance sheet credit commitments as part of its overall credit extension, applies credit limit management, and classifies key on-balance sheet and off-balance sheet items in accordance with the Guidelines. The Bank has also developed the Administrative Measures for Risk Classification of Credit Assets of China Minsheng Banking Corporation Limited to guide its daily risk management of credit assets, following classification principles fully consistent with the Guidelines.

# Notes to the Condensed Consolidated Interim Financial Statements (Continued)

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

## 4 Financial risk management (continued)

### 4.2 Credit risk (continued)

#### (1) Credit risk measurement (continued)

##### (a) *Loans and credit commitments (continued)*

The core definitions of credit asset classifications in the Guidelines are as follows:

Pass:	The borrower can fulfil contracts, and there is no sufficient reason to suspect that the principal and interest of loans cannot be repaid in full on time.
Special-mention:	The borrower can make current payments, but there may be some potential issues that could adversely impact future payments.
Sub-standard:	The borrower's repayment ability has been impaired and its normal income is insufficient to repay the loan principal and interest in full. Even with the enforcement of the related guarantee (if any), there may be a certain level of loss.
Doubtful:	The borrower cannot repay the principal plus the interest in full. Even with the enforcement of guarantee (if any), there will be a significant loss.
Loss:	After taking all possible actions or resorting to all necessary legal proceedings, the loan principal and interest cannot be recovered or only a small portion of them can be recovered.

##### (b) *Debt securities and other bills*

The Group manages its credit risk exposure of debt securities and other bills by including issuers' credit exposures into the unified credit-grant management and control processes. The Group continues to optimise its exposure structure by requiring a minimum external rating of the debt securities of investment access management and by setting investment structure concentration requirements of portfolio management. In addition, the risk control staff will regularly analyse the credit profile of issuers of debt securities, and the operational staff will continue to optimise and adjust the investment portfolio based on the risk-mitigation recommendations.

## Notes to the Condensed Consolidated Interim Financial Statements (Continued)

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

### 4 Financial risk management (continued)

#### 4.2 Credit risk (continued)

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

The Group exercises risk concentration management and controls over its counterparties, whether individuals or groups, and industries and geographical regions.

The Group has established relevant mechanisms to apply tiered management of credit risks, and set limits to acceptable risks for different individual or group counterparties, different industries and geographical regions. The Bank monitors the risk status regularly and reviews their risk positions at least once a year.

Risk exposures to borrowers, including banks, are further classified into on- and off-balance sheet risk exposures, and controls have been applied to daily risk limits of each trading account. The Bank also monitors actual risk exposures on a daily basis in relation to corresponding risk limits.

The Group controls its credit risks through, among other necessary measures, regular analyses of a customer's ability to repay interest and principal, and making appropriate adjustments to credit lines.

Other specific control and mitigation measures include: measuring, evaluating, early warning, mitigating and controlling of large amount exposures of single and group customers in accordance with regulatory requirements, and prevent and control customer concentration risks.



## Notes to the Condensed Consolidated Interim Financial Statements (Continued)

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

### 4 Financial risk management (continued)

#### 4.2 Credit risk (continued)

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

###### (a) Collateral

The Group and its subsidiaries have individually established a range of risk management policies and adopted different methods to mitigate credit risk. A critical method for the Group's control of its credit risks is to acquire collateral, security deposits and guarantees from enterprises or individuals. The Group has specified acceptable types of collaterals, mainly including the following:

- Real estate and land use rights
- Machinery and equipment
- Right to receive payments and accounts receivable
- Financial instruments such as time deposits, debt securities and equities.

In order to minimise its credit risk, once an indication of impairment has been identified with an individual loan, the Group will seek additional collateral from counterparties/require additional guarantors or squeeze the credit line.

Collateral held as security for financial assets other than loans and accounts receivable is determined by the instruments' nature. Debt securities are generally unsecured, with the exception of asset-backed securities and similar instruments, which are secured by portfolios of financial instruments.

# Notes to the Condensed Consolidated Interim Financial Statements (Continued)

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

## 4 Financial risk management (continued)

### 4.2 Credit risk (continued)

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

##### (b) *Derivative instruments*

The Bank maintains strict net exposure limits in its financial derivative transactions with counterparties and monitors the activities through daily summary reports on the use of exposure limits. The Bank's exposure to credit risk of derivative instruments is limited to derivative instruments with positive fair value. The Bank sets credit limits for counterparties in its management system to monitor the credit position of derivative transactions and mitigates credit risk associated with derivative instruments by requiring margin deposits from counterparties.

##### (c) *Credit related commitments*

The primary purpose of these instruments is to ensure that funds are available to a customer when required. Guarantees and standby letters of credit, which represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. In some cases, guarantee deposits are received by the Group to lessen the credit risks related to such commitments. The Group's potential amount of credit risk exposure is equivalent to the total amount of credit commitments.

Loan commitments and financial leasing commitments represent unused portions of authorisations to extend credit. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Group monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

## Notes to the Condensed Consolidated Interim Financial Statements (Continued)

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

### 4 Financial risk management (continued)

#### 4.2 Credit risk (continued)

##### (3) Expected Credit Loss (“ECL”) measurement

According to the accounting standard, the Group divided the financial instruments that require ECL provision recognition into three stages and applies the ECL model to calculate loss allowances for its debt financial instruments measured at amortised cost or at fair value through other comprehensive income, as well as its loan commitments and financial guarantee contracts.

##### (a) Financial instrument risk stages

The Group applies a ‘three-stage model’ for measuring expected credit loss for financial instruments based on changes in credit quality since initial recognition. The three stages are defined as follows:

Stage 1: Financial instruments without significant increase in credit risk since initial recognition. For these assets, expected credit losses are recognised for the following 12 months.

Stage 2: For financial instruments with significant increase in credit risk since initial recognition, expected credit losses are recognised for the remaining lifetime if there is no objective evidence of impairment.

Stage 3: For financial assets with objective evidence of impairment as at the balance sheet date, expected credit losses are recognised for the remaining lifetime.

##### (b) Criteria for significant increases in credit risk (“SICR”)

Criteria for SICR include but are not limited to:

- The principal or interest is overdue for more than 30 days;
- Significant change in credit rating. Internal rating results of the Group will be adopted as the result of credit rating;

## Notes to the Condensed Consolidated Interim Financial Statements (Continued)

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

### 4 Financial risk management (continued)

#### 4.2 Credit risk (continued)

##### (3) Expected Credit Loss (“ECL”) measurement (continued)

###### (b) *Criteria for significant increases in credit risk (“SICR”) (continued)*

- The debtor experiences serious production or operation problems, the overall profitability decreased significantly, and the financial position is poor;
- Changes or events with a significant negative impact on the solvency of the debtor;
- Other objective evidence of a significant increase in credit risk of financial asset.

###### (c) *Definition of credit-impaired financial asset*

In order to evaluate whether a financial asset is impaired, the Group considers the following criteria:

- The principal or interest of a financial asset is overdue for more than 90 days;
- Significant financial difficulty of the issuer or obligor;
- A breach of contract by the borrower, such as a default or delinquency in interest or principal payments;
- The creditor, for economic or contractual reasons relating to the debtor’s financial difficulty, grants the debtor a concession that the Group would not otherwise consider;
- The debtor will probably enter bankruptcy or another financial reorganisation;
- The disappearance of an active market for that financial asset because of financial difficulties faced by the issuer or debtor;

## Notes to the Condensed Consolidated Interim Financial Statements (Continued)

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

### 4 Financial risk management (continued)

#### 4.2 Credit risk (continued)

##### (3) Expected Credit Loss (“ECL”) measurement (continued)

###### (c) Definition of credit-impaired financial asset (continued)

- The purchase or origination of a financial asset at a significant discount that reflects the fact of credit losses;
- Other objective evidence of financial asset impairment.

The credit impairment of a financial asset may be caused by the combined effect of multiple events rather than any single event.

###### (d) Segmentation of portfolio sharing similar credit risk characteristics for the purposes of measuring ECL

For measurement of ECL, segmentation of portfolio is based on similar credit risk characteristics. Non-retail assets of the Group are mainly grouped according to types of borrower and industry, while retail assets are mainly grouped based on product types.

###### (e) Parameters for ECL measurement

Except for credit-impaired financial assets, according to whether there is a significant increase in credit risk and whether there is an impairment of assets, the Group recognised 12-month or lifetime ECL allowance by financial instrument. Expected credit losses are the weighted average of the product of Probability of Default (PD), Loss Given Default (LGD), and Exposure at Default (EAD), which are defined as follows:

- PD represents the likelihood of a borrower to default on its financial obligation, either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation. The PD is determined based on the adjusted results of the internal rating-based model, with forward-looking information incorporated, to reflect the borrower’s point-in-time probability of default under the current macroeconomic environment;

## Notes to the Condensed Consolidated Interim Financial Statements (Continued)

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

### 4 Financial risk management (continued)

#### 4.2 Credit risk (continued)

##### (3) Expected Credit Loss (“ECL”) measurement (continued)

###### (e) Parameters for ECL measurement (continued)

- LGD is expressed as a percentage loss per unit of EAD. LGD varies by types of product and availability of collateral etc.;
- EAD refers to the total amount of on and off-balance sheet exposures in the event of default and is determined based on principal, interest, off-balance sheet risk conversion factor etc., and may vary by product types.

###### (f) Forward-looking information incorporated in the ECL

The calculation of ECL incorporates forward-looking information. The Group has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio, such as GDP, M2 and customer confidence index and so on. The forecasts of these economic variables are provided periodically and the most relevant variables are picked and estimated by the Group.

The Group determines the relationship between these economic variables and PD and LGD by constructing econometric model, so as to ascertain the impacts of historical changes in these variables on PD and LGD.

The Group determines the positive, neutral and negative scenarios and their weights according to the analysis of macro data and the judgement of experts, and calculate thereby the weighted average ECL allowance. For the period ended 30 June 2020 and 31 December 2019, the positive, neutral and negative scenarios are of comparable weighting.

## Notes to the Condensed Consolidated Interim Financial Statements (Continued)

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

### 4 Financial risk management (continued)

#### 4.2 Credit risk (continued)

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

The following table presents the Group's maximum exposure to credit risk as at the end of the reporting period without considering any collateral held or other credit enhancements, which is represented by the carrying amount of each type of financial assets after deducting any impairment allowance.

	30 June 2020	31 December 2019
Balances with central bank	405,645	365,393
Balances with banks and other financial institutions	62,352	53,180
Derivative financial assets	11,282	31,100
Placements with banks and other financial institutions	260,097	248,565
Financial assets held under resale agreements	18,712	65,799
Loans and advances to customers	3,730,214	3,430,427
Financial investments		
– Financial assets at fair value through profit or loss	346,036	381,269
– Financial assets at fair value through other comprehensive income	499,512	510,802
– Financial assets measured at amortised cost	1,289,435	1,143,079
Long-term receivables	123,561	116,593
Other financial assets	45,615	45,698
<b>Total</b>	<b>6,792,461</b>	<b>6,391,905</b>
Off-balance sheet credit commitments	1,356,707	1,325,426
<b>Maximum credit risk exposure</b>	<b>8,149,168</b>	<b>7,717,331</b>



## Notes to the Condensed Consolidated Interim Financial Statements (Continued)

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

### 4 Financial risk management (continued)

#### 4.2 Credit risk (continued)

##### (5) Analysis on the credit quality of financial instruments

As at 30 June 2020, the credit risk stages of financial instruments at fair value through other comprehensive income, and financial instruments at amortised cost are as followed:

	Gross carrying amount				Allowance for expected credit losses			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balances with central bank	405,645	–	–	405,645	–	–	–	–
Balances with banks and other financial institutions	62,033	–	658	62,691	(110)	–	(229)	(339)
Placements with banks and other financial institutions	259,709	–	1,200	260,909	(273)	–	(539)	(812)
Financial assets held under resale agreements	18,717	–	–	18,717	(5)	–	–	(5)
Loans and advances to customers								
– Corporate loans and advances	2,162,056	112,760	34,541	2,309,357	(16,419)	(17,301)	(24,339)	(58,059)
– Personal loans and advances	1,435,119	51,559	30,223	1,516,901	(7,439)	(10,654)	(21,676)	(39,769)
Financial investments	1,777,008	5,416	15,528	1,797,952	(4,266)	(734)	(4,005)	(9,005)
Long-term receivables	118,801	6,285	2,679	127,765	(1,332)	(1,874)	(998)	(4,204)
Credit commitments	1,347,584	6,336	2,787	1,356,707	(1,713)	(208)	(16)	(1,937)

## Notes to the Condensed Consolidated Interim Financial Statements (Continued)

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

### 4 Financial risk management (continued)

#### 4.2 Credit risk (continued)

##### (5) Analysis on the credit quality of financial instruments (continued)

As at 31 December 2019, the credit risk stages of financial instruments at fair value through other comprehensive income, and financial instruments at amortised cost are as followed:

	Gross carrying amount				Allowance for expected credit losses			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balances with central bank	365,393	–	–	365,393	–	–	–	–
Balances with banks and other financial institutions	52,804	–	722	53,526	(118)	–	(228)	(346)
Placements with banks and other financial institutions	247,868	1,200	–	249,068	(178)	(325)	–	(503)
Financial assets held under resale agreements	65,808	–	–	65,808	(9)	–	–	(9)
Loans and advances to customers								
– Corporate loans and advances	1,953,671	112,539	30,545	2,096,755	(17,134)	(16,632)	(17,065)	(50,831)
– Personal loans and advances	1,371,839	18,078	26,230	1,416,147	(9,391)	(5,082)	(19,343)	(33,816)
Financial investments	1,642,548	4,399	11,047	1,657,994	(3,050)	(265)	(1,860)	(5,175)
Long-term receivables	111,696	6,521	2,319	120,536	(1,051)	(1,739)	(1,153)	(3,943)
Credit commitments	1,322,714	1,355	1,357	1,325,426	(1,407)	(22)	(24)	(1,453)

## Notes to the Condensed Consolidated Interim Financial Statements (Continued)

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

### 4 Financial risk management (continued)

#### 4.2 Credit risk (continued)

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

The credit risk stages of loans and advances to customers (excluding interest accrued) are as following:

	30 June 2020	31 December 2019
Stage 1		
Unsecured loans	838,358	760,159
Guaranteed loans	599,632	552,161
Loans secured by		
Tangible assets other than monetary assets	1,586,159	1,504,295
Monetary assets	545,227	483,594
Subtotal	3,569,376	3,300,209
Stage 2		
Unsecured loans	21,859	18,843
Guaranteed loans	62,226	59,096
Loans secured by		
Tangible assets other than monetary assets	63,384	34,575
Monetary assets	16,850	18,103
Subtotal	164,319	130,617
Stage 3		
Unsecured loans	19,693	14,362
Guaranteed loans	21,180	21,206
Loans secured by		
Tangible assets other than monetary assets	19,900	16,602
Monetary assets	3,991	4,605
Subtotal	64,764	56,775
Total	3,798,459	3,487,601
Credit-impaired loans secured by collateral	11,148	13,262

## Notes to the Condensed Consolidated Interim Financial Statements (Continued)

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

### 4 Financial risk management (continued)

#### 4.2 Credit risk (continued)

##### (6) Loans and advances to customers (continued)

Loans and advances to customers (excluding interest accrued) analysed by industries are as following:

	30 June 2020		31 December 2019	
	Amount	(%)	Amount	(%)
Corporate loans and advances				
Real estate	503,102	13.24	476,199	13.66
Leasing and commercial services	485,219	12.77	442,883	12.70
Manufacturing	325,153	8.56	284,055	8.14
Wholesale and retail	178,123	4.69	177,685	5.09
Financial services	174,326	4.59	138,039	3.96
Water, environment and public utilities management	143,741	3.78	122,282	3.51
Construction	114,193	3.01	106,783	3.06
Mining	111,855	2.94	110,152	3.16
Transportation, storage and postal service	90,153	2.37	77,031	2.21
Production and supply of electric power, heat, gas and water	64,611	1.70	55,151	1.58
Accommodation and catering	12,154	0.32	11,858	0.34
Agriculture, forestry, animal husbandry and fishery	11,607	0.31	10,225	0.29
Public administration, social security and social organisations	7,663	0.20	8,376	0.24
Others	62,820	1.67	53,958	1.55
Subtotal	2,284,720	60.15	2,074,677	59.49
Personal loans and advances	1,513,739	39.85	1,412,924	40.51
Total	3,798,459	100.00	3,487,601	100.00

## Notes to the Condensed Consolidated Interim Financial Statements (Continued)

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

### 4 Financial risk management (continued)

#### 4.2 Credit risk (continued)

##### (6) Loans and advances to customers (continued)

Loans and advances to customers (excluding interest accrued) by geographical area are as following:

	30 June 2020		31 December 2019	
	Amount	(%)	Amount	(%)
Head Office	540,056	14.22	474,512	13.61
Yangtze River Delta	912,732	24.03	841,123	24.12
Pearl River Delta	515,270	13.56	465,618	13.35
Bohai Rim	600,745	15.82	564,343	16.18
Northeastern Region	93,138	2.45	89,488	2.57
Central Region	488,470	12.86	451,441	12.94
Western Region	565,159	14.88	519,713	14.90
Overseas and subsidiaries	82,889	2.18	81,363	2.33
<b>Total</b>	<b>3,798,459</b>	<b>100.00</b>	<b>3,487,601</b>	<b>100.00</b>

##### (7) Loans and advances restructured

Restructured loans and advances to customers are those loans and advances to customers for which the group has modified the contract terms as a result of the deterioration in the borrower's financial position or of the borrower's inability to make payments when due. As at 30 June 2020, the amount of the Group's impaired restructured loans and advances to customers with modified contract terms, is RMB19,985 million (31 December 2019: RMB16,860 million).

Impaired restructured loans and advances which were not past due or past due for no more than 90 days are as follows:

	30 June 2020	31 December 2019
Impaired restructured loans and advances to customers	5,468	2,176
% of total loans and advances	0.15	0.06

## Notes to the Condensed Consolidated Interim Financial Statements (Continued)

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

### 4 Financial risk management (continued)

#### 4.2 Credit risk (continued)

##### (8) Amounts due from banks and other financial institutions

Amounts due from banks and other financial institutions include balances with banks and other financial institutions, placements with banks and other financial institutions and financial assets held under resale agreements.

	30 June 2020	31 December 2019
Credit impaired	1,851	722
Less: allowance for impairment losses	(768)	(228)
Subtotal	1,083	494
Neither past due nor credit-impaired	339,769	366,984
Interest accrued	697	696
Less: allowance for impairment losses	(388)	(630)
Subtotal	340,078	367,050
Total	341,161	367,544

## Notes to the Condensed Consolidated Interim Financial Statements (Continued)

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

### 4 Financial risk management (continued)

#### 4.2 Credit risk (continued)

##### (9) Distribution of debt instruments analysed by issuers and rating

The ratings are obtained from Standard & Poor's ratings, or major rating agencies where the issuers of the debt securities are located.

	30 June 2020					Total
	Unrated	AAA	AA	A	Lower than A	
Credit impaired						
– Banks and non-bank financial institutions	13,813	–	–	–	–	13,813
– Corporates	1,328	–	–	–	123	1,451
Subtotal	15,141	–	–	–	123	15,264
Less: Allowance for impairment losses of financial assets measured at amortised cost						(3,741)
Subtotal						11,523
Not impaired						
– Government	558,557	322,051	–	–	–	880,608
– Policy banks	79,064	–	–	–	–	79,064
– Banks and non-bank financial institutions	465,489	123,876	10,236	16,460	13,114	629,175
– Corporates	194,077	246,095	32,077	17,240	28,089	517,578
Subtotal	1,297,187	692,022	42,313	33,700	41,203	2,106,425
Interest accrued						20,443
Less: Allowance for impairment losses of financial assets measured at amortised cost						(3,408)
Subtotal						2,123,460
Total						2,134,983



## Notes to the Condensed Consolidated Interim Financial Statements (Continued)

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

### 4 Financial risk management (continued)

#### 4.2 Credit risk (continued)

##### (9) Distribution of debt instruments analysed by issuers and rating (continued)

	31 December 2019					Total
	Unrated	AAA	AA	A	Lower than A	
Credit impaired						
– Banks and non-bank financial institutions	10,673	–	–	–	–	10,673
– Corporates	374	–	–	–	–	374
Subtotal	11,047	–	–	–	–	11,047
Less: Allowance for impairment losses of financial assets measured at amortised cost						(1,794)
Subtotal						9,253
Not impaired						
– Government	543,968	292,643	–	–	–	836,611
– Policy banks	96,474	575	–	709	–	97,758
– Banks and non-bank financial institutions	545,432	121,266	13,535	46,601	17,063	743,897
– Corporates	96,391	169,692	31,611	7,259	26,921	331,874
Subtotal	1,282,265	584,176	45,146	54,569	43,984	2,010,140
Interest accrued						18,076
Less: Allowance for impairment losses of financial assets measured at amortised cost						(2,319)
Subtotal						2,025,897
Total						2,035,150

## Notes to the Condensed Consolidated Interim Financial Statements (Continued)

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

### 4 Financial risk management (continued)

#### 4.2 Credit risk (continued)

##### (9) Distribution of debt instruments analysed by issuers and rating (continued)

Unrated debt investments held by the Group mainly include asset management plans and trusts, wealth management products and bonds issued primarily by policy banks, etc.

##### (10) Investments classified as asset management plans and trust beneficial rights analysed by type of underlying assets

	30 June 2020	31 December 2019
Asset management plans and trust beneficial rights		
Credit assets	194,210	207,864
Discounted bills	42,882	71,843
Others	11,684	8,123
Total	248,776	287,830

The Group includes asset management plans and trust beneficial rights into comprehensive credit management system, to manage its credit risk exposure in a holistic manner. The type of collateral of credit assets includes guarantee, security by collateral and pledge.

#### 4.3 Market risk

The Group is exposed to market risk, which is the risk of loss to its on- and off-balance sheet businesses caused by unfavourable changes in market prices (interest rates, exchange rates, and stock and commodity prices). Market risk includes interest rate risk, exchange rate (including gold bullion) risk, equity price risk and commodity price risk, arising from adverse movements in interest rates, exchange rates, stock prices and commodity price, respectively.

The Bank distinguishes between banking books and trading books in accordance with requirements of regulatory authorities and the general practices of the banking industry, and adopts different methods to identify, measure, monitor and control their respective market risks based on the nature and characteristics of banking and trading books.

# Notes to the Condensed Consolidated Interim Financial Statements (Continued)

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

## 4 Financial risk management (continued)

### 4.3 Market risk (continued)

Trading books refer to the financial instruments and commodities positions which could be traded freely. They are held by the Bank for trading or hedging against other risks in the trading book. Positions in the trading book must not be subject to any trading restrictions, or be able to fully hedged against the risks. These positions must also be valued accurately and managed proactively as well. In contrast, the Bank's other businesses are included in the banking books.

#### (1) Market risk measurement techniques

The Bank selects appropriate and generally accepted measurement methods for the different types of market risks in its banking books and trading books based on actual needs of the business.

In accordance with regulatory requirements and in response to interest rate risk of the banking books, the Bank develops measurement methods that are appropriate for the size and structure of its assets and liabilities, and performs quantitative assessment of the impact of interest rate changes on the Bank's banking book net interest income and economic value by adopting methods such as gap analysis, net interest income simulation analysis, and economic value simulation analysis.

Interest rate risk of the trading books are measured by using methods such as duration analysis, scenario analysis, and value at risk (VaR).

Exchange rate risks of the banking books include exposure in foreign exchange settlement and sales, foreign currency capital funds, loss in foreign currency profits due to settlement of foreign exchange, and shrinking of foreign currency assets compared to the local currency. The Bank assesses the impact of future currency risks based on the exchange rate tendency and the future changes in the Bank's asset and liability portfolios.

## Notes to the Condensed Consolidated Interim Financial Statements (Continued)

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

### 4 Financial risk management (continued)

#### 4.3 Market risk (continued)

##### (1) Market risk measurement techniques (continued)

Measurement of the exchange rate risks of the trading books includes monitoring of foreign exchange exposure, and use of methods including sensitivity analysis, scenario analysis and value at risk (VaR) to measure the potential impact of exchange rate fluctuations on the trading profits.

The Bank is fully aware of the pros and cons of different methods for measurement of market risks, and therefore adopts other methods, such as stress tests, for complementation. Stress scenarios applied to market risk stress testing include expert scenarios, historical scenarios, and hybrid scenarios.

##### (2) Currency risk

Currency risk refers to the foreign exchange and foreign exchange derivatives positions, the risk of losses of banks arise from adverse changes of exchange rate. The Group uses RMB as its bookkeeping currency, and the Group's assets and liabilities are denominated in RMB, and the rest mainly US dollars and Hong Kong dollars.

The Group manages the Currency risk by controlling each currency exposure limits and total exposure.

The Group manages the currency risk using the framework of exposure limit by daily monitoring, and foreign exchange exposure based on exchange rate trends.

## Notes to the Condensed Consolidated Interim Financial Statements (Continued)

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

### 4 Financial risk management (continued)

#### 4.3 Market risk (continued)

##### (2) Currency risk (continued)

The following tables present the Group's foreign exchange risk exposures as at the end of the reporting period. The carrying values of assets and liabilities denominated in foreign currencies have been converted into RMB.

	30 June 2020				
	RMB	USD	HKD	Others	Total
Assets:					
Cash and balances with central bank	370,280	39,482	761	861	411,384
Balances with banks and other financial institutions	28,489	28,135	3,792	1,936	62,352
Placements with banks and other financial institutions	220,244	24,396	2,026	13,431	260,097
Financial assets held under resale agreements	18,074	638	—	—	18,712
Loans and advances to customers	3,521,600	149,009	29,137	30,468	3,730,214
Financial investments	2,186,733	135,869	4,324	16,037	2,342,963
Long-term receivables	96,690	26,871	—	—	123,561
Other assets	140,369	38,460	4,367	10,162	193,358
<b>Total assets</b>	<b>6,582,479</b>	<b>442,860</b>	<b>44,407</b>	<b>72,895</b>	<b>7,142,641</b>
Liabilities:					
Borrowings from central bank	255,963	—	—	—	255,963
Deposits and placements from banks and other financial institutions	1,161,525	89,684	8,389	25,152	1,284,750
Borrowings from banks and other financial institutions	76,891	53,029	2,541	—	132,461
Financial assets sold under repurchase agreements	96,959	7,884	—	2,603	107,446
Deposits from customers	3,748,915	162,175	20,018	5,206	3,936,314
Debt securities issued	754,885	17,806	—	—	772,691
Lease liabilities	10,227	123	139	—	10,489
Other liabilities	92,404	10,161	866	219	103,650
<b>Total liabilities</b>	<b>6,197,769</b>	<b>340,862</b>	<b>31,953</b>	<b>33,180</b>	<b>6,603,764</b>
<b>Net position</b>	<b>384,710</b>	<b>101,998</b>	<b>12,454</b>	<b>39,715</b>	<b>538,877</b>
Foreign currency derivatives	1,066	(2,159)	(247)	—	(1,340)
Off-balance sheet credit commitments	1,325,696	23,615	1,344	6,052	1,356,707

## Notes to the Condensed Consolidated Interim Financial Statements (Continued)

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

### 4 Financial risk management (continued)

#### 4.3 Market risk (continued)

##### (2) Currency risk (continued)

	31 December 2019				
	RMB	USD	HKD	Others	Total
Assets:					
Cash and balances with central bank	330,456	40,261	229	209	371,155
Balances with banks and other financial institutions	31,357	18,794	1,014	2,015	53,180
Placements with banks and other financial institutions	199,318	35,123	8,242	5,882	248,565
Financial assets held under resale agreements	65,799	—	—	—	65,799
Loans and advances to customers	3,256,901	117,744	37,048	18,734	3,430,427
Financial investments	2,036,310	127,705	6,789	13,501	2,184,305
Long-term receivables	87,328	29,265	—	—	116,593
Other assets	155,513	38,992	2,092	15,220	211,817
<b>Total assets</b>	<b>6,162,982</b>	<b>407,884</b>	<b>55,414</b>	<b>55,561</b>	<b>6,681,841</b>
Liabilities:					
Borrowings from central bank	198,843	—	—	—	198,843
Deposits and placements from banks and other financial institutions	1,035,669	96,254	17,152	13,979	1,163,054
Borrowings from banks and other financial institutions	73,513	56,340	2,442	—	132,295
Financial assets sold under repurchase agreements	88,259	11,112	—	2,334	101,705
Deposits from customers	3,456,331	156,249	14,077	10,377	3,637,034
Debt securities issued	795,962	21,263	—	—	817,225
Lease liabilities	10,068	237	114	1	10,420
Other liabilities	83,588	5,702	898	248	90,436
<b>Total liabilities</b>	<b>5,742,233</b>	<b>347,157</b>	<b>34,683</b>	<b>26,939</b>	<b>6,151,012</b>
<b>Net position</b>	<b>420,749</b>	<b>60,727</b>	<b>20,731</b>	<b>28,622</b>	<b>530,829</b>
Foreign currency derivatives	(93)	1,160	(39)	—	1,028
Off-balance sheet credit commitments	1,287,353	30,512	1,794	5,767	1,325,426

## Notes to the Condensed Consolidated Interim Financial Statements (Continued)

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

### 4 Financial risk management (continued)

#### 4.3 Market risk (continued)

##### (2) Currency risk (continued)

The Group conducts sensitivity analysis on the net foreign currency position to identify the impact on the income statement of potential movements in foreign currency exchange rates against the RMB. As at 30 June 2020, assuming other variables remain unchanged, an appreciation of one hundred basis points of the US dollar against the RMB would increase both the Group's net profit and equity by RMB1,156 million (31 December 2019: increase by RMB826 million); a depreciation of one hundred basis points of the US dollar against the RMB would decrease both the Group's net profit and equity by RMB1,156 million (31 December 2019: decrease by RMB826 million).

The sensitivity analysis mentioned above is based on a static foreign exchange exposure profile of assets and liabilities that contains the following assumptions:

- a. The sensitivity of each type of exchange rate refers to the exchange gain or loss caused by a fluctuation in the absolute value of closing foreign currency rate by one hundred basis points against the RMB's average rate on the reporting date;
- b. The fluctuation of exchange rates by one hundred basis points is based on the assumption of exchange rates movement from the current reporting date to the next reporting date;
- c. The fluctuation of exchange rates for all foreign currencies represents the fluctuation of exchange rates in US dollars and other foreign currencies against RMB in the same direction simultaneously. Due to the immaterial proportion of the Group's total assets and liabilities denominated in currencies other than US dollars, other foreign currencies are converted into US dollars through sensitivity analysis;
- d. The foreign exchange exposures calculated includes spot and forward foreign exchange exposures and swaps;
- e. Other variables (including interest rates) remained unchanged; and
- f. The analysis does not take into account the effect of risk management measures taken by the Group.



## Notes to the Condensed Consolidated Interim Financial Statements (Continued)

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

### 4 Financial risk management (continued)

#### 4.3 Market risk (continued)

##### (2) Currency risk (continued)

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

##### (3) Interest rate risk

Interest rate risk refers to the adverse changes of the level of interest rate, term structure and other factors, which lead to loss on the economic value and bank revenue. Interest rate risk include gap risk, basis risk and option risk, and the gap risk and basis risk are the main sources of risk for the Group.

##### *a. The trading books*

The adverse changes due to the interest rate risk of the trading books related to the financial instruments and commodity positions will cause loss for trading books. The scope of managing interest rate risk of the trading books covers all products and businesses that are sensitive to changes in interest rates, including domestic and foreign currency bond investments, money market transactions, interest rate derivatives, foreign exchange derivatives, precious metal derivatives, and complex derivatives, etc.

The Group mainly uses indicators for scale size, profit and loss indicators, valuation, sensitivity analysis, VaR analysis, duration analysis, stress testing and other methods to quantitatively analyze interest rate risk, and incorporates market risk measurement models into daily risk management.

The Group sets risk limits such as interest rate sensitivity, duration, exposure, and loss limits to effectively control the interest rate risk of the trading books, and manages the interest rate risk within exposure limit through daily monitoring.

## Notes to the Condensed Consolidated Interim Financial Statements (Continued)

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

### 4 Financial risk management (continued)

#### 4.3 Market risk (continued)

##### (3) Interest rate risk (continued)

###### *b. The banking books*

The primary techniques applied by the Group in measuring and analysing interest rate risk are mainly scenario analyses, repricing gap analyses, duration analyses and stress testing. The Group manage the interest rate risk in the frame of the exposure limit by periodically monitoring and reporting.

The Group closely monitors trends of interest rate changes for both RMB and foreign currencies, follows market interest rate changes, performs proper scenario analyses, and adjusts interest rates of deposits and loans in both RMB and foreign currencies to manage interest rate risk.

## Notes to the Condensed Consolidated Interim Financial Statements (Continued)

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

### 4 Financial risk management (continued)

#### 4.3 Market risk (continued)

##### (3) Interest rate risk (continued)

The following tables present the Group's exposure to interest rate risk, indicating net carrying amounts of assets and liabilities based on their contractual repricing dates (or maturity dates whichever are earlier).

	30 June 2020					Total
	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Non-interest bearing	
<b>Assets:</b>						
Cash and balances with central bank	405,504	—	—	—	5,880	411,384
Balances with banks and other financial institutions	60,094	1,806	—	—	452	62,352
Placements with banks and other financial institutions	104,993	149,256	4,599	—	1,249	260,097
Financial assets held under resale agreements	17,007	1,647	—	—	58	18,712
Loans and advances to customers	1,337,755	1,485,783	654,325	224,759	27,592	3,730,214
Financial investments	481,895	395,204	1,095,329	330,903	39,632	2,342,963
Long-term receivables	123,561	—	—	—	—	123,561
Other assets	—	—	—	—	193,358	193,358
<b>Total assets</b>	<b>2,530,809</b>	<b>2,033,696</b>	<b>1,754,253</b>	<b>555,662</b>	<b>268,221</b>	<b>7,142,641</b>
<b>Liabilities:</b>						
Borrowings from central bank	78,900	172,112	—	—	4,951	255,963
Deposits and placements from banks and other financial institutions	839,834	438,044	2,000	—	4,872	1,284,750
Borrowings from banks and other financial institutions	68,677	50,976	9,916	2,211	681	132,461
Financial assets sold under repurchase agreements	75,684	31,473	—	—	289	107,446
Deposits from customers	2,637,160	683,552	581,700	390	33,512	3,936,314
Debt securities issued	160,023	378,160	86,708	143,943	3,857	772,691
Lease liabilities	768	2,066	6,408	1,247	—	10,489
Other liabilities	2,391	—	—	—	101,259	103,650
<b>Total liabilities</b>	<b>3,863,437</b>	<b>1,756,383</b>	<b>686,732</b>	<b>147,791</b>	<b>149,421</b>	<b>6,603,764</b>
<b>Interest rate gap</b>	<b>(1,332,628)</b>	<b>277,313</b>	<b>1,067,521</b>	<b>407,871</b>	<b>118,800</b>	<b>538,877</b>

## Notes to the Condensed Consolidated Interim Financial Statements (Continued)

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

### 4 Financial risk management (continued)

#### 4.3 Market risk (continued)

##### (3) Interest rate risk (continued)

	31 December 2019					Non-interest bearing	Total
	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years			
Assets:							
Cash and balances with central bank	365,248	—	—	—	5,907	371,155	
Balances with banks and other financial institutions	48,864	4,200	—	—	116	53,180	
Placements with banks and other financial institutions	87,593	149,111	11,390	—	471	248,565	
Financial assets held under resale agreements	62,204	3,486	—	—	109	65,799	
Loans and advances to customers	2,326,182	583,392	383,625	112,174	25,054	3,430,427	
Financial investments	435,701	426,265	1,039,163	241,350	41,826	2,184,305	
Long-term receivables	116,593	—	—	—	—	116,593	
Other assets	—	—	—	—	211,817	211,817	
<b>Total assets</b>	<b>3,442,385</b>	<b>1,166,454</b>	<b>1,434,178</b>	<b>353,524</b>	<b>285,300</b>	<b>6,681,841</b>	
Liabilities:							
Borrowings from central bank	125	196,810	—	—	1,908	198,843	
Deposits and placements from banks and other financial institutions	872,433	283,515	2,000	—	5,106	1,163,054	
Borrowings from banks and other financial institutions	39,429	58,817	20,991	12,264	794	132,295	
Financial assets sold under repurchase agreements	77,651	23,727	60	—	267	101,705	
Deposits from customers	2,560,332	605,982	437,724	50	32,946	3,637,034	
Debt securities issued	306,176	319,427	73,390	113,926	4,306	817,225	
Lease liabilities	687	1,990	6,236	1,507	—	10,420	
Other liabilities	729	—	—	—	89,707	90,436	
<b>Total liabilities</b>	<b>3,857,562</b>	<b>1,490,268</b>	<b>540,401</b>	<b>127,747</b>	<b>135,034</b>	<b>6,151,012</b>	
<b>Interest rate gap</b>	<b>(415,177)</b>	<b>(323,814)</b>	<b>893,777</b>	<b>225,777</b>	<b>150,266</b>	<b>530,829</b>	

## Notes to the Condensed Consolidated Interim Financial Statements (Continued)

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

### 4 Financial risk management (continued)

#### 4.3 Market risk (continued)

##### (3) Interest rate risk (continued)

If yield curves for respective currencies move in parallel for 100 basis points on 1 January, their potential impact on the Group's net interest income and shareholders' equity for the following year is as follows:

	30 June 2020 (Loss)/Gain	31 December 2019 (Loss)/Gain
Up 100 bps parallel shift in yield curves	(7,966)	(3,635)
Down 100 bps parallel shift in yield curves	7,966	3,635

In performing the interest rate sensitivity analysis, the Group and the Bank have made general assumptions in defining business terms and financial parameters, but have not considered the following:

- business changes after the end of the reporting period, as the analysis is performed based on the static gap at the end of the reporting period;
- the impact of interest rate fluctuations on customers' behaviour;
- the complicated relationship between complex structured products (e.g. embedded call options and other derivative financial instruments) and interest rate fluctuations;
- the impact of interest rate fluctuations on market prices;
- the impact of interest rate fluctuations on off-balance sheet products;
- the impact of interest rate fluctuations on fair value of financial instruments;
- other variables (including foreign exchange rate); and
- other risk management measures in the Group.

## Notes to the Condensed Consolidated Interim Financial Statements (Continued)

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

### 4 Financial risk management (continued)

#### 4.4 Liquidity risk

Liquidity risk is the risk that the Group is unable to promptly obtain funds at reasonable cost to repay maturing liabilities, discharge other payment obligations and meet other funding needs in the course of normal operations.

During the reporting period, the Bank's subsidiaries manage their respective liquidity risks according to the Group's liquidity risk management framework, and the Bank manages the liquidity risk of all its branches and business lines.

The Bank is exposed to daily calls on its available cash resources from overnight deposits, demand deposits, maturing time deposits, loan drawdowns, guarantees and other calls on cash-settled derivatives. The Bank does not maintain cash resources to meet all these needs, as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. The Bank sets limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level of interbank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand.

During the reporting period, the Bank was required to maintain 9% of the total RMB denominated deposits and 5% of the total foreign currency denominated balances as statutory reserves with the PBOC.

Liquidity requirements to support calls under guarantees and standby letters of credit are considerably less than the full amounts under commitments, because the Bank does not generally expect the third party to fully draw funds under those agreements. The total outstanding contractual amount of commitments to extend credit does not necessarily represent future cash requirements, since many of these commitments will expire or terminate without being funded.

## Notes to the Condensed Consolidated Interim Financial Statements (Continued)

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

### 4 Financial risk management (continued)

#### 4.4 Liquidity risk (continued)

##### (1) Liquidity risk management policy

The Bank and its subsidiaries separately and independently develop their liquidity risk management policies.

The Board of Directors is ultimately responsible for liquidity risk management including reviewing and approving liquidity risk appetite, liquidity risk management strategy, major policies and procedures. The Bank's senior management is responsible for formulating liquidity risk management policies according to the development strategy of the Bank. The Assets and Liabilities Management Department is responsible for the daily liquidity risk management through the following procedures:

- To manage the day-to-day position through monitoring the future cash flow to ensure it meets the required fund position, including matured deposits and replenishment of funds for loan demand. The Bank actively participates in global money market transactions to ensure that the Bank's funding requirements are satisfied;
- To set ratio requirements and transactions limits to help monitor and manage liquidity risks. The ratios include but are not limited to liquidity coverage ratios, liquidity ratios and net stable funding ratios;
- To measure and monitor cash flows through the Bank's asset and liabilities management system, and perform liquidity scenario analyses and stress testing on overall assets and liabilities to satisfy internal and external requirements. Various techniques are used to estimate the Bank's liquidity requirements, and liquidity risk management decisions are made based on the estimated liquidity requirements and within respective terms of reference. A periodical reporting system is established to promptly update senior management on latest liquidity risk information;
- To monitor the maturity concentration risk of financial assets and hold an appropriate quantity of high-liquidity and high-market-value assets to ensure the Bank is well positioned to fund its repayment obligations and business growth in the event of an interruption of cash flows due to whatever causes.



## Notes to the Condensed Consolidated Interim Financial Statements (Continued)

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

### 4 Financial risk management (continued)

#### 4.4 Liquidity risk (continued)

##### (2) Maturity analysis

The following tables analyse the Group's assets and liabilities based on remaining periods to repayment as at the end of the reporting period.

	30 June 2020							Total
	Indefinite	Repayable on demand	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	More than 5 years	
<b>Assets:</b>								
Cash and balances with central bank	344,293	67,091	–	–	–	–	–	411,384
Balances with banks and other financial institutions	407	56,397	1,759	1,975	1,814	–	–	62,352
Placements with banks and other financial institutions	661	–	52,168	53,355	149,309	4,604	–	260,097
Financial assets held under resale agreements	–	–	15,184	1,861	1,667	–	–	18,712
Loans and advances to customers	26,936	7,336	360,033	224,812	1,075,990	1,161,700	873,407	3,730,214
Financial investments	205,468	608	91,776	177,215	402,478	1,129,164	336,254	2,342,963
Long-term receivables	5,644	2,311	4,362	8,271	31,968	60,196	10,809	123,561
Other assets	125,597	17,127	17,780	11,210	9,742	11,744	158	193,358
<b>Total assets</b>	<b>709,006</b>	<b>150,870</b>	<b>543,062</b>	<b>478,699</b>	<b>1,672,968</b>	<b>2,367,408</b>	<b>1,220,628</b>	<b>7,142,641</b>
<b>Liabilities:</b>								
Borrowings from central bank	–	–	28,376	52,874	174,713	–	–	255,963
Deposits and placements from banks and other financial institutions	–	233,411	290,583	319,083	439,462	2,211	–	1,284,750
Borrowings from banks and other financial institutions	–	–	25,282	28,691	49,124	18,832	10,532	132,461
Financial assets sold under repurchase agreements	–	–	37,187	38,706	31,553	–	–	107,446
Deposits from customers	–	1,488,091	854,211	299,994	693,001	600,627	390	3,936,314
Debt securities issued	–	–	46,758	114,508	380,774	86,708	143,943	772,691
Lease liabilities	–	–	249	519	2,066	6,408	1,247	10,489
Other liabilities	2,591	28,592	29,245	22,416	15,758	4,132	916	103,650
<b>Total liabilities</b>	<b>2,591</b>	<b>1,750,094</b>	<b>1,311,891</b>	<b>876,791</b>	<b>1,786,451</b>	<b>718,918</b>	<b>157,028</b>	<b>6,603,764</b>
<b>Net position</b>	<b>706,415</b>	<b>(1,599,224)</b>	<b>(768,829)</b>	<b>(398,092)</b>	<b>(113,483)</b>	<b>1,648,490</b>	<b>1,063,600</b>	<b>538,877</b>
Notional amount of derivatives	–	–	611,251	781,302	1,571,584	713,307	5,444	3,682,888

## Notes to the Condensed Consolidated Interim Financial Statements (Continued)

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

### 4 Financial risk management (continued)

#### 4.4 Liquidity risk (continued)

##### (2) Maturity analysis (continued)

	31 December 2019							Total
	Indefinite	Repayable on demand	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	More than 5 years	
Assets:								
Cash and balances with central bank	323,472	47,683	—	—	—	—	—	371,155
Balances with banks and other financial institutions	—	44,479	2,394	2,065	4,242	—	—	53,180
Placements with banks and other financial institutions	262	—	52,252	35,405	149,257	11,389	—	248,565
Financial assets held under resale agreements	—	—	58,193	4,065	3,541	—	—	65,799
Loans and advances to customers	25,729	8,184	376,938	203,774	1,014,375	1,016,649	784,778	3,430,427
Financial investments	157,336	1,232	66,430	204,161	443,136	1,067,491	244,519	2,184,305
Long-term receivables	1,952	1,518	4,582	7,930	37,110	51,158	12,343	116,593
Other assets	116,487	22,052	15,108	14,449	28,658	13,724	1,339	211,817
<b>Total assets</b>	<b>625,238</b>	<b>125,148</b>	<b>575,897</b>	<b>471,849</b>	<b>1,680,319</b>	<b>2,160,411</b>	<b>1,042,979</b>	<b>6,681,841</b>
Liabilities:								
Borrowings from central bank	—	—	21	109	198,713	—	—	198,843
Deposits and placements from banks and other financial institutions	—	257,835	237,363	381,444	284,236	2,176	—	1,163,054
Borrowings from banks and other financial institutions	—	—	13,809	25,905	59,274	21,020	12,287	132,295
Financial assets sold under repurchase agreements	—	—	38,205	39,679	23,761	60	—	101,705
Deposits from customers	—	1,412,935	809,633	339,780	615,567	459,069	50	3,637,034
Debt securities issued	—	—	46,930	261,079	321,921	73,332	113,963	817,225
Lease liabilities	—	—	309	378	1,990	6,236	1,507	10,420
Other liabilities	2,145	33,145	17,517	10,882	22,571	2,085	2,091	90,436
<b>Total liabilities</b>	<b>2,145</b>	<b>1,703,915</b>	<b>1,163,787</b>	<b>1,059,256</b>	<b>1,528,033</b>	<b>563,978</b>	<b>129,898</b>	<b>6,151,012</b>
<b>Net position</b>	<b>623,093</b>	<b>(1,578,767)</b>	<b>(587,890)</b>	<b>(587,407)</b>	<b>152,286</b>	<b>1,596,433</b>	<b>913,081</b>	<b>530,829</b>
Notional amount of derivatives	—	—	471,559	602,402	2,094,200	691,455	5,444	3,865,060

## Notes to the Condensed Consolidated Interim Financial Statements (Continued)

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

### 4 Financial risk management (continued)

#### 4.4 Liquidity risk (continued)

##### (3) Analysis on contractual undiscounted cash flows of non-derivative assets and liabilities

The following tables analyse the Group's contractual undiscounted cash flows of non-derivative assets and liabilities as at the end of the reporting period. The Group manages inherent liquidity risk based on its estimation of expected future cash flows.

	30 June 2020						Total
	Repayable on demand	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	More than 5 years and indefinite	
<b>Assets:</b>							
Cash and balances with central bank	67,091	–	–	–	–	344,293	411,384
Balances with banks and other financial institutions	56,404	1,764	1,979	1,832	–	407	62,386
Placements with banks and other financial institutions	–	52,197	54,326	149,596	4,730	661	261,510
Financial assets held under resale agreements	–	15,189	1,870	1,779	–	–	18,838
Loans and advances to customers	10,651	371,688	252,524	1,186,573	1,441,673	1,297,675	4,560,784
Financial investments	608	100,048	182,234	441,902	1,167,888	601,019	2,493,699
Long-term receivables	2,502	4,725	8,894	35,265	71,412	23,447	146,245
Other assets	17,127	15,483	3,392	4,035	10,728	125,560	176,325
<b>Total assets (expected maturity date)</b>	<b>154,383</b>	<b>561,094</b>	<b>505,219</b>	<b>1,820,982</b>	<b>2,696,431</b>	<b>2,393,062</b>	<b>8,131,171</b>
<b>Liabilities:</b>							
Borrowings from central bank	–	28,408	53,099	177,587	–	–	259,094
Deposits and placements from banks and other financial institutions	233,541	290,921	320,237	443,524	2,365	–	1,290,588
Borrowings from banks and other financial institutions	–	25,337	28,991	50,585	20,685	11,105	136,703
Financial assets sold under repurchase agreements	–	37,201	38,781	31,978	–	–	107,960
Deposits from customers	1,488,091	854,430	300,275	694,836	633,254	465	3,971,351
Debt securities issued	–	48,020	116,575	388,907	114,459	166,401	834,362
Lease liabilities	–	277	577	2,298	7,130	1,387	11,669
Other liabilities	28,592	26,721	20,377	7,758	2,809	3,223	89,480
<b>Total liabilities (contractual maturity date)</b>	<b>1,750,224</b>	<b>1,311,315</b>	<b>878,912</b>	<b>1,797,473</b>	<b>780,702</b>	<b>182,581</b>	<b>6,701,207</b>

## Notes to the Condensed Consolidated Interim Financial Statements (Continued)

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

### 4 Financial risk management (continued)

#### 4.4 Liquidity risk (continued)

##### (3) Analysis on contractual undiscounted cash flows of non-derivative assets and liabilities (continued)

	31 December 2019						Total
	Repayable on demand	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	More than 5 years and indefinite	
Assets:							
Cash and balances with central bank	47,962	—	—	—	—	328,555	376,517
Balances with banks and other financial institutions	44,479	2,411	2,072	4,261	—	—	53,223
Placements with banks and other financial institutions	—	52,255	37,122	152,228	11,653	262	253,520
Financial assets held under resale agreements	—	58,218	4,084	3,728	—	—	66,030
Loans and advances to customers	11,512	385,898	214,028	1,051,049	1,140,453	1,233,619	4,036,559
Financial investments	1,232	75,576	207,935	478,595	1,164,444	406,502	2,334,284
Long-term receivables	1,654	4,979	8,614	41,028	61,327	21,770	139,372
Other assets	22,052	11,062	3,648	8,776	12,336	117,721	175,595
<b>Total assets (expected maturity date)</b>	<b>128,891</b>	<b>590,399</b>	<b>477,503</b>	<b>1,739,665</b>	<b>2,390,213</b>	<b>2,108,429</b>	<b>7,435,100</b>
Liabilities:							
Borrowings from central bank	—	21	111	203,316	—	—	203,448
Deposits and placements from banks and other financial institutions	258,834	237,688	383,424	288,516	2,360	—	1,170,822
Borrowings from banks and other financial institutions	—	13,966	26,454	60,980	24,019	13,442	138,861
Financial assets sold under repurchase agreements	—	38,233	39,848	24,000	64	—	102,145
Deposits from customers	1,412,935	809,642	339,867	615,779	480,690	3,869	3,662,782
Debt securities issued	—	47,172	266,818	334,482	97,303	130,043	875,818
Lease liabilities	—	346	423	2,225	6,970	1,685	11,649
Other liabilities	33,145	15,294	7,487	11,249	1,425	4,043	72,643
<b>Total liabilities (contractual maturity date)</b>	<b>1,704,914</b>	<b>1,162,362</b>	<b>1,064,432</b>	<b>1,540,547</b>	<b>612,831</b>	<b>153,082</b>	<b>6,238,168</b>

## Notes to the Condensed Consolidated Interim Financial Statements (Continued)

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

### 4 Financial risk management (continued)

#### 4.4 Liquidity risk (continued)

##### (4) Analysis on contractual undiscounted cash flows of derivatives

###### (a) Derivatives settled on a net basis

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

Interest rate derivatives      Interest rate swaps

Credit derivatives              Credit default swaps

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

	30 June 2020					Total
	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	More than 5 years	
Interest rate derivatives	(33)	(93)	(290)	(404)	(24)	(844)
Credit derivatives	(1)	—	—	(2)	—	(3)
<b>Total</b>	<b>(34)</b>	<b>(93)</b>	<b>(290)</b>	<b>(406)</b>	<b>(24)</b>	<b>(847)</b>

	31 December 2019					Total
	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	More than 5 years	
Interest rate derivatives	(64)	(129)	(69)	(332)	18	(576)
Credit derivatives	(1)	(1)	—	(1)	—	(3)
<b>Total</b>	<b>(65)</b>	<b>(130)</b>	<b>(69)</b>	<b>(333)</b>	<b>18</b>	<b>(579)</b>

###### (b) Derivatives settled on a gross basis

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

Foreign exchange derivatives      Foreign exchange forwards, currency swaps and currency options

Precious metal derivatives          Precious metal forwards, swaps and options

Other derivatives                      Futures and equity derivatives

## Notes to the Condensed Consolidated Interim Financial Statements (Continued)

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

### 4 Financial risk management (continued)

#### 4.4 Liquidity risk (continued)

##### (4) Analysis on contractual undiscounted cash flows of derivatives (continued)

##### (b) Derivatives settled on a gross basis (continued)

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

	30 June 2020					
	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Foreign exchange derivatives						
– Cash outflow	(431,289)	(501,037)	(904,633)	(50,671)	(5,907)	(1,893,537)
– Cash inflow	430,668	501,100	909,814	50,580	35	1,892,197
Precious metal derivatives						
– Cash outflow	(5,873)	(6,576)	(38,316)	–	–	(50,765)
– Cash inflow	5,689	7,455	37,892	–	–	51,036
Total cash outflow	(437,162)	(507,613)	(942,949)	(50,671)	(5,907)	(1,944,302)
Total cash inflow	436,357	508,555	947,706	50,580	35	1,943,233

	31 December 2019					
	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Foreign exchange derivatives						
– Cash outflow	(307,018)	(331,733)	(1,251,470)	(43,409)	–	(1,933,630)
– Cash inflow	306,978	331,675	1,251,525	44,480	–	1,934,658
Precious metal derivatives						
– Cash outflow	(24,989)	(24,501)	(89,797)	(4,266)	–	(143,553)
– Cash inflow	24,948	24,137	88,114	4,266	–	141,465
Total cash outflow	(332,007)	(356,234)	(1,341,267)	(47,675)	–	(2,077,183)
Total cash inflow	331,926	355,812	1,339,639	48,746	–	2,076,123

## Notes to the Condensed Consolidated Interim Financial Statements (Continued)

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

### 4 Financial risk management (continued)

#### 4.4 Liquidity risk (continued)

##### (5) Analysis on contractual undiscounted cash flows of commitments

Management treats contractual maturity as the best estimate for analysing liquidity risk of off-balance sheet items, unless an objective evidence of default is identified.

	30 June 2020			
	Less than 1 year	1 to 5 years	More than 5 years	Total
Bank acceptances	574,175	—	—	574,175
Letters of credit	153,165	342	—	153,507
Guarantees	104,262	51,075	4,056	159,393
Unused credit card commitments	461,985	—	—	461,985
Irrevocable loan commitments	4,819	2,208	—	7,027
Finance lease commitments	620	—	—	620
<b>Total</b>	<b>1,299,026</b>	<b>53,625</b>	<b>4,056</b>	<b>1,356,707</b>

	31 December 2019			
	Less than 1 year	1 to 5 years	More than 5 years	Total
Bank acceptances	542,571	—	—	542,571
Letters of credit	132,847	4,125	—	136,972
Guarantees	72,634	71,583	15,029	159,246
Unused credit card commitments	440,038	—	—	440,038
Irrevocable loan commitments	9,307	36,603	—	45,910
Finance lease commitments	689	—	—	689
<b>Total</b>	<b>1,198,086</b>	<b>112,311</b>	<b>15,029</b>	<b>1,325,426</b>



## Notes to the Condensed Consolidated Interim Financial Statements (Continued)

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

### 4 Financial risk management (continued)

#### 4.5 Operational risk

Operational risk refers to the risk of loss due to deficient and flawed internal procedures, personnel and information technology (IT) system, or external events. The operational risk of the Group mainly comprises internal and external fraud, employment system, and safety of working places, events related to customers, products and operation, damages of tangible assets, interruption of business, failure of IT system, implementation, delivery and process management.

The Bank devoted to promoting the implementation of the three major operational risk management tools in the Bank and the establishment of operational risk management information system, according to the regulatory requirements of operational risk. The Bank has carried out Risk Control Self Assessment (RCSA), established key risk indicator monitoring system and internal loss issue management system regarding operational risk. Besides, the Bank conducted operational risk cost measurement and enhanced the outsourcing risk management, and promoted the establishment of business continuity management. Furthermore, the Bank focused on investigation of the risk on business field systematically.

#### 4.6 Country risk

The Group is exposed to country risk, which represents the risk due to changes and incidents occurred in the economy, politics and society of a specific country or region, which results in the borrowers or debtors in that country or region incapable of or unwilling to pay their debts owed to the Group or otherwise leads to business losses or other losses to the Group in that country or region. The country risk results from the economic deterioration of a specific country or region, the political and social turmoil, the nationalization or expropriation of assets, the Government's refusal of debt redemption, the restriction of foreign currency, the currency depreciation, and so on.

The country risk faced by the Group mainly arises from overseas credit business, bond investment, bill business, interbank financing, financial derivative trading, offshore leasing business, investment banking business, securities investment and establishment of overseas institutions.

Country risk management is included in the comprehensive risk management system of the Group and serves the objective of business strategy of the Bank. The Group manages and controls country risk through a number of tools including risk assessment and rating, limit setting, monitoring, improvement to review procedures, and formulation of policies to accrue country risk reserve.

## Notes to the Condensed Consolidated Interim Financial Statements (Continued)

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

### 4 Financial risk management (continued)

#### 4.7 Capital management

In managing capital, the Group enhances capital budget, capital configuration and evaluation management, optimize business structure, promote capital utilization efficiency and create value, based on meeting regulatory requirements and raising risk resistance ability.

Starting from 1 January 2013, the Group computes the capital adequacy ratios in accordance with *The Capital Rules for Commercial Banks (Provisional)* and other relevant regulations issued by the CBIRC. The on-balance sheet risk-weighted assets are measured by using different risk weights, which are determined in accordance with Appendix 2 of *The Capital Rules for Commercial Banks (Provisional)*, and taking into account the risk mitigation effect provided by the qualified pledges or qualified guarantee entities. The off-balance sheet risk-weighted assets are measured by multiplying the nominal amounts with the credit conversion factors to come out the on-balance sheet assets equivalents, then applied same approach used for on-balance sheet assets for risk-weighted assets computation. Market risk-weighted assets are calculated by using the standardised approach. Operational risk-weighted assets are calculated by using basic indicator approach.

The CBIRC requires commercial banks to meet the requirements of capital adequacy ratios in accordance with *The Capital Rules for Commercial Banks (Provisional)*. For non-systemically important banks, the minimum ratios for core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio are 7.50%, 8.50% and 10.50%, respectively.

## Notes to the Condensed Consolidated Interim Financial Statements (Continued)

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

### 4 Financial risk management (continued)

#### 4.7 Capital management (continued)

The Group calculates the core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio in accordance with *The Capital Rules for Commercial Banks (Provisional)* and relevant requirements promulgated by the CBIRC as below:

	30 June 2020	31 December 2019
Core tier-one capital adequacy ratio	8.24%	8.89%
Tier-one capital adequacy ratio	9.50%	10.28%
Capital adequacy ratio	12.72%	13.17%
Components of capital base		
Core tier-one capital:		
Share capital	43,782	43,782
Valid portion of capital reserve	57,483	57,411
Surplus reserve	45,162	45,162
General reserve	81,754	81,657
Retained earnings	228,899	218,746
Valid portion of non-controlling interests	7,211	7,580
Others	477	2,227
Total core tier-one capital	464,768	456,565
Core tier-one capital deductions	(1,563)	(1,477)
Net core tier-one capital	463,205	455,088
Other tier-one capital	70,821	70,871
Net tier-one capital	534,026	525,959
Tier-two capital:		
Valid portion of tier-two capital instruments issued and share premium	143,943	113,926
Surplus provision for loan impairment	35,097	31,837
Valid portion of non-controlling interests	1,921	2,019
Net tier-two capital	180,961	147,782
Net capital base	714,987	673,741
Credit risk-weighted assets	5,199,133	4,733,503
Market risk-weighted assets	126,622	88,596
Operational risk-weighted assets	294,927	294,927
Total risk-weighted assets	5,620,682	5,117,026

## Notes to the Condensed Consolidated Interim Financial Statements (Continued)

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

### 5 Segment information

The Group conducts business activities in key business lines and geographical regions.

Segment assets, liabilities, revenues, and expenditures are measured following the Group's accounting policies and internal management rules. The items of each segment include those which can be directly attributable to the segment or can be assigned to the segment based on reasonable criteria.

As a part of the management of assets and liabilities, the Group's capital resources are allocated to various business segments through the Treasury Department of the Head Office. The Group's internal transfer pricing mechanism uses market interest rates as the benchmark and determines transfer prices concerning the internal capital pool. The impact of internal trading has been offset when preparing the consolidated statements.

Capital expenditures of each segment refer to spending relating to purchasing fixed assets, intangible assets, and other long-term assets during the reporting period.

## Notes to the Condensed Consolidated Interim Financial Statements (Continued)

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

### 5 Segment information (continued)

#### 5.1 Business segments

- (a) Corporate banking Providing banking products and services for corporate customers, government agencies and financial institutions. These products and services include corporate deposits, corporate loans, investment business, interbank business, financial markets business and various corporate intermediary business.
- (b) Retail banking Providing banking products and services for individual clients and small and micro-enterprises. These products and services include loans, credit and debit cards services, wealth management, private banking and various retail intermediary businesses.
- (c) Others Group's bond investments and money markets transactions which conducted on-demand for liquidity management, and those other businesses which cannot form a single reportable segment and businesses of subsidiaries.

## Notes to the Condensed Consolidated Interim Financial Statements (Continued)

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

### 5 Segment information (continued)

#### 5.1 Business segments (continued)

	Six months ended 30 June 2020			
	Corporate banking	Retail banking	Others	Total
Operating income	54,318	36,697	5,744	96,759
Net interest income	36,364	13,976	4,816	55,156
Include: inter-segment net interest income/(expense)	2,210	(8,702)	6,492	—
Net fee and commission income	5,424	22,309	693	28,426
Net other income	12,530	412	235	13,177
Operating expenses	(7,749)	(9,271)	(3,639)	(20,659)
Credit impairment losses	(25,940)	(16,160)	(914)	(43,014)
Other impairment losses	(3)	—	—	(3)
Profit before income tax	20,626	11,266	1,191	33,083
Depreciation and amortisation	2,147	1,452	279	3,878
Capital expenditure	1,129	763	6,628	8,520

	As at 30 June 2020			
	Corporate banking	Retail banking	Others	Total
Segment assets	4,720,463	1,492,671	888,157	7,101,291
Include: Investments in associates				2
Deferred income tax assets				41,350
Total assets				7,142,641
Segment liabilities	(4,873,824)	(938,686)	(791,129)	(6,603,639)
Deferred income tax liabilities				(125)
Total liabilities				(6,603,764)
Credit commitments	835,572	520,417	718	1,356,707

## Notes to the Condensed Consolidated Interim Financial Statements (Continued)

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

### 5 Segment information (continued)

#### 5.1 Business segments (continued)

	Six months ended 30 June 2019			
	Corporate banking	Retail banking	Others	Total
Operating income	50,013	32,269	4,801	87,083
Net interest income	30,138	12,399	2,986	45,523
Include: inter-segment net interest income/(expense)	4,561	(9,276)	4,715	—
Net fee and commission income	7,866	19,622	(206)	27,282
Net other income	12,009	248	2,021	14,278
Operating expenses	(6,156)	(8,354)	(4,714)	(19,224)
Credit impairment losses	(16,905)	(11,509)	(899)	(29,313)
Other impairment losses	(120)	(2)	(1)	(123)
Profit before income tax	26,832	12,404	(813)	38,423
Depreciation and amortisation	1,916	1,236	471	3,623
Capital expenditure	521	336	1,041	1,898

	As at 31 December 2019			
	Corporate banking	Retail banking	Others	Total
Segment assets	4,378,885	1,396,224	870,682	6,645,791
Include: Investments in associates				3
Deferred income tax assets				36,050
Total assets				6,681,841
Segment liabilities	(4,617,269)	(829,064)	(704,554)	(6,150,887)
Deferred income tax liabilities				(125)
Total liabilities				(6,151,012)
Credit commitments	797,132	527,606	688	1,325,426

## Notes to the Condensed Consolidated Interim Financial Statements (Continued)

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

### 5 Segment information (continued)

#### 5.2 Geographical segments

The Group mainly operates in Mainland China, with branches distributing across different provinces, autonomous regions and municipalities directly under the Central Government of the country. The Group also includes several subsidiaries in Mainland China and has one branch and subsidiary in Hong Kong.

Head Office	Including head office, credit card centre and institutions directly under the head office
Yangtze River Delta	Including branches in Shanghai, Zhejiang Province and Jiangsu Province
Pearl River Delta	Including branches in Guangdong Province and Fujian Province
Bohai Rim	Including branches in Beijing, Tianjin, Shandong Province and Hebei Province
North-eastern Region	Including branches in Liaoning Province, Jilin Province and Heilongjiang Province
Central Region	Including branches in Shanxi Province, Henan Province, Hunan Province, Hubei Province, Anhui Province, Jiangxi Province and Hainan Province
Western Region	Including branches in Chongqing, Sichuan Province, Yunnan Province, Shaanxi Province, Gansu Province, Guizhou Province, Qinghai Province, Ningxia Hui Autonomous Region, Xinjiang Uygur Autonomous Region, Guangxi Zhuang Autonomous Region, Inner Mongolia Autonomous Region and Tibet Autonomous Region
Overseas and Subsidiaries	Including Hong Kong Branch and subsidiaries



## Notes to the Condensed Consolidated Interim Financial Statements (Continued)

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

### 5 Segment information (continued)

#### 5.2 Geographical segments (continued)

	Six months ended 30 June 2020		As at 30 June 2020
	Operating income	Profit before income tax	Segment assets (1)
Head Office	36,536	11,714	3,603,855
Yangtze River Delta	14,266	7,850	1,218,272
Pearl River Delta	9,788	6,008	608,739
Bohai Rim	12,013	2,825	1,241,175
North-eastern Region	1,344	118	154,516
Central Region	8,716	742	470,385
Western Region	9,523	1,646	498,787
Overseas and subsidiaries	4,573	2,180	356,879
Inter-segment elimination	—	—	(1,051,317)
<b>Total</b>	<b>96,759</b>	<b>33,083</b>	<b>7,101,291</b>

	Six months ended 30 June 2019		As at 31 December 2019
	Operating income	Profit before income tax	Segment assets (1)
Head Office	35,823	16,629	3,270,046
Yangtze River Delta	12,511	8,613	1,149,633
Pearl River Delta	9,005	5,336	591,348
Bohai Rim	10,900	3,932	1,209,248
North-eastern Region	1,171	(1,368)	130,854
Central Region	7,012	(84)	450,942
Western Region	7,216	3,414	525,703
Overseas and subsidiaries	3,445	1,951	382,540
Inter-segment elimination	—	—	(1,064,523)
<b>Total</b>	<b>87,083</b>	<b>38,423</b>	<b>6,645,791</b>

(1) Segment assets do not include deferred tax assets.

## Notes to the Condensed Consolidated Interim Financial Statements (Continued)

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

### 6 Notes to the consolidated financial statements

#### 6.1 Net interest income

	Six months ended 30 June	
	2020	2019
Interest income arising from:		
Loans and advances to customers	89,999	78,039
Including: Corporate loans and advances	53,412	45,947
Personal loans and advances	32,499	29,162
Discounted bills	4,088	2,930
Financial investments	32,143	31,925
Including: Financial assets measured at amortised cost	22,980	22,765
Financial assets at fair value through other comprehensive income	9,163	9,160
Placements with banks and other financial institutions	4,779	6,074
Long-term receivables	3,362	3,190
Balances with central bank	2,599	2,564
Financial assets held under resale agreements	540	754
Balances with banks and other financial institutions	252	322
<b>Subtotal</b>	<b>133,674</b>	<b>122,868</b>
Interest expense arising from:		
Deposits from customers	(43,292)	(39,481)
Deposits and placements from banks and other financial institutions	(15,717)	(16,757)
Debt securities issued	(12,047)	(12,472)
Borrowings from central bank	(3,843)	(4,361)
Borrowings from banks and other financial institutions and others	(2,096)	(2,668)
Financial assets sold under repurchase agreements	(1,303)	(1,363)
Lease liabilities	(220)	(243)
<b>Subtotal</b>	<b>(78,518)</b>	<b>(77,345)</b>
<b>Net interest income</b>	<b>55,156</b>	<b>45,523</b>
Of which:		
Interest income from impaired financial assets	553	579

## Notes to the Condensed Consolidated Interim Financial Statements (Continued)

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

### 6 Notes to the consolidated financial statements (continued)

#### 6.2 Net fee and commission income

	Six months ended 30 June	
	2020	2019
Fee and commission income		
Bank card services	19,478	17,071
Agency services	3,451	4,543
Trust and other fiduciary services	3,534	3,406
Settlement services	1,721	2,110
Credit commitments	1,320	1,554
Others	1,158	751
Subtotal	30,662	29,435
Fee and commission expense	(2,236)	(2,153)
Net fee and commission income	28,426	27,282

#### 6.3 Net trading gain

	Six months ended 30 June	
	2020	2019
Net gain on interest rate instruments	2,062	5,526
Net gain/(loss) on precious metals and other products	800	(2,417)
Net gain on exchange rate instruments	475	1,712
Total	3,337	4,821

## Notes to the Condensed Consolidated Interim Financial Statements (Continued)

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

### 6 Notes to the consolidated financial statements (continued)

#### 6.4 Net gain from investment securities

	Six months ended 30 June	
	2020	2019
Financial assets at fair value through profit or loss	5,922	7,254
Financial assets at fair value through other comprehensive income	2,970	804
Financial assets measured at amortised cost	193	364
<b>Total</b>	<b>9,085</b>	<b>8,422</b>

#### 6.5 Operating expenses

	Six months ended 30 June	
	2020	2019
Staff costs, including directors' emoluments		
— Salaries, bonuses, allowances and subsidies payables	10,627	9,050
— Post-employment benefits-defined contribution plans	937	1,235
Depreciation and amortisation	2,809	2,734
Lease and property management expenses	383	573
Tax and surcharges	1,005	835
Office expenses	539	474
Business expenses and others	4,359	4,323
<b>Total</b>	<b>20,659</b>	<b>19,224</b>

## Notes to the Condensed Consolidated Interim Financial Statements (Continued)

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

### 6 Notes to the consolidated financial statements (continued)

#### 6.6 Credit impairment losses

	Six months ended 30 June	
	2020	2019
Loans and advances to customers	36,989	28,716
Financial assets measured at amortised cost	3,144	401
Financial assets at fair value through other comprehensive income	797	95
Credit loss of off-balance-sheet assets	497	(116)
Long-term receivables	315	295
Other receivables	1,184	57
Others	88	(135)
<b>Total</b>	<b>43,014</b>	<b>29,313</b>

#### 6.7 Income tax expense

	Six months ended 30 June	
	2020	2019
Current tax for the period	9,064	8,508
Deferred tax (Note 6.19)	(4,761)	(2,053)
<b>Total</b>	<b>4,303</b>	<b>6,455</b>

## Notes to the Condensed Consolidated Interim Financial Statements (Continued)

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

### 6 Notes to the consolidated financial statements (continued)

#### 6.7 Income tax expense (continued)

Reconciliation between income tax expense and accounting profit of the Group is listed as follows:

	Six months ended 30 June	
	2020	2019
Profit before income tax	<b>33,083</b>	38,423
Income tax at the tax rate of 25%	<b>8,271</b>	9,606
Effect of non-taxable income (1)	<b>(3,612)</b>	(3,384)
Effect of non-deductible expenses	<b>88</b>	107
Effect of tax adjustment for prior periods	<b>72</b>	132
Effect of deductible perpetual bond interest expense	<b>(485)</b>	—
Others	<b>(31)</b>	(6)
Income tax expense	<b>4,303</b>	6,455

(1) The non-taxable income mainly represents interest income arising from PRC government bonds and municipal bonds, which are exempted from income tax.

#### 6.8 Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to ordinary equity shareholders of the Bank by the weighted average number of ordinary shares in issue during the period. Diluted earnings per share is calculated by dividing the adjusted profit attributable to ordinary equity shareholders of the Bank based on assuming conversion of all dilutive potential shares for the period by the adjusted weighted average number of ordinary shares in issue.

The Bank issued non-cumulative preference shares and perpetual bonds in 2016 and 2019, under the terms and conditions as detailed in Note 6.31 Other equity instrument.

The conversion feature of preference shares is considered to fall within contingently issuable ordinary shares. The triggering events of conversion did not occur as at 31 December 2019, therefore the conversion feature of preference shares has no effect on the basic and diluted earnings per share calculation.

## Notes to the Condensed Consolidated Interim Financial Statements (Continued)

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

### 6 Notes to the consolidated financial statements (continued)

#### 6.8 Earnings per share (continued)

	Six months ended 30 June	
	2020	2019
Net profit attributable to ordinary equity shareholders of the Bank	<b>26,513</b>	31,623
Weighted average number of ordinary shares in issue (in millions)	<b>43,782</b>	43,782
Basic/Diluted earnings per share (in RMB)	<b>0.61</b>	0.72

#### 6.9 Cash and balances with central bank

	30 June	31 December
	2020	2019
Cash	<b>5,739</b>	5,762
Balances with central bank		
Statutory deposit reserves	<b>341,986</b>	321,808
Surplus deposit reserves	<b>61,352</b>	41,921
Fiscal deposits and others	<b>2,166</b>	1,519
Subtotal	<b>405,504</b>	365,248
Interest accrued	<b>141</b>	145
Total	<b>411,384</b>	371,155

The Group places statutory deposit reserves with the PBOC or local regulator. The statutory deposit reserves are not available for use in the Group's daily business.

As at 30 June 2020 the statutory deposit reserve rate applicable to domestic branches of the Bank for RMB deposits is 9.0% (31 December 2019: 9.5%) and the reserve rate for foreign currency deposits is 5.0% (31 December 2019: 5.0%). The amount of statutory deposit reserves of the subsidiaries and overseas branches of the Group are determined by local jurisdiction.

Surplus deposit reserves maintained with the PBOC is for the purposes of clearing interbank transactions.

## Notes to the Condensed Consolidated Interim Financial Statements (Continued)

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

### 6 Notes to the consolidated financial statements (continued)

#### 6.10 Balances with banks and other financial institutions

	30 June 2020	31 December 2019
Mainland China		
— Banks	<b>25,710</b>	29,657
— Other financial institutions	<b>7,087</b>	5,112
Subtotal	<b>32,797</b>	34,769
Overseas		
— Banks	<b>29,672</b>	18,088
— Other financial institutions	<b>174</b>	553
Subtotal	<b>29,846</b>	18,641
Interest accrued	<b>48</b>	116
Less: allowance for impairment losses	<b>(339)</b>	(346)
Total	<b>62,352</b>	53,180

For the six months ended 30 June 2020 and for the year ended 31 December 2019, the movement in carrying amount of book value and the impairment loss allowances of balances with banks and other financial institutions between stages are insignificant.



## Notes to the Condensed Consolidated Interim Financial Statements (Continued)

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

### 6 Notes to the consolidated financial statements (continued)

#### 6.11 Placements with banks and other financial institutions

	30 June 2020	31 December 2019
Mainland China		
– Banks	7,833	8,835
– Other financial institutions	231,555	198,540
Subtotal	239,388	207,375
Overseas		
– Banks	18,014	37,423
– Other financial institutions	2,916	3,799
Subtotal	20,930	41,222
Interest accrued	591	471
Less: allowance for impairment losses	(812)	(503)
Total	260,097	248,565

#### (1) Changes in allowance for impairment losses of placements with banks and other financial institutions

	Six months ended 30 June 2020			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2020	(178)	(325)	–	(503)
Transfer: to stage 3	–	325	(325)	–
Net charge	(95)	–	(214)	(309)
Balance as at 30 June 2020	(273)	–	(539)	(812)

## Notes to the Condensed Consolidated Interim Financial Statements (Continued)

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

### 6 Notes to the consolidated financial statements (continued)

#### 6.11 Placements with banks and other financial institutions (continued)

	Year ended 31 December 2019			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2019	(203)	—	—	(203)
Transfer:				
to stage 2	1	(1)	—	—
Net reversal/(charge)	24	(324)	—	(300)
Balance as at 31 December 2019	(178)	(325)	—	(503)

#### 6.12 Derivatives

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

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

## Notes to the Condensed Consolidated Interim Financial Statements (Continued)

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

### 6 Notes to the consolidated financial statements (continued)

#### 6.12 Derivatives (continued)

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

	30 June 2020		
	Notional amount	Fair value	
		Assets	Liabilities
Foreign exchange derivatives	1,888,661	8,112	(8,251)
Interest rate derivatives	1,735,134	1,856	(1,654)
Precious metal derivatives	54,365	1,263	(4,211)
Others	4,728	51	(54)
Total		11,282	(14,170)

	31 December 2019		
	Notional amount	Fair value	
		Assets	Liabilities
Foreign exchange derivatives	1,920,392	13,782	(13,521)
Interest rate derivatives	1,807,599	794	(1,078)
Precious metal derivatives	134,309	16,471	(3,066)
Others	2,760	53	(128)
Total		31,100	(17,793)

## Notes to the Condensed Consolidated Interim Financial Statements (Continued)

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

### 6 Notes to the consolidated financial statements (continued)

#### 6.12 Derivatives (continued)

##### (2) Hedges

		30 June 2020		
		Notional amount	Fair value	
			Assets	Liabilities
Cash flow hedges				
— Currency swap contracts	(a)	354	—	(19)
Fair value hedges				
— Interest Rate swap contracts	(b)	7,206	—	(180)
Total			—	(199)

		31 December 2019		
		Notional amount	Fair value	
			Assets	Liabilities
Cash flow hedges				
— Currency swap contracts	(a)	1,430	—	(26)
Fair value hedges				
— Interest Rate swap contracts	(b)	8,094	—	(104)
Total			—	(130)

(a) The Group uses foreign exchange swaps to hedge against exposures to cash flow variability primarily from foreign exchange risks of foreign bonds and foreign loans. For the six months ended 30 June 2020 and for the six months ended 30 June 2019, the fair value changes of cash flow hedging recognized in other comprehensive income accumulative profit or loss were not significant.

(b) The Group uses Interest rate swaps to hedge against changes in fair value of fixed rate bonds. For the six months ended 30 June 2020 and for the six months ended 30 June 2019, there were no significant ineffectiveness to be recorded from the fair value hedges.

## Notes to the Condensed Consolidated Interim Financial Statements (Continued)

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

### 6 Notes to the consolidated financial statements (continued)

#### 6.12 Derivatives (continued)

##### (3) Credit risk weighted amount

	30 June 2020	31 December 2019
Credit risk weighted amount	37,470	33,300

The credit risk weighted amount represents the counterparty credit risk associated with derivative transactions and is calculated with reference to the guidelines issued by the CBIRC. The amount calculated is dependent on, among other factors, the credit worthiness of the counterparty and the maturity characteristics of each type of contract. The credit risk weighted amounts stated above have taken the effects of netting arrangements into account.

#### 6.13 Financial assets held under resale agreements

Financial assets held under resale agreements are listed as follows according to collateral:

	30 June 2020	31 December 2019
Bonds	13,016	56,842
Discounted bills	4,865	6,307
Others (1)	778	2,550
Subtotal	18,659	65,699
Interest accrued	58	109
Less: allowance for impairment losses	(5)	(9)
Total	18,712	65,799

(1) Others are financial assets held under resale agreements of which the underlying assets were finance lease receivable.

For the six months ended 30 June 2020 and for the year ended 31 December 2019, the transfer of book value and the impairment loss allowances of financial assets held under resale agreements between stages are insignificant.

## Notes to the Condensed Consolidated Interim Financial Statements (Continued)

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

### 6 Notes to the consolidated financial statements (continued)

#### 6.14 Loans and advances to customers

	30 June 2020	31 December 2019
Measured at amortised cost:		
Corporate loans and advances		
– Corporate loans	2,062,373	1,902,459
Personal loans and advances		
– Micro lending (1)	484,557	455,358
– Residential mortgage	475,133	419,907
– Credit cards	457,537	445,881
– Others	96,512	91,778
Subtotal	1,513,739	1,412,924
Less: allowance for impairment losses	(96,044)	(82,475)
Subtotal	3,480,068	3,232,908
Measured at fair value through other comprehensive income:		
Corporate loans and advances		
– Corporate loans	5,921	5,846
– Discounted bills	216,426	166,372
Subtotal	222,347	172,218
Interest accrued	27,799	25,301
Total	3,730,214	3,430,427

(1) Micro lending is a loan product offered to the small micro enterprise owners and proprietors.

#### (1) Loans and advances to customers (excluding interest accrued) analysed by types of collateral

	30 June 2020		31 December 2019	
	Amount	(%)	Amount	(%)
Unsecured loans	879,910	23.17	793,364	22.75
Guaranteed loans	683,038	17.98	632,463	18.13
Loans secured by				
– Tangible assets other than monetary assets	1,669,443	43.95	1,555,472	44.60
– Monetary assets	566,068	14.90	506,302	14.52
Total	3,798,459	100.00	3,487,601	100.00

## Notes to the Condensed Consolidated Interim Financial Statements (Continued)

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

### 6 Notes to the consolidated financial statements (continued)

#### 6.14 Loans and advances to customers (continued)

##### (2) Overdue loans (excluding interest accrued) analysed by overdue period

	30 June 2020				
	Less than 3 months	3 to 12 months	1 to 3 years	More than 3 years	Total
Unsecured loans	11,071	14,341	3,663	1,123	30,198
Guaranteed loans	5,186	5,389	6,810	1,264	18,649
Loans secured by					
– Tangible assets other than monetary assets	5,233	7,332	6,376	2,753	21,694
– Monetary assets	1,368	879	844	638	3,729
<b>Total</b>	<b>22,858</b>	<b>27,941</b>	<b>17,693</b>	<b>5,778</b>	<b>74,270</b>
% of total loans and advances	0.60	0.74	0.47	0.15	1.96

	31 December 2019				
	Less than 3 months	3 to 12 months	1 to 3 years	More than 3 years	Total
Unsecured loans	10,755	10,419	1,400	1,124	23,698
Guaranteed loans	5,577	4,537	7,979	2,768	20,861
Loans secured by					
– Tangible assets other than monetary assets	4,049	5,646	6,685	2,783	19,163
– Monetary assets	2,262	3,234	581	748	6,825
<b>Total</b>	<b>22,643</b>	<b>23,836</b>	<b>16,645</b>	<b>7,423</b>	<b>70,547</b>
% of total loans and advances	0.65	0.68	0.48	0.21	2.02

Overdue loans represent loans of which the principal or interest are overdue for 1 day or more.

## Notes to the Condensed Consolidated Interim Financial Statements (Continued)

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

### 6 Notes to the consolidated financial statements (continued)

#### 6.14 Loans and advances to customers (continued)

##### (3) Changes in allowance for impairment losses

(a) *Changes in allowance for impairment losses of loans and advances to customers measured at amortised cost are as follows:*

	Six months ended 30 June 2020			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2020	(25,536)	(21,714)	(35,225)	(82,475)
Transfer:				
to stage 1	(718)	648	70	—
to stage 2	1,271	(3,080)	1,809	—
to stage 3	289	4,083	(4,372)	—
Net reversal/(charge)	1,455	(7,872)	(30,960)	(37,377)
Write-offs	—	—	25,435	25,435
Recoveries of amounts previously written off	—	—	(2,121)	(2,121)
Others	(16)	(16)	526	494
Balance as at 30 June 2020	(23,255)	(27,951)	(44,838)	(96,044)

	Year ended 31 December 2019			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2019	(18,914)	(21,229)	(31,073)	(71,216)
Transfer:				
to stage 1	(1,747)	1,342	405	—
to stage 2	1,119	(1,461)	342	—
to stage 3	351	3,312	(3,663)	—
Net charge	(6,329)	(3,662)	(49,679)	(59,670)
Write-offs	—	—	50,930	50,930
Recoveries of amounts previously written off	—	—	(3,618)	(3,618)
Others	(16)	(16)	1,131	1,099
Balance as at 31 December 2019	(25,536)	(21,714)	(35,225)	(82,475)



## Notes to the Condensed Consolidated Interim Financial Statements (Continued)

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

### 6 Notes to the consolidated financial statements (continued)

#### 6.14 Loans and advances to customers (continued)

##### (3) Changes in allowance for impairment losses (continued)

(b) *Changes in allowance for impairment losses of loans and advances to customers at fair value through other comprehensive income are as follows:*

	Six months ended 30 June 2020			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2020	(989)	—	(1,183)	(2,172)
Transfer:				
to stage 3	5	—	(5)	—
Net reversal/(charge)	381	(4)	11	388
Balance as at 30 June 2020	(603)	(4)	(1,177)	(1,784)

	Year ended 31 December 2019			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2019	(449)	—	(543)	(992)
Net charge	(540)	—	(640)	(1,180)
Balance as at 31 December 2019	(989)	—	(1,183)	(2,172)

#### 6.15 Financial investments

		30 June 2020	31 December 2019
Financial assets at fair value through profit or loss	(1)	549,911	528,338
Financial assets at fair value through other comprehensive income	(2)	503,617	512,888
Financial assets measured at amortised cost	(3)	1,289,435	1,143,079
Total		2,342,963	2,184,305

## Notes to the Condensed Consolidated Interim Financial Statements (Continued)

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

### 6 Notes to the consolidated financial statements (continued)

#### 6.15 Financial investments (continued)

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

	30 June 2020	31 December 2019
Held for trading purpose		
Debt securities		
Government	1,514	3,118
Policy banks	5,426	10,961
Banks and non-bank financial institutions	23,826	20,299
Corporates	130,002	80,939
Subtotal	160,768	115,317
Equity investments	6,119	7,681
Investment funds (a)	132,854	91,872
Subtotal	299,741	214,870
Other financial assets at fair value through profit or loss		
Debt securities		
Corporates	365	470
Equity investments	12,169	13,590
Investment funds (a)	52,733	33,926
Asset management plans (b)	56,544	84,001
Wealth management products (c)	125,079	178,201
Others	3,280	3,280
Subtotal	250,170	313,468
Total	549,911	528,338
Listed	151,224	127,465
— Listed in Hong Kong	21,641	31,841
Unlisted	398,687	400,873
Total	549,911	528,338

Debt securities traded on China Domestic Interbank Bond Market are classified as listed bonds.

## Notes to the Condensed Consolidated Interim Financial Statements (Continued)

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

### 6 Notes to the consolidated financial statements (continued)

#### 6.15 Financial investments (continued)

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

- (a) As at 30 June 2020 and 2019, the funds include public bond funds and public money market funds.
- (b) As at 30 June 2020 and 2019, the underlying assets of asset management plans and trust beneficial rights managed by securities companies primarily include discounted bills, bonds and others (Note 4.2 (10)).
- (c) As at 30 June 2020 and 2019, the wealth management products primarily include non-principal-guaranteed wealth management products with underlying assets of bonds and interbank borrowings and principal-guaranteed wealth management products issued by other banks.

## Notes to the Condensed Consolidated Interim Financial Statements (Continued)

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

### 6 Notes to the consolidated financial statements (continued)

#### 6.15 Financial investments (continued)

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

	30 June 2020	31 December 2019
Debt securities		
Government	101,748	120,161
Policy banks	69,806	76,294
Banks and non-bank financial institutions	117,389	160,622
Corporates	205,419	148,411
Subtotal	494,362	505,488
Equity investments and others	4,105	2,086
Interest accrued	5,150	5,314
Total	503,617	512,888
Listed	467,104	481,706
— Listed in Hong Kong	48,151	51,726
Unlisted	31,363	25,868
Interest accrued	5,150	5,314
Total	503,617	512,888

The Group designates non-trading equity investments as financial assets at fair value through other comprehensive income. For the six months ended 30 June 2020, no dividend income (RMB26 million for the six months ended 30 June 2019) recognised for such equity investments was included in the profit or loss.

The impact of gain on disposal of other equity investments at fair value through other comprehensive income was not significant for the six months ended 30 June 2020 (Six months ended 30 June 2019: Insignificant).

## Notes to the Condensed Consolidated Interim Financial Statements (Continued)

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

### 6 Notes to the consolidated financial statements (continued)

#### 6.15 Financial investments (continued)

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

Fair value change

	30 June 2020	31 December 2019
Debt securities		
Cost	501,521	510,094
Cumulative amount of change in fair value that is accrued to other comprehensive income	(2,009)	708
Fair value	499,512	510,802
Equity investment and others		
Cost	4,144	2,080
Cumulative amount of change in fair value that is accrued to other comprehensive income	(39)	6
Fair value	4,105	2,086
Total	503,617	512,888

## Notes to the Condensed Consolidated Interim Financial Statements (Continued)

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

### 6 Notes to the consolidated financial statements (continued)

#### 6.15 Financial investments (continued)

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

Changes in allowance for impairment losses

	Six months ended 30 June 2020			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2020	(996)	—	(66)	(1,062)
Transfer:				
to stage 2	15	(15)	—	—
to stage 3	1	—	(1)	—
Net charge	(442)	(159)	(196)	(797)
Others	4	—	(1)	3
Balance as at 30 June 2020	(1,418)	(174)	(264)	(1,856)

	Year ended 31 December 2019			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2019	(1,310)	—	(197)	(1,507)
Net reversal	283	—	131	414
Others	31	—	—	31
Balance as at 31 December 2019	(996)	—	(66)	(1,062)

As at 30 June 2020, the financial assets at fair value through other comprehensive income included credit-impaired financial assets of which book value was RMB488 million (31 December 2019: RMB68 million), with allowance for impairment losses of RMB264 million (31 December 2019: RMB66 million).

## Notes to the Condensed Consolidated Interim Financial Statements (Continued)

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

### 6 Notes to the consolidated financial statements (continued)

#### 6.15 Financial investments (continued)

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

	30 June 2020	31 December 2019
Debt securities		
Government	777,346	713,332
Policy banks	3,832	10,502
Banks and non-bank financial institutions	124,495	104,491
Corporates	176,637	96,785
Subtotal	1,082,310	925,110
Asset management plans and trust beneficial rights	195,658	205,997
Others	3,323	3,323
Interest accrued	15,293	12,762
Less: allowance for impairment losses	(7,149)	(4,113)
Total	1,289,435	1,143,079
Listed	997,665	865,223
– Listed in Hong Kong	1,131	883
Unlisted	283,626	269,207
Interest accrued	15,293	12,762
Less: allowance for impairment losses	(7,149)	(4,113)
Total	1,289,435	1,143,079

(a) As at 30 June 2020, the underlying assets of asset management plans and trust beneficial rights managed by securities companies primarily include credit assets (Note 4.2 (10)).

## Notes to the Condensed Consolidated Interim Financial Statements (Continued)

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

### 6 Notes to the consolidated financial statements (continued)

#### 6.15 Financial investments (continued)

##### (3) Financial assets measured at amortised cost (continued)

Changes in allowance for impairment losses

	Six months ended 30 June 2020			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2020	(2,054)	(265)	(1,794)	(4,113)
Transfer				
to stage 2	17	(17)	—	—
to stage 3	10	108	(118)	—
Net charge	(816)	(386)	(1,942)	(3,144)
Others	(5)	—	113	108
Balance as at 30 June 2020	(2,848)	(560)	(3,741)	(7,149)

	Year ended 31 December 2019			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2019	(1,352)	(204)	(1,503)	(3,059)
Transfer				
to stage 2	10	(10)	—	—
to stage 3	2	68	(70)	—
Net charge	(713)	(119)	(216)	(1,048)
Others	(1)	—	(5)	(6)
Balance as at 31 December 2019	(2,054)	(265)	(1,794)	(4,113)



## Notes to the Condensed Consolidated Interim Financial Statements (Continued)

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

### 6 Notes to the consolidated financial statements (continued)

#### 6.16 Long-term receivables

	30 June 2020	31 December 2019
Finance lease receivables	146,245	139,372
Less: unearned finance lease income	(18,480)	(18,836)
Present value of minimum finance lease receivables	127,765	120,536
Less: allowance for impairment losses	(4,204)	(3,943)
Total	123,561	116,593

(1) Finance lease receivables are analysed by the remaining terms as follows:

	30 June 2020	31 December 2019
Indefinite (a)	7,784	3,949
Less than 1 year	51,386	56,275
1 year to 2 years	36,280	30,287
2 years to 3 years	21,453	17,714
3 years to 5 years	13,679	13,326
More than 5 years	15,663	17,821
Total	146,245	139,372

(a) The amount represents the balances being impaired or overdue for more than one month.

## Notes to the Condensed Consolidated Interim Financial Statements (Continued)

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

### 6 Notes to the consolidated financial statements (continued)

#### 6.16 Long-term receivables (continued)

##### (2) Changes in allowance for impairment losses of long-term receivables:

	Six months ended 30 June 2020			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2020	(1,051)	(1,739)	(1,153)	(3,943)
Transfer:				
to stage 1	(34)	34	—	—
to stage 2	1	(1)	—	—
to stage 3	4	55	(59)	—
Net (charge)/reversal	(252)	(223)	160	(315)
Write-offs	—	—	54	54
Balance as at 30 June 2020	(1,332)	(1,874)	(998)	(4,204)

	Year ended 31 December 2019			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2019	(913)	(2,184)	(548)	(3,645)
Transfer:				
to stage 2	5	(5)	—	—
to stage 3	—	516	(516)	—
Net charge	(143)	(66)	(301)	(510)
Write-offs	—	—	425	425
Recoveries of amounts previously written off	—	—	(213)	(213)
Balance as at 31 December 2019	(1,051)	(1,739)	(1,153)	(3,943)

#### 6.17 Property and equipment

	30 June 2020	31 December 2019
Property and equipment	53,109	51,357
Property and equipment to be disposed	2	8
Total	53,111	51,365

## Notes to the Condensed Consolidated Interim Financial Statements (Continued)

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

### 6 Notes to the consolidated financial statements (continued)

#### 6.17 Property and equipment (continued)

	Buildings	Leasehold improvement	Office equipment and others	Motor vehicles	Operating lease fixed assets	Construction in progress ("CIP")	Total
<b>Original cost</b>							
Balance as at 1 January 2020	19,742	4,351	8,819	502	35,444	3,336	72,194
Increase	587	172	185	8	2,571	229	3,752
CIP transfers	230	—	—	—	—	(230)	—
Decrease	(3)	(30)	(15)	(6)	(157)	(2)	(213)
Balance as at 30 June 2020	20,556	4,493	8,989	504	37,858	3,333	75,733
<b>Accumulated depreciation</b>							
Balance as at 1 January 2020	(4,365)	(2,886)	(7,043)	(414)	(5,893)	—	(20,601)
Increase	(361)	(301)	(295)	(16)	(846)	—	(1,819)
Decrease	1	26	15	6	6	—	54
Balance as at 30 June 2020	(4,725)	(3,161)	(7,323)	(424)	(6,733)	—	(22,366)
<b>Impairment losses</b>							
Balance as at 1 January 2020	—	—	—	—	(236)	—	(236)
Increase	—	—	—	—	(22)	—	(22)
Decrease	—	—	—	—	—	—	—
Balance as at 30 June 2020	—	—	—	—	(258)	—	(258)
<b>Carrying amount</b>							
Balance as at 1 January 2020	15,377	1,465	1,776	88	29,315	3,336	51,357
Balance as at 30 June 2020	15,831	1,332	1,666	80	30,867	3,333	53,109

# Notes to the Condensed Consolidated Interim Financial Statements (Continued)

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

## 6 Notes to the consolidated financial statements (continued)

### 6.17 Property and equipment (continued)

	Buildings	Leasehold improvement	Office equipment and others	Motor vehicles	Operating lease fixed assets	Construction in progress ("CIP")	Total
<b>Original cost</b>							
Balance as at 1 January 2019	18,060	4,677	8,891	506	31,354	3,846	67,334
Increase	728	377	487	24	4,283	471	6,370
CIP transfers	966	—	—	—	—	(966)	—
Decrease	(12)	(703)	(559)	(28)	(193)	(15)	(1,510)
Balance as at 31 December 2019	19,742	4,351	8,819	502	35,444	3,336	72,194
<b>Accumulated depreciation</b>							
Balance as at 1 January 2019	(3,769)	(2,924)	(6,773)	(405)	(4,494)	—	(18,365)
Increase	(600)	(654)	(797)	(35)	(1,436)	—	(3,522)
Decrease	4	692	527	26	37	—	1,286
Balance as at 31 December 2019	(4,365)	(2,886)	(7,043)	(414)	(5,893)	—	(20,601)
<b>Impairment losses</b>							
Balance as at 1 January 2019	—	—	—	—	(206)	—	(206)
Increase	—	—	—	—	(36)	—	(36)
Decrease	—	—	—	—	6	—	6
Balance as at 31 December 2019	—	—	—	—	(236)	—	(236)
<b>Carrying amount</b>							
Balance as at 1 January 2019	14,291	1,753	2,118	101	26,654	3,846	48,763
Balance as at 31 December 2019	15,377	1,465	1,776	88	29,315	3,336	51,357

## Notes to the Condensed Consolidated Interim Financial Statements (Continued)

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

### 6 Notes to the consolidated financial statements (continued)

#### 6.17 Property and equipment (continued)

As at 30 June 2020 and 31 December 2019, the Group did not have any property and equipment which were acquired by means of finance lease or held for sale.

As at 30 June 2020, there were still certain properties and buildings, with a carrying value of RMB883 million (31 December 2019: RMB848 million), in the process of registration for certificates of ownership. The management believes such proceedings would not weaken the Group's rights to these assets nor have any significant impact on the Group's operations.

#### 6.18 Right-of-use assets

	Buildings	Motor vehicles	Office equipment	Land use rights	Others	Total
<b>Original cost</b>						
Balance as at 1 January 2020	13,578	355	1	4,484	24	18,442
Increase	1,712	1	–	–	6	1,719
Decrease	(141)	–	–	–	–	(141)
Balance as at 30 June 2020	15,149	356	1	4,484	30	20,020
<b>Accumulated depreciation</b>						
Balance as at 1 January 2020	(2,765)	(93)	(1)	(1,033)	(5)	(3,897)
Increase	(1,583)	(67)	–	(56)	(4)	(1,710)
Decrease	2	–	–	–	–	2
Balance as at 30 June 2020	(4,346)	(160)	(1)	(1,089)	(9)	(5,605)
<b>Carrying amount</b>						
Balance as at 1 January 2020	10,813	262	–	3,451	19	14,545
Balance as at 30 June 2020	10,803	196	–	3,395	21	14,415

## Notes to the Condensed Consolidated Interim Financial Statements (Continued)

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

### 6 Notes to the consolidated financial statements (continued)

#### 6.18 Right-of-use assets (continued)

	Buildings	Motor vehicles	Office equipment	Land use rights	Others	Total
<b>Original cost</b>						
Balance as at 31 December 2018	–	–	–	4,484	–	4,484
Changes in accounting policies	10,986	353	–	–	–	11,339
Balance as at 1 January 2019	10,986	353	–	4,484	–	15,823
Increase	2,952	2	1	–	24	2,979
Decrease	(360)	–	–	–	–	(360)
Balance as at 31 December 2019	13,578	355	1	4,484	24	18,442
<b>Accumulated depreciation</b>						
Balance as at 31 December 2018	–	–	–	(920)	–	(920)
Changes in accounting policies	–	–	–	–	–	–
Balance as at 1 January 2019	–	–	–	(920)	–	(920)
Increase	(2,767)	(93)	(1)	(113)	(5)	(2,979)
Decrease	2	–	–	–	–	2
Balance as at 31 December 2019	(2,765)	(93)	(1)	(1,033)	(5)	(3,897)
<b>Carrying amount</b>						
Balance as at 1 January 2019	10,986	353	–	3,564	–	14,903
Balance as at 31 December 2019	10,813	262	–	3,451	19	14,545

## Notes to the Condensed Consolidated Interim Financial Statements (Continued)

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

### 6 Notes to the consolidated financial statements (continued)

#### 6.19 Deferred income tax assets and liabilities

##### (1) Deferred income tax items

	30 June 2020	31 December 2019
Deferred income tax assets	41,350	36,050
Deferred income tax liabilities	(125)	(125)
Total	41,225	35,925

## Notes to the Condensed Consolidated Interim Financial Statements (Continued)

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

### 6 Notes to the consolidated financial statements (continued)

#### 6.19 Deferred income tax assets and liabilities (continued)

(2) Deferred income tax assets and liabilities without taking into consideration the offsetting of balances within the same tax jurisdiction are as follows:

	30 June 2020		31 December 2019	
	Deferred income tax assets/ (liabilities)	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)	Deductible/ (taxable) temporary differences
<b>Deferred income tax assets</b>				
Asset impairment allowance	39,603	158,412	38,462	153,848
Employee benefits payable	2,096	8,384	2,597	10,388
Fair value losses of derivatives	3,462	13,848	4,385	17,540
Financial assets at fair value through other comprehensive income	259	1,036	51	204
Financial assets at fair value through profit or loss	909	3,636	600	2,400
Others	245	980	254	1,016
Subtotal	46,574	186,296	46,349	185,396
<b>Deferred income tax liabilities</b>				
Fair value gains of derivatives	(2,821)	(11,284)	(7,775)	(31,100)
Financial assets at fair value through other comprehensive income	(449)	(1,796)	(814)	(3,256)
Financial assets at fair value through profit or loss	(1,864)	(7,456)	(1,553)	(6,212)
Others	(215)	(860)	(282)	(1,128)
Subtotal	(5,349)	(21,396)	(10,424)	(41,696)
<b>Deferred income tax assets, net</b>	<b>41,225</b>	<b>164,900</b>	<b>35,925</b>	<b>143,700</b>



## Notes to the Condensed Consolidated Interim Financial Statements (Continued)

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

### 6 Notes to the consolidated financial statements (continued)

#### 6.19 Deferred income tax assets and liabilities (continued)

- (3) Movements in deferred income tax assets and liabilities without taking into consideration the offsetting of balances within the same tax jurisdiction are as follows:

	Asset impairment allowance	Fair value losses	Others	Gross deferred income tax assets	Gross deferred income tax liabilities
At 1 January 2020	38,462	5,036	2,851	46,349	(10,424)
Recognised in profit or loss	1,141	(613)	(510)	18	4,743
Recognised in other comprehensive income	—	207	—	207	332
At 30 June 2020	39,603	4,630	2,341	46,574	(5,349)

	Asset impairment allowance	Fair value losses	Others	Gross deferred income tax assets	Gross deferred income tax liabilities
At 1 January 2019	31,079	5,751	3,041	39,871	(9,303)
Recognised in profit or loss	7,383	(636)	(190)	6,557	(925)
Recognised in other comprehensive income	—	(79)	—	(79)	(196)
At 31 December 2019	38,462	5,036	2,851	46,349	(10,424)

## Notes to the Condensed Consolidated Interim Financial Statements (Continued)

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

### 6 Notes to the consolidated financial statements (continued)

#### 6.20 Investment in subsidiaries

##### (1) Directly held subsidiaries

	30 June 2020	31 December 2019
Minsheng Financial Leasing	3,302	2,600
CMBC International	2,494	2,494
Minsheng Royal Fund	190	190
Pengzhou Rural Bank	20	20
Cixi Rural Bank	107	107
Songjiang Rural Bank	70	70
Qijiang Rural Bank	30	30
Tongnan Rural Bank	25	25
Meihekou Rural Bank	169	169
Ziyang Rural Bank	172	172
Jiangxia Rural Bank	41	41
Changyuan Rural Bank	26	26
Yidu Rural Bank	26	26
Jiading Rural Bank	102	102
Zhongxiang Rural Bank	36	36
Penglai Rural Bank	51	51
Anxi Rural Bank	74	74
Funing Rural Bank	52	52
Taicang Rural Bank	76	76
Ningjin Rural Bank	20	20
Zhangpu Rural Bank	25	25
Puer Rural Bank	15	15
Jinghong Rural Bank	15	15
Zhidan Rural Bank	7	7
Ningguo Rural Bank	20	20
Yuyang Rural Bank	25	25
Guichi Rural Bank	26	26
Tiantai Rural Bank	31	31
Tianchang Rural Bank	20	20
Tengchong Rural Bank	20	20
Xiang'an Rural Bank	36	36
Linzhi Rural Bank	13	13
<b>Total</b>	<b>7,336</b>	<b>6,634</b>

## Notes to the Condensed Consolidated Interim Financial Statements (Continued)

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

### 6 Notes to the consolidated financial statements (continued)

#### 6.20 Investment in subsidiaries (continued)

##### (2) Basic information of directly held subsidiaries

Name	Place of incorporation and operation	Principal activities	Registered capital	Nature of legal entity	% of ownership held by the Bank	% of voting rights held by the Bank
Minsheng Financial Leasing	Tianjin China	Leasing	RMB5,095 million	Limited company	54.96	54.96
CMBC International	Hong Kong China	Investment banking	HKD3,000 million	Limited company	100.00	100.00
Minsheng Royal Fund	Guangdong China	Fund management	RMB300 million	Limited company	63.33	63.33
Pengzhou Rural Bank	(a) Sichuan China	Commercial bank	RMB55 million	Limited company	36.36	36.36
Cixi Rural Bank	Zhejiang China	Commercial bank	RMB189 million	Limited company	64.68	64.68
Songjiang Rural Bank	(a) Shanghai China	Commercial bank	RMB150 million	Limited company	35.00	35.00
Qijiang Rural Bank	(b) Chongqing China	Commercial bank	RMB61.57 million	Limited company	48.73	51.27
Tongnan Rural Bank	(a) Chongqing China	Commercial bank	RMB50 million	Limited company	50.00	50.00
Meihekou Rural Bank	Jilin China	Commercial bank	RMB193 million	Limited company	95.36	95.36
Ziyang Rural Bank	Sichuan China	Commercial bank	RMB211 million	Limited company	81.41	81.41
Jiangxia Rural Bank	Hubei China	Commercial bank	RMB86 million	Limited company	51.00	51.00
Changyuan Rural Bank	Henan China	Commercial bank	RMB50 million	Limited company	51.00	51.00
Yidu Rural Bank	Hubei China	Commercial bank	RMB52.4 million	Limited company	51.00	51.00
Jiading Rural Bank	Shanghai China	Commercial bank	RMB200 million	Limited company	51.00	51.00
Zhongxiang Rural Bank	Hubei China	Commercial bank	RMB70 million	Limited company	51.00	51.00
Penglai Rural Bank	Shandong China	Commercial bank	RMB100 million	Limited company	51.00	51.00

# Notes to the Condensed Consolidated Interim Financial Statements (Continued)

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

## 6 Notes to the consolidated financial statements (continued)

### 6.20 Investment in subsidiaries (continued)

#### (2) Basic information of directly held subsidiaries (continued)

Name	Place of incorporation and operation	Principal activities	Registered capital	Nature of legal entity	% of ownership held by the Bank	% of voting rights held by the Bank
Anxi Rural Bank	Fujian China	Commercial bank	RMB128 million	Limited company	57.99	57.99
Funing Rural Bank	Jiangsu China	Commercial bank	RMB85 million	Limited company	51.00	51.00
Taicang Rural Bank	Jiangsu China	Commercial bank	RMB135 million	Limited company	51.00	51.00
Ningjin Rural Bank	Hebei China	Commercial bank	RMB40 million	Limited company	51.00	51.00
Zhangpu Rural Bank	Fujian China	Commercial bank	RMB50 million	Limited company	51.00	51.00
Puer Rural Bank	Yunnan China	Commercial bank	RMB30 million	Limited company	51.00	51.00
Jinghong Rural Bank	Yunnan China	Commercial bank	RMB30 million	Limited company	51.00	51.00
Zhidan Rural Bank	Shaanxi China	Commercial bank	RMB15 million	Limited company	51.00	51.00
Ningguo Rural Bank	Anhui China	Commercial bank	RMB40 million	Limited company	51.00	51.00
Yuyang Rural Bank	Shaanxi China	Commercial bank	RMB50 million	Limited company	51.00	51.00
Guichi Rural Bank	Anhui China	Commercial bank	RMB50 million	Limited company	51.00	51.00
Tiantai Rural Bank	Zhejiang China	Commercial bank	RMB60 million	Limited company	51.00	51.00
Tianchang Rural Bank	Anhui China	Commercial bank	RMB40 million	Limited company	51.00	51.00
Tengchong Rural Bank	Yunnan China	Commercial bank	RMB48 million	Limited company	51.00	51.00
Xiang'an Rural Bank	Fujian China	Commercial bank	RMB70 million	Limited company	51.00	51.00
Linzi Rural Bank	Tibet China	Commercial bank	RMB25 million	Limited company	51.00	51.00

## Notes to the Condensed Consolidated Interim Financial Statements (Continued)

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

### 6 Notes to the consolidated financial statements (continued)

#### 6.20 Investment in subsidiaries (continued)

##### (2) Basic information of directly held subsidiaries (continued)

- (a) Although the Bank holds half or less than half of the voting rights in these rural banks, it has the majority of the seats in their boards of directors, which enables it to govern their operating policies. These companies are treated as the Bank's subsidiaries and have been consolidated in these financial statements.
- (b) Some natural person shareholders and the Bank signed a concerted action agreement, stipulating that the two parties should take "concerted action" in the general meeting of shareholders. Therefore, the Bank acquires control over Qijiang Rural Bank and classifies the investment in Qijiang Rural Bank as investment in a subsidiary.

#### 6.21 Other assets

	30 June 2020			31 December 2019		
	Gross balance	Allowance for		Gross balance	Allowance for	
		impairment losses	Carrying amount		impairment losses	Carrying amount
Prepayments for leased assets (1)	11,500	(305)	11,195	10,394	(57)	10,337
Commission receivable	10,041	(11)	10,030	9,433	(11)	9,422
Repossessed assets (2)	9,452	(110)	9,342	9,978	(112)	9,866
Investment properties	6,429	—	6,429	6,399	—	6,399
Items in the process of clearance and settlement	5,893	—	5,893	8,376	—	8,376
Interest receivable (3)	5,759	—	5,759	5,122	—	5,122
Operating lease receivable	1,973	(74)	1,899	2,035	(71)	1,964
Intangible assets (4)	1,314	—	1,314	1,256	—	1,256
Prepayment	1,057	—	1,057	928	—	928
Continuously involved assets	1,038	—	1,038	1,038	—	1,038
Goodwill (5)	210	—	210	206	—	206
Long-term deferred expenses	105	—	105	92	—	92
Others	11,176	(2,432)	8,744	10,139	(1,628)	8,511
<b>Total</b>	<b>65,947</b>	<b>(2,932)</b>	<b>63,015</b>	<b>65,396</b>	<b>(1,879)</b>	<b>63,517</b>

- (1) Prepayments for leased assets are the prepayments made by the Group for acquiring leased assets under finance leases and operating leases.
- (2) Repossessed assets include buildings, land use rights and machineries and equipment. The Group disposed repossessed assets of RMB653 million during the six months ended 30 June 2020 (Six months ended 30 June 2019: RMB246 million).

## Notes to the Condensed Consolidated Interim Financial Statements (Continued)

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

### 6 Notes to the consolidated financial statements (continued)

#### 6.21 Other assets (continued)

##### (3) Interest receivable

	30 June 2020	31 December 2019
Debt and other securities	3,426	3,042
Loans and advances to customers	2,333	2,077
Others	—	3
<b>Total</b>	<b>5,759</b>	<b>5,122</b>

##### (4) Intangible assets

	Six months ended 30 June 2020	Year ended 31 December 2019
<b>Cost</b>		
Balance as at 1 January	4,837	4,290
Increase	318	547
Decrease	—	—
<b>Balance as at 30 June/31 December</b>	<b>5,155</b>	<b>4,837</b>
<b>Accumulated amortization</b>		
Balance as at 1 January	(3,581)	(3,098)
Increase	(260)	(483)
Decrease	—	—
<b>Balance as at 30 June/31 December</b>	<b>(3,841)</b>	<b>(3,581)</b>
<b>Carrying amount</b>		
Balance as at 1 January	1,256	1,192
<b>Balance as at 30 June/31 December</b>	<b>1,314</b>	<b>1,256</b>

## Notes to the Condensed Consolidated Interim Financial Statements (Continued)

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

### 6 Notes to the consolidated financial statements (continued)

#### 6.21 Other assets (continued)

##### (5) Goodwill arising from CMBC Financial holdings

	Six months ended 30 June 2020	Year ended 31 December 2019
Gross amount as at 1 January	206	201
Exchange difference	4	5
Gross amount as at 30 June/31 December	210	206
Impairment	—	—
Net amount	210	206

As at 30 June 2020 and 31 December 2019, the Group was not aware of any indicators for the possibility of goodwill impairment, hence no impairment loss was recognised.

#### 6.22 Deposits and placements from banks and other financial institutions

	30 June 2020	31 December 2019
Mainland China		
— Banks	438,176	266,414
— Other financial institutions	764,636	785,393
Overseas		
— Banks	46,080	78,584
— Other financial institutions	30,986	27,557
Subtotal	1,279,878	1,157,948
Interest accrued	4,872	5,106
Total	1,284,750	1,163,054

## Notes to the Condensed Consolidated Interim Financial Statements (Continued)

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

### 6 Notes to the consolidated financial statements (continued)

#### 6.23 Borrowings from banks and other financial institutions

	30 June 2020	31 December 2019
Credit borrowings	<b>109,635</b>	108,572
Secured borrowings		
— by collateral other than monetary assets	<b>22,145</b>	22,929
Subtotal	<b>131,780</b>	131,501
Interest accrued	<b>681</b>	794
Total	<b>132,461</b>	132,295

As at 30 June 2020 and 31 December 2019, the secured borrowings consisted of property and equipment and finance lease receivables as collateral; the above collateral has been included in the disclosure of Assets pledged (Note 7.3(1)).

#### 6.24 Financial assets sold under repurchase agreements

Financial assets sold under repurchase agreements by underlying assets are shown as follows:

	30 June 2020	31 December 2019
Financial investments	<b>61,731</b>	58,533
Discounted bills	<b>45,426</b>	42,905
Including: bills rediscounted	<b>14,320</b>	31,105
Subtotal	<b>107,157</b>	101,438
Interest accrued	<b>289</b>	267
Total	<b>107,446</b>	101,705



## Notes to the Condensed Consolidated Interim Financial Statements (Continued)

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

### 6 Notes to the consolidated financial statements (continued)

#### 6.25 Deposits from customers

	30 June 2020	31 December 2019
Demand deposits		
– Corporate deposits	1,224,832	1,201,626
– Personal deposits	255,058	216,424
Time deposits (including call and notice deposits)		
– Corporate deposits	1,850,676	1,677,305
– Personal deposits	564,035	501,939
Certificates of deposit	3,762	4,446
Outward remittance and remittance payables	4,439	2,348
Subtotal	3,902,802	3,604,088
Interest accrued	33,512	32,946
Total	3,936,314	3,637,034

The pledged deposits included in deposits from customers are analysed as follows:

	30 June 2020	31 December 2019
Pledged deposits for bank acceptances	97,652	109,310
Pledged deposits for letters of credit and guarantees	20,722	21,243
Other pledged deposits	67,089	63,584
Total	185,463	194,137

## Notes to the Condensed Consolidated Interim Financial Statements (Continued)

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

### 6 Notes to the consolidated financial statements (continued)

#### 6.26 Lease liabilities

	30 June 2020	31 December 2019
Lease liabilities	10,489	10,420

As at 30 June 2020, the Group's lease payments relating to lease contracts signed but yet to be executed amounted to RMB103 million (31 December 2019: RMB80 million).

#### 6.27 Provisions

	30 June 2020	31 December 2019
Credit loss of off-balance sheet credit commitments	1,937	1,453
Litigation provision	122	150
Total	2,059	1,603

As at 30 June 2020, movements of credit loss of off-balance sheet credit commitment are as follows:

	Six months ended 30 June 2020			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2020	(1,407)	(22)	(24)	(1,453)
Transfer:				
to stage 1	(8)	7	1	—
to stage 2	6	(12)	6	—
to stage 3	2	1	(3)	—
Net (charge)/reversal	(319)	(182)	4	(497)
Other movements	13	—	—	13
Balance as at 30 June 2020	(1,713)	(208)	(16)	(1,937)

## Notes to the Condensed Consolidated Interim Financial Statements (Continued)

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

### 6 Notes to the consolidated financial statements (continued)

#### 6.27 Provisions (continued)

As at 31 December 2019, movements of credit loss of off-balance sheet assets are as follows:

	Year ended 31 December 2019			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2019	(1,335)	(33)	(3)	(1,371)
Transfer:				
to stage 1	(4)	4	—	—
to stage 2	4	(4)	—	—
to stage 3	3	1	(4)	—
Net (charge)/reversal	(52)	10	(17)	(59)
Other movements	(23)	—	—	(23)
Balance as at 31 December 2019	(1,407)	(22)	(24)	(1,453)

#### 6.28 Debt securities issued

	30 June 2020	31 December 2019
Certificates of interbank deposit	<b>522,219</b>	583,105
Financial bonds (1)	<b>84,987</b>	94,983
Tier-two capital bonds (2)	<b>139,947</b>	109,930
Medium-term notes (3)	<b>17,685</b>	20,905
Subordinated bonds (4)	<b>3,996</b>	3,996
Subtotal	<b>768,834</b>	812,919
Interest accrued	<b>3,857</b>	4,306
Total	<b>772,691</b>	817,225

There were no overdue principal and interest or other defaults with respect to these bonds. None of these bonds are secured.

## Notes to the Condensed Consolidated Interim Financial Statements (Continued)

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

### 6 Notes to the consolidated financial statements (continued)

#### 6.28 Debt securities issued (continued)

##### (1) Financial bonds

		30 June 2020	31 December 2019
RMB20 billion — 3-year fixed rate financial bonds 2020	(a)	19,997	—
RMB20 billion — 3-year fixed rate financial bonds 2018	(b)	19,998	19,997
RMB40 billion — 3-year fixed rate financial bonds 2018	(c)	39,995	39,994
RMB4 billion — 3-year fixed rate financial bonds 2018	(d)	3,997	3,995
RMB1 billion — 3-year fixed rate financial bonds 2017	(e)	1,000	999
RMB30 billion — 3-year fixed rate financial bonds 2017	(f)	—	29,998
<b>Total</b>		<b>84,987</b>	94,983

- (a) RMB20 billion worth of fixed-rate financial bonds were issued at 18 March 2020, with a term of three years, and a fixed coupon rate of 2.75% per annum.
- (b) RMB20 billion worth of fixed-rate financial bonds were issued at 12 December 2018, with a term of three years, and a fixed coupon rate of 3.76% per annum.
- (c) RMB40 billion worth of fixed-rate financial bonds were issued at 19 November 2018, with a term of three years, and a fixed coupon rate of 3.83% per annum.
- (d) RMB4 billion worth of fixed-rate financial bonds were issued at 22 May 2018, with a term of three years, and a fixed coupon rate of 4.90% per annum.
- (e) RMB1 billion worth of fixed-rate financial bonds were issued at 8 August 2017, with a term of three years, and a fixed coupon rate of 4.50% per annum.
- (f) RMB30 billion worth of fixed-rate financial bonds were issued at 7 March 2017, with a term of three years, and a fixed coupon rate of 4.00% per annum. The Bank has repaid all of them on 9 March, 2020.

## Notes to the Condensed Consolidated Interim Financial Statements (Continued)

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

### 6 Notes to the consolidated financial statements (continued)

#### 6.28 Debt securities issued (continued)

##### (2) Tier-two capital bonds

		30 June 2020	31 December 2019
RMB50 billion — 10-year fixed rate tier-two capital bonds 2020	(a)	49,999	—
RMB40 billion — 10-year fixed rate tier-two capital bonds 2019 1st tranche	(b)	39,993	39,992
RMB15 billion — 10-year fixed rate tier-two capital bonds 2017 1st tranche	(c)	14,986	14,985
RMB15 billion — 10-year fixed rate tier-two capital bonds 2017 2nd tranche	(d)	14,986	14,985
RMB20 billion — 10-year fixed rate tier-two capital bonds 2016	(e)	19,983	19,982
RMB20 billion — 10-year fixed rate tier-two capital bonds 2015	(f)	—	19,986
<b>Total</b>		<b>139,947</b>	109,930

- (a) Tier-two capital bonds with a nominal value of RMB50 billion, a term of 10 years, and a fixed coupon rate of 3.75% per annum, were issued at 24 June 2020. The Bank has an option to redeem all or part of the subordinated bonds at par value during the period from the last day of the fifth year to the maturity date.
- (b) Tier-two capital bonds with a nominal value of RMB40 billion, a term of 10 years, and a fixed coupon rate of 4.48% per annum, were issued at 27 February 2019. The Bank has an option to redeem all or part of the subordinated bonds at par value during the period from the last day of the fifth year to the maturity date.
- (c) Tier-two capital bonds with a nominal value of RMB15 billion, a term of 10 years, and a fixed coupon rate of 4.70% per annum, were issued at 12 September 2017 as the 1st tranche. The Bank has an option to redeem all or part of the subordinated bonds at par value during the period from the last day of the fifth year to the maturity date.

# Notes to the Condensed Consolidated Interim Financial Statements (Continued)

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

## 6 Notes to the consolidated financial statements (continued)

### 6.28 Debt securities issued (continued)

#### (2) Tier-two capital bonds (continued)

- (d) Tier-two capital bonds with a nominal value of RMB15 billion, a term of 10 years, and a fixed coupon rate of 4.70% per annum, were issued at 27 November 2017 as the 2nd tranche. The Bank has an option to redeem all or part of the subordinated bonds at par value during the period from the last day of the fifth year to the maturity date.
- (e) Tier-two capital bonds with a nominal value of RMB20 billion, a term of 10 years, and a fixed coupon rate of 3.50% per annum, were issued at 30 August 2016. The Bank has an option to redeem all or part of the subordinated bonds at par value during the period from the last day of the fifth year to the maturity date.
- (f) Tier-two capital bonds with a nominal value of RMB20 billion, a term of 10 years, and a fixed coupon rate of 5.40% per annum, were issued at 28 April 2015. The Bank has an option to redeem all or part of the subordinated bonds at par value during the period from the last day of the fifth year to the maturity date. The Bank has redeemed all of them on 29 April 2020.

#### (3) Medium-term notes

		30 June 2020	31 December 2019
USD0.6 billion — 5-year medium-term notes 2018	(a)	4,243	4,179
USD0.4 billion — 3-year medium-term notes 2018	(b)	2,829	2,786
USD0.45 billion — 3-year medium-term notes 2017	(c)	3,184	3,136
USD0.25 billion — 3-year medium-term notes 2017	(d)	1,769	1,741
USD0.45 billion — 3-year medium-term notes 2017	(e)	3,185	3,138
USD0.35 billion — 5-year medium-term notes 2017	(f)	2,475	2,439
USD0.5 billion — 3-year medium-term notes 2017	(g)	—	3,486
Total		17,685	20,905

## Notes to the Condensed Consolidated Interim Financial Statements (Continued)

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

### 6 Notes to the consolidated financial statements (continued)

#### 6.28 Debt securities issued (continued)

##### (3) Medium-term notes (continued)

- (a) Medium-term notes with a nominal value of USD0.6 billion of medium-term notes were issued at 9 March 2018, with a term of 5 years. The coupon rate is 3.38%.
- (b) Medium-term notes with a nominal value of USD0.4 billion of medium-term notes were issued at 9 March 2018, with a term of 3 years. The coupon rate is 3.50%.
- (c) Medium-term notes with a nominal value of USD0.45 billion of medium-term notes were issued at 15 November 2017, with a term of 3 years. The coupon rate is 2.34%.
- (d) Medium-term notes with a nominal value of USD0.25 billion of medium-term notes were issued at 15 November 2017, with a term of 3 years. The coupon rate is 2.88%.
- (e) Medium-term notes with a nominal value of USD0.45 billion of medium-term notes were issued at 11 September 2017, with a term of 3 years. The coupon rate is 2.44%.
- (f) Medium-term notes with a nominal value of USD0.35 billion of medium-term notes were issued at 11 September 2017, with a term of 5 years. The coupon rate is 2.54%.
- (g) Medium-term notes with a nominal value of USD0.5 billion of medium-term notes were issued at 5 May 2017, with a term of 3 years. The coupon rate is 2.50%. The Bank has repaid all of them on 5 May 2020.

## Notes to the Condensed Consolidated Interim Financial Statements (Continued)

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

### 6 Notes to the consolidated financial statements (continued)

#### 6.28 Debt securities issued (continued)

##### (4) Subordinated bonds

		30 June 2020	31 December 2019
RMB4 billion – 15-year subordinated fixed rate bonds 2011	(a)	<b>3,996</b>	3,996

- (a) Subordinated bonds with a nominal value of RMB4 billion, a term of 15 years and a fixed coupon rate of 5.70% per annum, were issued at 18 March 2011. The Bank has an option to redeem all or part of the subordinated bonds at par value during the period from the last day of the tenth year to the maturity date.

According to the issuance terms, the claims of the holders of subordinated bonds will be subordinated to the claims of general creditors, but prioritized over other equity instrument holders.

#### 6.29 Other liabilities

		30 June 2020	31 December 2019
Items in the process of clearance and settlement		<b>13,262</b>	11,149
Dividends payable		<b>16,254</b>	—
Receipt in advance		<b>9,580</b>	10,728
Employee benefits payable	(1)	<b>8,652</b>	10,663
Other tax payable	(2)	<b>6,688</b>	6,786
Intermediate collection and payment		<b>1,912</b>	2,869
Notes payable		<b>1,750</b>	—
Continuously involved liabilities		<b>1,038</b>	1,038
Accrued expenses		<b>915</b>	585
Payable for long-term assets		<b>738</b>	733
Deferred fee and commission income		<b>650</b>	875
Guarantee deposits for finance lease		<b>310</b>	326
Others		<b>6,037</b>	2,215
<b>Total</b>		<b>67,786</b>	47,967



## Notes to the Condensed Consolidated Interim Financial Statements (Continued)

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

### 6 Notes to the consolidated financial statements (continued)

#### 6.29 Other liabilities (continued)

##### (1) Employee benefits payable

	1 January 2020	Increase	Decrease	30 June 2020
Short-term employee benefits				
Salaries, bonuses and allowances	10,154	8,635	(10,968)	7,821
Staff welfare fees	—	818	(818)	—
Social insurance(a) and supplementary insurance	126	304	(256)	174
Housing fund	160	639	(565)	234
Labour union fee, staff and workers' education fee	28	231	(155)	104
Subtotal	10,468	10,627	(12,762)	8,333
Post-employment benefits-defined contribution plans				
Basic pension insurance plans	118	422	(288)	252
Unemployment insurance	20	17	(12)	25
Annuity scheme	57	498	(513)	42
Subtotal	195	937	(813)	319
Total	10,663	11,564	(13,575)	8,652

## Notes to the Condensed Consolidated Interim Financial Statements (Continued)

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

### 6 Notes to the consolidated financial statements (continued)

#### 6.29 Other liabilities (continued)

##### (1) Employee benefits payable (continued)

	1 January 2019	Increase	Decrease	31 December 2019
Short-term employee benefits				
Salaries, bonuses and allowances	10,731	20,020	(20,597)	10,154
Staff welfare fees	—	2,169	(2,169)	—
Social insurance(a) and supplementary insurance	86	1,282	(1,242)	126
Housing fund	145	1,190	(1,175)	160
Labour union fee, staff and workers' education fee	21	627	(620)	28
Subtotal	10,983	25,288	(25,803)	10,468
Post-employment benefits-defined contribution plans				
Basic pension insurance plans	99	1,433	(1,414)	118
Unemployment insurance	19	53	(52)	20
Annuity scheme	29	977	(949)	57
Subtotal	147	2,463	(2,415)	195
Total	11,130	27,751	(28,218)	10,663

(a) Social insurance includes medical insurance, maternity insurance and employment injury insurance.

##### (2) Other tax payable

	30 June 2020	31 December 2019
Value added tax	5,844	5,443
Others	844	1,343
Total	6,688	6,786

## Notes to the Condensed Consolidated Interim Financial Statements (Continued)

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

### 6 Notes to the consolidated financial statements (continued)

#### 6.30 Share capital and capital reserve

	30 June 2020	31 December 2019
Ordinary shares listed in Mainland China (A shares)	35,462	35,462
Ordinary shares listed in Hong Kong (H shares)	8,320	8,320
Total shares	43,782	43,782

All A shares and H shares are with no selling restrictions and rank pari passu with the same rights and benefits.

The Group's capital reserve of RMB57,483 million as at 30 June 2020 (31 December 2019: RMB57,411 million), mainly represents capital premium.

#### 6.31 Other equity instrument

##### (1) Preference Shares

##### *Outstanding Preference Shares at 30 June 2020*

Financial Instrument outstanding	Issue date	Accounting classification	Dividend rate	Issue price	Amount (million shares)	In original currency	In RMB	Maturity	Conversion condition	Conversion
Overseas Preference Shares	14/12/2016	Equity	4.95%	USD20/Share	72	1,439	9,933	None	Mandatory	No
Total							9,933			
Less: Issue fees							(41)			
Book value							9,892			
Domestic Preference Shares	15/10/2019	Equity	4.38%	RMB100/Share	200	20,000	20,000	None	Mandatory	No
Total							20,000			
Less: Issue fees							(25)			
Book value							19,975			
Total							29,867			

## Notes to the Condensed Consolidated Interim Financial Statements (Continued)

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

### 6 Notes to the consolidated financial statements (continued)

#### 6.31 Other equity instrument (continued)

##### (1) Preference Shares (continued)

###### *Overseas Preference Shares Main Clauses*

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

Fixed rate for a certain period after issuance. Dividend is reset every 5 years thereafter to the sum of the benchmark rate and the fixed spread. The fixed spread will be equal to the spread between the dividend rate at the time of issuance and the benchmark rate. The fixed spread will remain unchanged throughout the term of the Preference Shares. Dividends will be paid annually.

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

The Bank could pay dividends while the Bank still has distributable after-tax profit after making up previous years' losses, contributing to the statutory reserve and making general provisions, and the Bank's capital adequacy ratio meets regulatory requirements. Preference Shareholders of the Bank are senior to the ordinary shareholders on the right to dividends. The Bank may elect to cancel any dividend, but such cancellation will require a shareholder's resolution to be passed.

###### (c) *Dividend stopper*

If the Bank cancels all or part of the dividends to the Preference Shareholders, the Bank shall not make any dividend distribution to ordinary shareholders before the Bank pays the dividends for the current dividend period to the Preference Shareholders in full.

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

In current period, the USD Overseas Preference Shareholders are at the same order of compensation. The Preference Shareholders will be subordinated to the depositors, ordinary creditors, holders of subordinated debt, holders of Tier 2 capital bonds, holders of Perpetual Bonds and holders of other Tier 2 capital instruments of the Bank, but will be senior to the ordinary shareholders.

## Notes to the Condensed Consolidated Interim Financial Statements (Continued)

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

### 6 Notes to the consolidated financial statements (continued)

#### 6.31 Other equity instrument (continued)

##### (1) Preference Shares (continued)

###### *Overseas Preference Shares Main Clauses (continued)*

###### *(e) Mandatory conversion trigger events*

Upon the occurrence of an Additional Tier 1 Capital Trigger Event (Core Tier 1 Capital Adequacy Ratio of the Bank falling to 5.125% or below), the Bank shall have the right to convert all or part of the Preference Shares into H shares, in order to restore the Core Tier 1 Capital Adequacy Ratio of the Bank to above 5.125%; If Preference Shares were converted to H shares, it could not be converted to Preference Shares again.

Upon the occurrence of a Non-Viability Trigger Event (Earlier of the two situations: (1) CBIRC has determined that the Bank would become nonviable if there is no conversion or write-down of capital; (2) the relevant authorities have determined that a public sector injection of capital or equivalent support is necessary, without which the Bank would become nonviable), the Bank shall have the right to convert all Preference Shares into H shares without the consent of Preference Shareholders. If Preference Shares were converted to H shares, it could not be converted to Preference Shares again.

###### *(f) Redemption*

Under the premise of obtaining the approval of the CBIRC and condition of redemption, the Bank has right to redeem all or some of overseas preference shares in first call date and subsequent any dividend payment date. The first call date after issuance and subsequent any dividend payment date (redemption price is equal to issue price plus accrued dividend in current period).

The First Redemption Date of USD Preference Shares is five years after issuance.

## Notes to the Condensed Consolidated Interim Financial Statements (Continued)

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

### 6 Notes to the consolidated financial statements (continued)

#### 6.31 Other equity instrument (continued)

##### (1) Preference Shares (continued)

###### *Overseas Preference Shares Main Clauses (continued)*

###### *(g) Dividend setting mechanism*

Non-cumulative dividend is a dividend on preference shares, which does not cumulate upon omission of payment so as to require payment of a passed or omitted dividend of one year out of earnings of a following year. After receiving dividend at agreed dividend rate, preference shareholders of the Bank will not participate the distribution of residual profits with ordinary shareholders.

The Bank shall distribute dividends for the Preference Shares in cash, based on the total amount of the issued and outstanding Preference Shares on the corresponding times (i.e. the product of the issue price of preference shares and the number of the issued and outstanding preference shares).

###### *Domestic Preference Shares Main Clauses*

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

The non-public offering of domestic preference shares (the “Domestic Preference Shares”) adopts the dividend rate that can be adjusted in stages, with 5 years as a dividend rate adjustment period, and within a dividend rate adjustment period, dividends are paid at the same dividend rate as agreed. The dividend rate for the first dividend rate adjustment period will be determined by enquiry. The dividend rate of the Domestic Preference Shares issued this time shall not be higher than the annual weighted average return on net assets of the Bank in the last two fiscal years. The nominal dividend rate includes two parts: the benchmark interest rate and the fixed premium. The fixed premium is the dividend rate determined at the time of issuance minus the benchmark interest rate at the time of issuance. Dividends are paid annually.

## Notes to the Condensed Consolidated Interim Financial Statements (Continued)

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

### 6 Notes to the consolidated financial statements (continued)

#### 6.31 Other equity instrument (continued)

##### (1) Preference Shares (continued)

###### *Domestic Preference Shares Main Clauses (continued)*

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

The Bank could pay dividends while the Bank still has distributable after-tax profit after making up previous years' losses, contributing to the statutory reserve and making general provisions, and the Bank's capital adequacy ratio meets regulatory requirements. Preference shareholders of the Bank are senior to the ordinary shareholders on the right to dividends. The Bank may elect to cancel any dividend, but such cancellation will require a shareholder's resolution to be passed and investors shall be informed in time.

###### *(c) Dividend stopper*

The Bank will not pay dividends to the common shareholders unless the Bank resolves to pay a full dividend on the current preference shares.

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

The Domestic Preference Shareholders have priority over the ordinary shareholders in the distribution of the Bank's remaining property, but the order of repayment is ranked after the depositors, general creditors and subordinated debts (including but not limited to subordinated debts, mixed capital bonds and secondary capital instruments).

###### *(e) Mandatory conversion trigger events*

If the core tier one capital adequacy ratio of the Bank falls to 5.125% (or below), the Domestic Preference Shares issued this time will be converted into A-share common shares in full or in part, so as to restore the core tier one capital adequacy ratio to more than 5.125%. In the case of partial conversion, all the Domestic Preference Shares issued this time shall be converted to shares on the same conditions in proportion.

## Notes to the Condensed Consolidated Interim Financial Statements (Continued)

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

### 6 Notes to the consolidated financial statements (continued)

#### 6.31 Other equity instrument (continued)

##### (1) Preference Shares (continued)

###### *Domestic Preference Shares Main Clauses (continued)*

###### *(e) Mandatory conversion trigger events (continued)*

When the earlier of the following two situations occurs, the Domestic Preference Shares issued this time will be converted into A-share common shares in full: 1) CBIRC determines that the Bank will not survive without the conversion; 2) the relevant departments determine that the Bank will not survive without the public sector's capital injection or the support of the same effect.

###### *(f) Redemption*

With the prior approval of CBIRC, the Bank may exercise the right of redemption under the following circumstances: (1) use the same or higher quality capital instruments to replace the redeemed Domestic Preference Shares, and the Bank's income ability is sustainable; (2) or the capital level after the exercise of the right of redemption is still significantly higher than the regulatory capital requirements specified by the banking regulatory authority under the State Council. The redemption price is the sum of the nominal amount and the dividend that has been resolved to be paid but has not been paid in the current period.

The Bank has the right to redeem all or part of the Domestic Preference Shares issued this time from the later 5 years of the Issuance Date (i.e. 15 October 2019) to the date of full conversion or full redemption.

###### *(g) Dividend setting mechanism*

Non-cumulative dividend is a dividend on preference shares, which does not cumulate upon omission of payment so as to require payment of a passed or omitted dividend of one year out of earnings of a following year. After receiving dividend at agreed dividend rate, preference shareholders of the Bank will not participate the distribution of residual profits with ordinary shareholders. The Domestic Preference Shares holders are prioritised on dividend distribution over common shareholders.



## Notes to the Condensed Consolidated Interim Financial Statements (Continued)

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

### 6 Notes to the consolidated financial statements (continued)

#### 6.31 Other equity instrument (continued)

##### (1) Preference Shares (continued)

###### *Domestic Preference Shares Main Clauses (continued)*

###### (g) *Dividend setting mechanism (continued)*

The dividend of the Domestic Preference Shares issued this time shall be paid in cash once a year. The interest starting date is the payment deadline of preference stock investors (18 October 2019). The dividend payment day shall be the day of every full year since the deadline for payment of preference stock investors. In case of any legal holiday or rest day in China, it shall be postponed to the next trading day, and the dividend payable during the extended period shall not be charged with additional interest.

##### (2) Perpetual Bonds

###### *Outstanding Perpetual Bonds at 30 June 2020*

Financial Instrument outstanding	Issue date	Accounting classification	Dividend rate	Issue price	Amount (million shares)	In original currency	In RMB	Maturity	Conversion condition	Conversion
Perpetual Bonds	30/05/2019	Equity	4.85%	100RMB/Share	400	40,000	40,000	None	No	No
Total							40,000			
Less: Issue fees							(7)			
Book value							39,993			

## Notes to the Condensed Consolidated Interim Financial Statements (Continued)

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

### 6 Notes to the consolidated financial statements (continued)

#### 6.31 Other equity instrument (continued)

##### (2) Perpetual Bonds (continued)

###### (a) *Principal Amount*

RMB40 billion.

###### (b) *Maturity Date*

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

###### (c) *Distribution Rate*

The Distribution Rate of the Notes 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 Notes will be made at a prescribed fixed Distribution Rate. The Distribution Rate at the time of issuance will be determined by book running and centralized 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 Treasury 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.

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

The Note Issuance sets conditional Redemption Rights for the Issuer. From the fifth anniversary since the Issuance of the Notes, the Issuer may redeem the Notes in whole or in part on each Distribution Payment Date (including the fifth Distribution Payment Date since the Issuance). If, after the Issuance, the Notes 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 Notes.

## Notes to the Condensed Consolidated Interim Financial Statements (Continued)

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

### 6 Notes to the consolidated financial statements (continued)

#### 6.31 Other equity instrument (continued)

##### (2) Perpetual Bonds (continued)

###### (e) *Subordination*

The claims in respect of the Notes, in the event of a winding-up of the Issuer, will be subordinated to claims of depositors, general creditors, and subordinated indebtedness that ranks senior to the Notes; will 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 Notes. If subsequent amendments to the PRC Enterprise Bankruptcy Law or relevant regulations are applicable, such relevant laws and regulations shall prevail.

###### (f) *Distribution Payment*

The Issuer shall have the right to cancel, in whole or in part, distributions on the Notes 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 Noteholders. 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 Notes, 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.

The Notes do not have any step-up mechanism or any other incentive to redeem.

###### (g) *Put Option*

Put Option is not applicable.

## Notes to the Condensed Consolidated Interim Financial Statements (Continued)

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

### 6 Notes to the consolidated financial statements (continued)

#### 6.32 Surplus reserve, general reserve and retained earnings

##### (1) Surplus reserve

Under the PRC laws, Articles of the Bank and the resolution of the Board of Directors, the Bank is required to appropriate 10% of its net profit, when the statutory surplus reserve reaches 50% of its registered capital, the Bank is still required to appropriate 10% of its net profit. Subject to the approval of the equity shareholders, the statutory surplus reserve can be used for replenishing the accumulated losses or increasing the Bank's share capital. The statutory surplus reserve amount used to increase the share capital is limited to a level where the balance of the statutory surplus reserve after such capitalisation is not less than 25% of the share capital.

The Group did not appropriate statutory surplus reserve for the six months ended 30 June 2020 (for the year ended 31 December 2019: RMB5,251 million).

##### (2) General reserve

Pursuant to the Measures for Managing the Appropriation of Provisions of Financial Enterprises (Cai Jin [2012] No. 20) issued by the MOF, the Bank is required to provide for impairment losses of its assets and set aside a general reserve through the appropriation of net profits to cover potential losses against its assets. The general reserve is part of the equity shareholders' interests and should not be less than 1.5% of the year-end balance of risk-bearing assets.

The Bank's subsidiaries appropriate their profits to the general reserve according to the applicable local regulations.

The Group appropriated RMB35 million of profits to the general reserve for the six months ended 30 June 2020 (for the year ended 31 December 2019: RMB7,271 million).

## Notes to the Condensed Consolidated Interim Financial Statements (Continued)

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

### 6 Notes to the consolidated financial statements (continued)

#### 6.32 Surplus reserve, general reserve and retained earnings (continued)

##### (3) Retained earnings

As at 30 June 2020, the retained earnings included the statutory surplus reserve of RMB643 million contributed by the subsidiaries and attributable to the Bank (31 December 2019: RMB589 million).

#### 6.33 Dividends/Interests

##### Dividends for Ordinary Shares

The shareholders approved the cash dividends distribution plan for 2019 at the Annual General Meeting on 29 June 2020. The cash dividends declared was RMB3.70 (tax inclusive) for every 10 shares. A total dividend of RMB16,199 million was based on total number of shares of 43,782 million as at 31 December 2019.

The shareholders approved the cash dividends distribution plan for 2018 at the Annual General Meeting on 21 June 2019. The cash dividends declared was RMB3.45 (tax inclusive) for every 10 shares. A total dividend of RMB15,105 million was based on total number of shares of 43,782 million as at 31 December 2018.

##### Dividends for Preference Shares

According to the resolution on the distribution of dividends for overseas preference shares approved at the 13th Meeting of the 7th Session Board of Directors held on 30 October 2019, dividend to be distributed amounts to RMB558 million (tax inclusive), calculated at the initial annual payout ratio of 4.95% (tax inclusive) before the first reset date pursuant to the terms and conditions of overseas preference shares. The dividend payment date was 16 December 2019.

##### Interests for Perpetual Bonds

On 30 May 2020, interest to be distributed amounts to RMB1,940 million (tax inclusive), calculated at the initial annual payout ratio of 4.85% (tax inclusive) before the first reset date pursuant to the terms and conditions of perpetual bonds.

## Notes to the Condensed Consolidated Interim Financial Statements (Continued)

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

### 6 Notes to the consolidated financial statements (continued)

#### 6.34 Investment revaluation reserve and cash flow hedging reserve

Investment revaluation reserve and cash flow hedging reserve attributable to equity holders of the Bank in the consolidated statement of financial position:

	Investment revaluation reserve	Cash flow hedging reserve	Total
As at 1 January 2020	1,822	(3)	1,819
Net changes in amount for the period	(1,794)	(1)	(1,795)
Retained earnings converted from investment revaluation reserve	(11)	—	(11)
Others	(8)	—	(8)
As at 30 June 2020	9	(4)	5

	Investment revaluation reserve	Cash flow hedging reserve	Total
As at 1 January 2019	1,133	23	1,156
Net changes in amount for the year	686	(26)	660
Retained earnings converted from investment revaluation reserve	3	—	3
As at 31 December 2019	1,822	(3)	1,819

## Notes to the Condensed Consolidated Interim Financial Statements (Continued)

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

### 6 Notes to the consolidated financial statements (continued)

#### 6.35 Notes to the consolidated cash flow statement

##### Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of cash flows consist of the following:

	30 June 2020	31 December 2019
Cash (Note 6.9)	5,739	5,762
Surplus deposit reserves with central bank (Note 6.9)	61,352	41,921
Original maturity within 3 months:		
— Balances with banks and other financial institutions	58,816	44,764
— Placements with banks and other financial institutions	29,655	52,203
<b>Total</b>	<b>155,562</b>	<b>144,650</b>

## Notes to the Condensed Consolidated Interim Financial Statements (Continued)

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

### 6 Notes to the consolidated financial statements (continued)

#### 6.36 Transferred financial assets

The Group enters into transactions in the normal course of business whereby it transfers recognised financial assets to third parties or to structured entities. In some cases these transfers may give rise to full or partial de-recognition of the financial assets concerned. In other cases where the transferred assets do not qualify for de-recognition as the Group retains substantially all the risks and rewards of these assets, the Group continues to recognise the transferred assets.

##### (1) Securitization transactions

The Group enters into securitization transactions by which it transfers loans to structured entities which issue asset-backed securities to investors. The Group assessed among other factors, whether or not to derecognise the transferred assets by evaluating the extent to which it retains the risks and rewards of the assets and whether it has relinquished control over these assets.

During the six months ended 30 June 2020, no securitization transactions were performed by the Group (for the year ended 31 December 2019: RMB19,980 million).

##### (2) Transfer of non-performing loans

During the six months ended 30 June 2020, the Group transferred non-performing loans through disposal to third parties, with gross loan balance of RMB10,632 million (for the year ended 31 December 2019: RMB21,257 million). The Group carried out an assessment and concluded that these transferred assets qualified for full de-recognition.



## Notes to the Condensed Consolidated Interim Financial Statements (Continued)

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

### 6 Notes to the consolidated financial statements (continued)

#### 6.36 Transferred financial assets (continued)

##### (3) Securities lending transactions

For debt securities lent to counterparties under securities lending agreements, the counterparties are allowed to sell or re-pledge these securities in the absence of default by the Group, but have an obligation to return the securities at the maturity of the contract. The Group has determined that it retains substantially all the risks and rewards of these securities and therefore has not derecognised them. As at 30 June 2020, the carrying amount of debt securities lent to counterparties was RMB3,900 million (31 December 2019: RMB3,425 million).

### 7 Contingent liabilities and commitments

#### 7.1 Credit commitments

Credit commitments take the form of approved loans with signed contracts, credit card limits, financial guarantees and letters of credit. The Group regularly assesses the contingent losses of its credit commitments and makes allowances where necessary.

The contractual amounts of loans and credit card commitments represent the cash outflows should the contracts be fully drawn upon. The amounts of guarantees and letters of credit represent the maximum potential loss that would be recognised if counterparties fail to fully perform as contracted. Acceptances comprise undertakings by the Group to pay bills of exchange drawn on customers. The Group expects most acceptances to be settled simultaneously with the reimbursement from the customers.

## Notes to the Condensed Consolidated Interim Financial Statements (Continued)

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

### 7 Contingent liabilities and commitments (continued)

#### 7.1 Credit commitments (continued)

As the credit facilities may expire without being drawn upon, the contract amounts set out in the following table do not represent expected future cash outflows.

	30 June 2020	31 December 2019
Bank acceptances	574,175	542,571
Guarantees	159,393	159,266
Letters of credit	153,507	136,952
Unused credit card commitments	461,985	440,038
Finance lease commitments	620	689
Irrevocable loan commitments		
— Original maturity date within 1 year	4,639	9,139
— Original maturity date over 1 year (inclusive)	2,388	36,771
<b>Total</b>	<b>1,356,707</b>	1,325,426
Credit risk weighted amounts of credit commitments	511,226	359,161

The movement of credit loss of off-balance-sheet assets are set out in Note 6.27.

#### 7.2 Capital commitments

	30 June 2020	31 December 2019
Contracted but not paid for	980	1,020

## Notes to the Condensed Consolidated Interim Financial Statements (Continued)

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

### 7 Contingent liabilities and commitments (continued)

#### 7.3 Collateral

##### (1) Assets pledged

At the end of each reporting period, the carrying amounts of assets pledged as collateral under borrowings from banks and other financial institutions, repurchase agreements, borrowings from central bank, derivative transactions and precious metal transactions are as following:

	30 June 2020	31 December 2019
Financial investments	423,679	359,088
Loans		
— Discounted bills	45,426	42,905
Finance lease receivables	17,462	15,326
Property and equipment	11,000	15,172
Balances with banks and other financial institutions	9,411	7,415
Others	1,243	1,209
Total	508,221	441,115

##### (2) Collateral accepted

The Group received debt securities and bills as collateral in connection with the purchase of assets under resale agreements and securities lending transactions. As at 30 June 2020, the fair value of the collateral that the Group had sold, but was obligated to return, was RMB641 million (31 December 2019: RMB729 million).

#### 7.4 Underwriting of securities

	30 June 2020	31 December 2019
Medium and short-term finance bills	272,887	260,315

## Notes to the Condensed Consolidated Interim Financial Statements (Continued)

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

### 7 Contingent liabilities and commitments (continued)

#### 7.5 Redemption commitments

As an underwriting agent of certificated PRC government bonds, the Bank has the obligation to buy back those bonds sold to it should the holders decide to redeem the bonds early. The redemption price for the bonds at any time before their maturity date is based on the coupon value plus any interest unpaid and accrued up to the redemption date. The amount of redemption obligation, which represents the nominal value of government bonds underwritten and sold by the Bank, but not yet matured as at 30 June 2020 was RMB1,079 million (31 December 2019: RMB2,239 million). The original maturities of the bonds vary from one to five years.

#### 7.6 Outstanding litigation

A number of outstanding litigations that matters against the Group had arisen in the normal course of its business as at 30 June 2020. With consideration of professional advice, the Group anticipates that these litigations will not have a significant impact on the Group.

### 8 Interests in structured entities

#### 8.1 Consolidated structured entities

Consolidated structured entities are mainly principal guaranteed wealth management products sponsored and managed by the Group. The Group has guaranteed the investor's principal investment, regardless of their actual performance. Investments made by these products and the corresponding liabilities to the investors of these products are presented in financial assets at fair value through profit or loss and deposits from customers, respectively.

## Notes to the Condensed Consolidated Interim Financial Statements (Continued)

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

### 8 Interests in structured entities (continued)

#### 8.2 Unconsolidated structured entities

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

Structured entities sponsored by third party institutions include asset-backed securities, asset management plans, funds, wealth management products, trust beneficiary plans and others and the Group does not consolidate these structured entities. The Group has no obligation or intention to provide financial support to these structured entities, and records interest income, net trading gain and net gain from investment securities therefrom.

The following tables set out an analysis of the line items in the statement of financial position in which assets are recognised relating to the Group's interests in structured entities sponsored by third parties:

	30 June 2020			Total
	Financial assets at fair value through profit and loss	Financial assets measured at amortised cost	Financial assets at fair value through other comprehensive income	
Asset-backed securities	419	194,672	93,583	288,674
Asset management plans	56,544	156,779	–	213,323
Funds	185,587	–	–	185,587
Wealth management products	125,079	–	–	125,079
Trust beneficiary plans	–	35,453	–	35,453
Others	3,280	–	–	3,280
<b>Total</b>	<b>370,909</b>	<b>386,904</b>	<b>93,583</b>	<b>851,396</b>

## Notes to the Condensed Consolidated Interim Financial Statements (Continued)

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

### 8 Interests in structured entities (continued)

#### 8.2 Unconsolidated structured entities (continued)

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

	31 December 2019			Total
	Financial assets at fair value through profit and loss	Financial assets measured at amortised cost	Financial assets at fair value through other comprehensive income	
Asset-backed securities	2,083	115,332	121,054	238,469
Wealth management products	178,201	–	–	178,201
Asset management plans	84,001	61,073	–	145,074
Trust beneficiary plans	–	142,756	–	142,756
Funds	125,798	–	–	125,798
Others	3,280	–	–	3,280
<b>Total</b>	<b>393,363</b>	<b>319,161</b>	<b>121,054</b>	<b>833,578</b>

The maximum exposures to loss in the above asset-backed securities, asset management plans, funds, wealth management products, trust beneficiary plans and others are the amortised cost or fair value of the assets held by the Group at the reporting date in accordance with the line items of these assets recognised in the statement of financial positions.

## Notes to the Condensed Consolidated Interim Financial Statements (Continued)

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

### 8 Interests in structured entities (continued)

#### 8.2 Unconsolidated structured entities (continued)

##### (2) Structured entities sponsored and/or managed by the Group

Structured entities sponsored and/or managed but not consolidated by the Group primarily include non-principal-guaranteed wealth management products, funds, asset management plans and trust beneficiary plans. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors. Interests held by the Group are mainly fees charged by providing management services. The Group has no obligation or intention to provide financial support to these structured entities.

As at 30 June 2020, the balance of non-principal-guaranteed wealth management products sponsored and managed but not consolidated by the Group is RMB885,363 million (31 December 2019: RMB894,098 million), and the balance of funds, asset management plans and trust beneficiary plans sponsored and/or managed but not consolidated by the Group is RMB265,398 million (31 December 2019: RMB291,533 million).

For the six months ended 30 June 2020, the amount of fee and commission income received from the above mentioned structured entities by the Group is RMB2,536 million (For the six months ended 30 June 2019: RMB2,591 million). As at 30 June 2020 and 31 December 2019, the carrying amounts of commission receivable being recognised are not material in the statement of financial positions.

## Notes to the Condensed Consolidated Interim Financial Statements (Continued)

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

### 9 Fiduciary activities

The Group commonly acts as a trustee, or in other fiduciary capacities, that result in its holding or managing assets on behalf of individuals, trusts and other institutions. These assets and any gains or losses arising thereon are not included in these financial statements as they are not the Group's assets.

The balance of investment fund under custodian by the Group was RMB697,229 million as at 30 June 2020 (31 December 2019: RMB625,566 million). The balance of corporate annuity funds under custodian by the Group was RMB635,032 million as at 30 June 2020 (31 December 2019: RMB587,766 million). And the Group's balances of entrusted loans were RMB214,352 million as at 30 June 2020 (31 December 2019: RMB224,853 million).

### 10 Related parties

#### 10.1 Related parties

- (1) Related parties of the Group refer to entities controlled, or jointly controlled by or under significant influence of the Group; entities that control, jointly control or have significant influence over the Group; or entities with which the Group is under control, joint control or significant influence of another party. Related parties can be individuals or enterprises.

Related parties that have significant influence on the Group include: members of the Board of Directors, the Board of Supervisors and senior management of head office and branches, people who have the power to decide or participate in the Bank's credit granting and asset transfer and close family members of such individuals; controlling natural person shareholders, members of the Board of Directors and key management personnel of the Bank's related legal persons or other organizations (excluding the legal persons or other organizations that are under direct, indirect or joint control of or under significant influence of the Bank's insiders, major natural person shareholder and close family members of such individuals); entities and their subsidiaries controlled or jointly controlled by members of the Board of Directors, the Board of Supervisors and senior management of head office and branches, people who have the power to decide or participate in the Bank's credit granting and asset transfer and their close family members of such individuals; major shareholders with the power to influence the Bank's operating or financial policies, and entities controlled or jointly controlled by these major shareholders.



## Notes to the Condensed Consolidated Interim Financial Statements (Continued)

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

### 10 Related parties (continued)

#### 10.1 Related parties (continued)

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

Company name	Registered location	30 June 2020		31 December 2019		Business (a)	Legal form	Legal representative
		No. of Shares of the Bank held by the Company (share)	Proportion of shares of the Bank held by the Company (%)	No. of Shares of the Bank held by the Company (share)	Proportion of shares of the Bank held by the Company (%)			
Dajia Life Insurance Inc.	Beijing	7,810,214,889	17.84	7,810,214,889	17.84	Insurance business	Joint stock limited company	He Xiaofeng
Huaxia Life Insurance Co., Ltd.	Tianjin	2,148,793,436	4.91	2,148,793,436	4.91	Insurance business	Joint stock limited company	Li Fei
Orient Group Incorporation	Heilongjiang	1,280,117,123	2.92	1,280,117,123	2.92	Wholesaling	Joint stock limited company	Sun Mingtao
Oriental Group Co., Ltd.	Heilongjiang	35,000,000	0.08	35,000,000	0.08	Commercial service	Limited company	Zhang Hongwei
China Oceanwide Holdings Group Co., Ltd.	Beijing	2,019,182,618	4.61	2,019,182,618	4.61	Commercial service	Limited company	Lu Zhiqiang
Oceanwide International Equity Investment Limited	British Virgin Islands	604,300,950	1.38	604,300,950	1.38	Investment holding	Limited company	(b)
China Oceanwide International Investment Company Limited	Hong Kong	8,237,520	0.02	8,237,520	0.02	Investment holding	Limited company	(b)
Long Prosper Capital Company Limited	British Virgin Islands	408,000,000	0.93	408,000,000	0.93	Investment holding	Limited company	(b)
New Hope Liuhe Investment Co., Ltd.	Lhasa	1,828,327,362	4.18	1,828,327,362	4.18	Commercial service	Limited company	Wang Pusong
South Hope Industrial Co., Ltd.	Lhasa	250,992,827	0.57	199,775,827	0.46	Retailing	Limited company	Li Jianxiang
Shanghai Giant Lifetech Co., Ltd.	Shanghai	1,379,679,587	3.15	1,379,679,587	3.15	Retailing	Limited company	Wei
China Shipowners Mutual Assurance Association	Shanghai	1,324,284,453	3.02	1,324,284,453	3.02	Insurance business	National Social groups	Song Chunfeng
Tsinghua Tongfang Guoxin Investment Holding Co., Ltd.	Chongqing	1,865,558,336	4.26	1,865,558,336	4.26	Capital market service	Limited company	Liu Qinqin
Chongqing International Trust Company Limited	Chongqing	140,463,786	0.32	140,463,786	0.32	Trust business	Joint stock limited company	Weng Zhenjie
Good First Group Co., Ltd.	Shanghai	544,300,026	1.24	544,300,026	1.24	Research and experimental development	Limited company	Wu Di
Tibet Heng Xun Corporate Management Co., Ltd.	Tibet	125,249,600	0.29	125,249,600	0.29	Commercial service	Limited company	Chen Zhenling
Tibet Rong Jie Corporate Management Co., Ltd.	Tibet	105,844,780	0.24	105,844,780	0.24	Commercial service	Limited company	Hong Zhihua

## Notes to the Condensed Consolidated Interim Financial Statements (Continued)

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

### 10 Related parties (continued)

#### 10.1 Related parties (continued)

##### (2) The Bank's major shareholders (continued)

###### (a) *Particulars of principal operations:*

Dajia Life Insurance Inc.: Various life insurance businesses such as life insurance, health insurance and accidental injury insurance, reinsurance business of the above insurance businesses, insurance fund application business permitted under the PRC laws and regulations, and other businesses as approved by CBIRC.

Huaxia Life Insurance Co., Ltd.: Various life insurance businesses such as life insurance, health insurance and accidental injury insurance businesses, related reinsurance businesses of the above insurances, funds application businesses permitted under the PRC laws and regulations, and other businesses as approved by CBIRC.

Orient Group Incorporation: Food purchase, import and export of goods (or technology) (except for items prohibited by the state, state-owned trade or state-restricted projects can only be operated after obtaining authorization or permits). Foreign economic and technical cooperation, foreign project contracting, occupational intermediary; property management; distribution of light construction materials, furniture, home decoration materials, construction machinery, hardware and electrical appliances, sanitary ware; production and sales of electrical contact materials, development of non-silver contacts Related products; food sales, rice planting, fine seed cultivation, research and development.

China Oceanwide Holdings Group Co., Ltd.: Finance, real property and investment management.

New Hope Liuhe Investment Co., Ltd.: Venture capital, investment management, finance consultancy, wealth management advisory, corporate reorganisation consultancy, market research, credit investigation, technology development and transfer, technology consultancy services, etc.

## Notes to the Condensed Consolidated Interim Financial Statements (Continued)

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

### 10 Related parties (continued)

#### 10.1 Related parties (continued)

##### (2) The Bank's major shareholders (continued)

###### (a) *Particulars of principal operations: (continued)*

South Hope Industrial Co., Ltd.: Research and development, wholesale and retail of feeds, electronic products, hardware and electrical appliances, daily sundry goods, textiles, office equipment (excluding colour copier), building materials (excluding hazardous chemicals and wood materials), agricultural by-products and special products (excluding products specified by the government), chemical products (excluding hazardous chemicals), mechanical equipment, investment and consultancy services (excluding intermediary services).

Shanghai Giant Lifetech Co., Ltd.: Manufacturing and sales of food (through its subsidiaries), sales of cosmetics, cleaning products, healthcare equipment and kitchenware, technical development, consultancy, services and transfer in healthcare food aspect, back-to-back wholesale of pre-packaged food (excluding cooked or braised and refrigerated or frozen food), investment management, asset management, investment consultancy, business information consultancy and business management consultancy.

China Shipowners Mutual Assurance Association: Marine mutual assurance, business training, marine information exchange, international cooperation and consultancy service.

Tsinghua Tongfang Guoxin Investment Holding Co., Ltd.: Use own funds to invest (not engage in the absorption of public deposits or disguised absorption of public deposits, grant loans, securities, futures and other financial services); provide investment-related market information, investment policies and other consulting services for its affiliates; corporate restructuring, M&A planning and consulting services; business management services (projects that must be approved in accordance with the law can only be carried out after approval by relevant departments).

# Notes to the Condensed Consolidated Interim Financial Statements (Continued)

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

## 10 Related parties (continued)

### 10.1 Related parties (continued)

#### (2) The Bank's major shareholders (continued)

##### (a) *Particulars of principal operations (continued):*

Chongqing International Trust Co., Ltd.: Fund trust, movable property trust, real estate trust, securities trust, other property or property rights trust; engaging in investment fund business as the sponsor of an investment fund or fund management company; operating enterprise assets restructuring, purchase and merger, project financing, corporate finance, financial advisory business; entrusting to conduct securities underwriting business approved by relevant departments under the state council; handling brokerage, consulting, credit investigation and other business; acting custody and safe deposit box business; using of inherent property by means of depositing, dismantling, lending, leasing and investment; providing security for others with inherent property; engaging in inter-bank lending; other businesses stipulated by laws and regulations or approved by the China banking and insurance regulatory commission (the above business scope includes local and foreign currency businesses).

Good First Group Co., Ltd.: Research, development and sale of high-tech products; industrial investment; investments in the education, agriculture, secondary industry and entertainment industry and healthcare products; sale of photographic equipment and new construction materials; wholesale and retail of chemicals (excluding hazardous chemicals and chemicals subject to supervision and control), textiles, hardware and electrical appliances, commodities, metal materials, construction materials, automobiles (excluding passenger cars) and parts, general machinery, electronic products and telecommunication devices and mineral products as approved by the country.

Tibet Heng Xun Corporate Management Co., Ltd.: Investment holding, etc..

Tibet Rong Jie Corporate Management Co., Ltd.: Investment holding, etc..

## Notes to the Condensed Consolidated Interim Financial Statements (Continued)

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

### 10 Related parties (continued)

#### 10.1 Related parties (continued)

##### (2) The Bank's major shareholders (continued)

(b) *The Oceanwide International Equity Investment Limited, China Oceanwide International Investment Company Limited and Long Prosper Capital Company Limited are registered overseas, all the above companies are ultimately controlled by Mr. Lu Zhiqiang.*

The information of registered capital of the related parties as at the end of the reporting period is as below:

Company name	30 June 2020	31 December 2019
Dajia Life Insurance Inc.	<b>RMB30,790 million</b>	RMB30,790 million
Huaxia Life Insurance Co., Ltd.	<b>RMB15,300 million</b>	RMB15,300 million
Orient Group Incorporation	<b>RMB3,715 million</b>	RMB3,715 million
Oriental Group Co., Ltd.	<b>RMB1,000 million</b>	RMB1,000 million
China Oceanwide Holdings Group Co., Ltd.	<b>RMB20,000 million</b>	RMB20,000 million
Oceanwide International Equity	<b>USD0.05 million</b>	USD0.05 million
China Oceanwide International	<b>HKD1,548 million</b>	HKD1,548 million
Long Prosper Capital Company Limited	<b>USD0.05 million</b>	USD0.05 million
New Hope Liuhe Investment Co., Ltd.	<b>RMB577 million</b>	RMB577 million
South Hope Industrial Co., Ltd.	<b>RMB1,034 million</b>	RMB1,034 million
Shanghai Giant Lifetech Co., Ltd.	<b>RMB245 million</b>	RMB245 million
China Shipowners Mutual Assurance Association	<b>RMB0.10 million</b>	RMB0.10 million
Tsinghua Tongfang Guoxin Investment Holding Co., Ltd.	<b>RMB2,574 million</b>	RMB2,574 million
Chongqing International Trust Co., Ltd.	<b>RMB15,000 million</b>	RMB15,000 million
Good First Group Co., Ltd.	<b>RMB133 million</b>	RMB133 million
Tibet Heng Xun Corporate Management Co., Ltd.	<b>RMB10 million</b>	RMB10 million
Tibet Rong Jie Corporate Management Co., Ltd.	<b>RMB10 million</b>	RMB10 million

(3) The detailed information of the Bank's subsidiaries is set out in Note 6.20.

## Notes to the Condensed Consolidated Interim Financial Statements (Continued)

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

### 10 Related parties (continued)

#### 10.1 Related parties (continued)

##### (4) Relationship with related parties

Company name	Relationship with the Bank
SHR FSST, LLC	Related party of Dajia Life Insurance Inc.
Anbang Property & Casualty Insurance Co., Ltd.	Related party of Dajia Life Insurance Inc.
UNITED ENERGY GROUP (HONG KONG) LIMITED	Related party of Orient Group Incorporation
Oriental Group Cereals, Oils and Foodstuffs Co., Ltd.	Related party of Orient Group Incorporation
Yumi Net Supply Chain (Dalian) Co., Ltd.	Related party of Orient Group Incorporation
CHINA TONGHAI INTERNATIONAL FINANCIAL LIMITED	Related party of China Oceanwide Holdings Group Co., Ltd.
Oceanwide Holding Co., Ltd.	Related party of China Oceanwide Holdings Group Co., Ltd.
Wuhan Centre Building Development Investment Co., Ltd.	Related party of China Oceanwide Holdings Group Co., Ltd.
Wuhan CBD Co., Ltd.	Related party of China Oceanwide Holdings Group Co., Ltd.
Grassroots Joint Venture Capital (Beijing) Co., Ltd.	Related party of New Hope Liuhe Investment Co., Ltd.
Chengdu Hengjilong Real Estate Co., Ltd.	Related party of New Hope Liuhe Investment Co., Ltd.
Chengdu New Hope Real Estate Co., Ltd.	Related party of New Hope Liuhe Investment Co., Ltd.
Sichuan Guida Industrial Co., Ltd.	Related party of New Hope Liuhe Investment Co., Ltd.
Sichuan Special Drive Education Management Co., Ltd.	Related party of New Hope Liuhe Investment Co., Ltd.
Sichuan Hope Education Industry Group Co. Ltd.	Related party of New Hope Liuhe Investment Co., Ltd.
Wenzhou Xinjintian Real Estate Co., Ltd.	Related party of New Hope Liuhe Investment Co., Ltd.
Chongqing Yujinyue Real Estate Development Co., Ltd.	Related party of New Hope Liuhe Investment Co., Ltd.

## Notes to the Condensed Consolidated Interim Financial Statements (Continued)

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

### 10 Related parties (continued)

#### 10.1 Related parties (continued)

##### (4) Relationship with related parties (continued)

Company name	Relationship with the Bank
Alxa Fengwei Photoelectric Co., Ltd.	Related party of Shanghai Giant Lifetech Co., Ltd.
Giant Network Group Co., Ltd.	Related party of Shanghai Giant Lifetech Co., Ltd.
Inner Mongolia Qinghua Group New Energy Photovoltaic Co., Ltd.	Related party of Shanghai Giant Lifetech Co., Ltd.
Shanghai Gold Partner Biotechnology Co., Ltd.	Related party of Shanghai Giant Lifetech Co., Ltd.
Shanghai Jianjiu Biotechnology Co., Ltd.	Related party of Shanghai Giant Lifetech Co., Ltd.
Shanghai Zhunji Business Consulting Partnership (LP)	Related party of Shanghai Giant Lifetech Co., Ltd.
Chongqing Cibi Business Information Consulting Co., Ltd.	Related party of Shanghai Giant Lifetech Co., Ltd.
Chongqing Yufu Highway Co., Ltd.	Related party of Tsinghua Tongfang Guoxin Investment Holding Co., Ltd.
Xiamen University Electronic Information Technology Co. Ltd.	Related party of Good First Group Co., Ltd.
Xiamen Jingding Sports Culture Development Co., Ltd.	Related party of Good First Group Co., Ltd.
Xiamen Rongyin Co., Ltd.	Related party of Good First Group Co., Ltd.
Xiamen Dazu Real Estate Development Co., Ltd.	Related party of Good First Group Co., Ltd.
Xiamen Tongxincheng Industry and Trade Co., Ltd.	Related party of Good First Group Co., Ltd.
Tianjin Haihui Real Estate Development Co., Ltd.	Related party of Good First Group Co., Ltd.
Zhangzhou Tangcheng Real Estate Co., Ltd.	Related party of Good First Group Co., Ltd.
Shanghai Songjiang Water Company	Shareholder of Subsidiary, Songjiang Rural Bank
Minsheng Real Estate Co., Ltd.	Companies funded by the Union Committee of the Bank

# Notes to the Condensed Consolidated Interim Financial Statements (Continued)

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

## 10 Related parties (continued)

### 10.1 Related parties (continued)

#### (4) Relationship with related parties (continued)

Company name	Relationship with the Bank
Minsheng Fintech Co., Ltd.	Related party of Minsheng Real Estate Co., Ltd.
Neural Management of Comprehensive Channels Co., Ltd.	Related party of Minsheng Real Estate Co., Ltd.
Beijing Changrong Bank Investment Management Co., Ltd.	Related party of Minsheng Real Estate Co., Ltd.
Minsheng E-Commerce Holdings (Shenzhen) Co., Ltd.	Companies funded by major shareholders and subsidiaries of the Bank
Hongtai Keystone Asset Management Co., Ltd.	Companies funded by Union Committee of credit card centre and related parties of the Bank

#### (5) Related natural persons

Related natural persons of the Group include: members of the Board of Directors, the Board of Supervisors and senior management of head office and branches, people who have the power to decide or participate in the Bank's credit granting and asset transfer and close family members of such individuals; controlling natural person shareholders, members of the Board of Directors and key management personnel of the Bank's related legal persons or other organizations (excluding the legal persons or other organizations that are under direct, indirect or joint control of or under significant influence of the Bank's insiders, major natural person shareholders and close family members of such individuals).

### 10.2 Related party transactions

#### (1) Major related party transactions

Major related party transactions refer to transactions in which the ratio of a single transaction amount to the bank's net capital is more than 1% of a single related party, or the cumulative transaction balance to the bank's net capital is more than 5%. During the six months ended 30 June 2020, the Group had no major related party transactions. In 2019, the Group granted a loan to Anbang Property & Casualty Insurance Co., Ltd. under normal commercial terms, with the transaction amount of RMB18 billion.



## Notes to the Condensed Consolidated Interim Financial Statements (Continued)

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

### 10 Related parties (continued)

#### 10.2 Related party transactions (continued)

##### (2) Pricing policy

Transactions between the Group and related parties are mainly 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.

##### (3) Loans to related parties

*Balances outstanding as at the end of the reporting period:*

	Types of collateral	30 June 2020	31 December 2019
Anbang Property & Casualty Insurance Co., Ltd.	Pledged	8,000	18,000
Shanghai Zhunji Business Consulting Partnership (LP)	Pledged& Guaranteed	7,515	7,516
Chongqing Cibi Business Information Consulting Co., Ltd.	Pledged& Guaranteed	6,618	6,619
Oceanwide Holding Co., Ltd.	Guaranteed	4,100	4,100
	Pledged	2,400	2,400
China Oceanwide Holdings Group	Pledged	4,274	4,275
Beijing Oceanwide Dongfeng Real Estate Co., Ltd. (a)	Collateralised	N/A	3,675
Wuhan Centre Building Development Investment Co., Ltd.	Guaranteed	3,973	3,974
United Energy Group (Hong Kong) Limited	Pledged& Guaranteed	3,895	3,838
Orient Group Incorporation	Collateralised	2,583	2,585
	Guaranteed	525	—
Wuhan CBD Co., Ltd.	Guaranteed	3,066	—
Beijing Changrong Bank Investment Management Co., Ltd.	Pledged	3,000	3,000
Wenzhou Xinjintian Real Estate Co., Ltd. (b)	Collateralised	1,738	N/A
Oriental Group Co., Ltd.	Pledged	1,144	798
	Guaranteed	499	500
Chengdu Hengjilong Real Estate Co., Ltd.	Collateralised	1,400	1,550
Tianjin Haihui Real Estate Development Co., Ltd.	Collateralised	1,080	680
China Tonghai International Financial Limited	Guaranteed	731	717
SHR FSST, LLC	Collateralised	708	698
Xiamen Tongxincheng Industry and Trade Co., Ltd. (b)	Pledged	350	N/A
	Guaranteed	350	N/A

## Notes to the Condensed Consolidated Interim Financial Statements (Continued)

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

### 10 Related parties (continued)

#### 10.2 Related party transactions (continued)

##### (3) Loans to related parties (continued)

	Types of collateral	30 June 2020	31 December 2019
Xiamen Jingding Sports Culture Development Co., Ltd.	Collateralised	530	560
Xiamen Rongyin Co., Ltd.	Pledged	581	786
	Collateralised	—	91
Sichuan Hope Education Industry Group Co., Ltd.	Pledged	450	250
Zhangzhou Tangcheng Real Estate Co., Ltd.	Collateralised	416	436
Alxa Fengwei Photoelectric Co., Ltd.	Pledged	315	333
	Guaranteed	69	96
Xiamen Dazu Real Estate Development Co., Ltd.	Collateralised	350	350
Shanghai Jianjiu Biotechnology Co., Ltd.	Guaranteed	350	350
Chongqing Yujinyue Real Estate Development Co., Ltd.	Collateralised	300	700
Shanghai Gold Partner Biotechnology Co., Ltd.	Guaranteed	150	150
Sichuan Special Drive Education Management Co., Ltd.	Collateralised	150	150
Grassroots Joint Venture Capital (Beijing) Co., Ltd.	Pledged & Guaranteed	150	150
Xiamen University Electronic Information Technology Co., Ltd.	Pledged	130	130
Chengdu New Hope Real Estate Co., Ltd.	Collateralised	110	110
Shanghai Songjiang Water Company	Guaranteed	94	104
Inner Mongolia Qinghua Group New Energy Photovoltaic Co., Ltd.	Guaranteed	50	70
	Pledged	59	59
Oriental Group Cereals, Oils and Foodstuffs Co., Ltd.	Pledged	50	50
Chongqing Yufu Highway Co., Ltd.	Pledged	13	13
Xiamen Tongxincheng Industry and Trade Co., Ltd. (b)	Pledged	6	N/A
Giant Network Group Co., Ltd.	Guaranteed	—	387
Sichuan Guida Industrial Co., Ltd.	Collateralised	—	280
Individuals	Collateralised	574	543
	Guaranteed	26	24
<b>Total</b>		<b>62,872</b>	<b>71,097</b>
Ratio to similar transactions (%)		<b>1.69</b>	2.00

## Notes to the Condensed Consolidated Interim Financial Statements (Continued)

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

### 10 Related parties (continued)

#### 10.2 Related party transactions (continued)

##### (3) Loans to related parties (continued)

(a) As at 30 June 2020, these entities were no longer related parties of the Group.

(b) As at 31 December 2019, these entities were not related parties of the Group.

##### *Amount of transactions for the reporting period:*

	Six months ended 30 June	
	2020	2019
Interest income from loans	2,225	1,330
Ratio to similar transactions (%)	2.49	1.70

As at 30 June 2020, none of the above loans is impaired (31 December 2019: Nil).

## Notes to the Condensed Consolidated Interim Financial Statements (Continued)

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

### 10 Related parties (continued)

#### 10.2 Related party transactions (continued)

##### (4) Other transactions with related parties

*Balances as at the end of the reporting period:*

	30 June 2020		31 December 2019	
	Balance	Ratio to similar transactions (%)	Balance	Ratio to similar transactions (%)
Placements with banks and other financial institutions	—	—	350	0.14
Financial investments				
— Financial assets measured at amortised cost (a)	4,756	0.37	2,883	0.25
— Financial assets at fair value through other comprehensive income	1,675	0.33	1,725	0.34
Long-term receivables	244	0.20	244	0.21
Balances with banks and other financial institutions	70	0.11	—	—
Deposits from customers	65,291	1.66	88,922	2.44
Deposits and placements from banks and other financial institutions	4,831	0.43	11,996	1.17

- (a) As at 30 June 2020 and 31 December 2019, there are overdue assets in related party transaction of Financial assets measured at amortised cost, with a balance of RMB600 million. The Group has made allowance for impairment of RMB111 million for this financial asset.

## Notes to the Condensed Consolidated Interim Financial Statements (Continued)

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

### 10 Related parties (continued)

#### 10.2 Related party transactions (continued)

##### (4) Other transactions with related parties (continued)

*Amount of transactions for the reporting period:*

	Six months ended 30 June			
	2020		2019	
	Balance	Ratio to similar transactions (%)	Balance	Ratio to similar transactions (%)
Interest income	155	0.12	69	0.06
Interest expense	970	0.73	875	1.13
Fee and commission income (a)	216	0.70	72	0.25
Operating expenses (b)	1,007	5.12	713	3.88

- (a) The fee and commission income of the Group is mainly from agency insurance service for Dajia Life Insurance Inc. and its subsidiaries, and Huaxia Life Insurance Co., Ltd., respectively.
- (b) Operating expenses of the Group are mainly for financial business outsourcing service and procurement service provided by Minsheng E-Commerce Holdings (Shenzhen) Co., Ltd. and its related parties, property management service provided by Minsheng Real Estate Co., Ltd. and its related parties, technology development service provided by Minsheng Fintech Co., Ltd., assets recovery service provided by Hongtai KeyStone Asset Management Co., Ltd., and maintenance service of self-service cashier equipment provided by Neural Management of Comprehensive Channels Co., Ltd.

## Notes to the Condensed Consolidated Interim Financial Statements (Continued)

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

### 10 Related parties (continued)

#### 10.2 Related party transactions (continued)

##### (4) Other transactions with related parties (continued)

###### *Balances of off-balance sheet items:*

	30 June 2020		31 December 2019	
	Balance	Ratio to similar transactions (%)	Balance	Ratio to similar transactions (%)
Bank acceptances	3,616	0.60	2,733	0.49
Guarantees	3,502	3.13	2,313	1.45
Letters of credit	365	0.24	365	0.27
Unused credit card commitments	293	0.01	281	0.01

###### *Balances of loans guaranteed by related parties:*

	June 30 2020	31 December 2019
Loans guaranteed by related parties	44,761	53,430
Ratio to similar transactions (%)	1.20	1.56

During the period ended 30 June 2020, the original value of loans transferred between Beijing Changrong Heyin Investment Management Co., Ltd. and the Bank was RMB5.44 billion, with the consideration of RMB5.23 billion agreed upon by both parties. The risks and rewards of these loans have been fully transferred.

## Notes to the Condensed Consolidated Interim Financial Statements (Continued)

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

### 10 Related parties (continued)

#### 10.2 Related party transactions (continued)

##### (5) Transactions with the annuity scheme

Apart from the obligation for defined contributions to the annuity scheme and normal banking transactions, no other significant transactions were conducted between the Group and the annuity scheme for the six months ended 30 June 2020 and for the six months ended 30 June 2019.

##### (6) Transactions with key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the Bank's activities, directly or indirectly, including directors, supervisors and senior management.

The Bank enters into transactions with key management personnel under normal commercial terms. These include loans and deposits, which are carried out at rates similar to those offered to third parties. Outstanding loans to the key management personnel amounted to RMB4.46 million as at 30 June 2020 (31 December 2019: RMB55.32 million), which have been included in the above loans granted to related parties.

Accrued salaries and other short-term benefits for the key management personnel (tax inclusive) amounted to RMB31 million for the six months ended 30 June 2020 (for the six months ended 30 June 2019: RMB32 million).

## Notes to the Condensed Consolidated Interim Financial Statements (Continued)

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

### 10 Related parties (continued)

#### 10.2 Related party transactions (continued)

##### (7) Transactions between the Bank and its subsidiaries

###### *Balances as at the end of the reporting period:*

	30 June 2020	31 December 2019
Placements with banks and other financial institutions	24,130	23,188
Loans and advances to customers	2,335	1,789
Right-of-use assets	204	291
Other assets	258	416
Deposits and placements from banks and other financial institutions	7,719	7,940
Deposits from customers	214	258
Leasing liabilities	204	291
Other liabilities	1,151	1,526

###### *Amount of transactions for the reporting period:*

	Six months ended 30 June	
	2020	2019
Interest income	438	337
Interest expense	69	91
Fee and commission income	82	55
Operating expenses	63	90
Other operating income	6	—

For the six months ended 30 June 2020, the transactions between the subsidiaries of the Group are mainly inter-bank deposits or lending. As at 30 June 2020, the balance of the above transactions was RMB493 million (31 December 2019: RMB713 million).

The balances and transaction amount with the subsidiaries and between the subsidiaries have been offset in these condensed consolidated interim financial statements.



## Notes to the Condensed Consolidated Interim Financial Statements (Continued)

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

### 11 Fair value of financial instruments

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

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date. This level includes listed equity securities and debt instruments on exchanges (e.g. London Stock Exchange, Frankfurt Stock Exchange, New York Stock Exchange) and exchange-traded derivatives like futures (e.g. NASDAQ, S&P 500).

Level 2: Inputs other than quoted prices included within Level 1 that are observable for assets or liabilities, either directly or indirectly. A majority of the debt securities classified as Level 2 are RMB bonds. The fair value of these bonds are determined based on the valuation results provided by China Central Depository Trust & Clearing Co., Ltd., which are determined based on the valuation technique for which all significant inputs are observable market data. This level includes a majority of OTC derivative contracts, traded loans and issued structured debts. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. Input parameters like China Bond interbank yield curves, LIBOR yield curves or counterparty credit risk are sourced from Bloomberg and Reuters.

Level 3: Unobservable inputs for assets or liabilities. This level includes equity investments and debt instruments with one or more than one significant unobservable component. These financial instruments are valued using cash flow discount model. The models incorporate various non-observable assumptions such as discount rate and market rate volatilities.

For the six months ended 30 June 2020, the carrying amount of financial instrument valued with significant unobservable inputs were immaterial, and the effects of changes in significant unobservable assumptions to reasonably possible alternative assumptions were also immaterial.

This hierarchy requires the use of observable open market data wherever possible. The Group tries its best to consider relevant and observable market prices in valuations.

# Notes to the Condensed Consolidated Interim Financial Statements (Continued)

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

## 11 Fair value of financial instruments (continued)

### 11.1 Financial instruments recorded at fair value

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

	30 June 2020			
	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
<u>Financial assets which are measured at fair value on a recurring basis:</u>				
Financial assets at fair value through profit or loss				
– Debt securities	26,345	134,606	182	161,133
– Equity investments	7,094	–	11,194	18,288
– Investment funds	161,854	23,733	–	185,587
– Asset management plans	–	42,882	13,662	56,544
– Wealth management products	3,768	107,162	14,149	125,079
– Others	–	–	3,280	3,280
Financial assets at fair value through other comprehensive income				
– Debt securities	45,341	452,668	1,503	499,512
– Equity investments	–	2,480	1,625	4,105
Loans and advances to customers at fair value through other comprehensive income	–	222,347	–	222,347
Derivative financial assets				
– Foreign exchange derivatives	–	8,112	–	8,112
– Precious metal derivatives	–	1,263	–	1,263
– Others	–	1,907	–	1,907
<b>Total</b>	<b>244,402</b>	<b>997,160</b>	<b>45,595</b>	<b>1,287,157</b>
<b>Liabilities</b>				
<u>Financial liabilities which are measured at fair value on a recurring basis:</u>				
Derivative financial liabilities				
– Foreign exchange derivatives	–	(8,251)	–	(8,251)
– Precious metal derivatives	–	(4,211)	–	(4,211)
– Others	–	(1,708)	–	(1,708)
Financial liabilities at fair value through profit or loss	–	(1,942)	(2,765)	(4,707)
<b>Total</b>	<b>–</b>	<b>(16,112)</b>	<b>(2,765)</b>	<b>(18,877)</b>

## Notes to the Condensed Consolidated Interim Financial Statements (Continued)

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

### 11 Fair value of financial instruments (continued)

#### 11.1 Financial instruments recorded at fair value (continued)

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

	31 December 2019			Total
	Level 1	Level 2	Level 3	
<b>Assets</b>				
<u>Financial assets which are measured at fair value on a recurring basis:</u>				
Financial assets at fair value through profit or loss				
– Debt securities	32,240	82,797	750	115,787
– Equity investments	16,141	–	5,130	21,271
– Investment funds	125,798	–	–	125,798
– Asset management plans	–	71,843	12,158	84,001
– Wealth management products	20,081	128,856	29,264	178,201
– Others	–	–	3,280	3,280
Financial assets at fair value through other comprehensive income				
– Debt securities	83,640	425,334	1,828	510,802
– Equity investments	–	961	1,125	2,086
Loans and advances to customers at fair value through other comprehensive income				
	–	172,218	–	172,218
Derivative financial assets				
– Foreign exchange derivatives	–	13,782	–	13,782
– Precious metal derivatives	–	16,471	–	16,471
– Others	–	847	–	847
<b>Total</b>	<b>277,900</b>	<b>913,109</b>	<b>53,535</b>	<b>1,244,544</b>
<b>Liabilities</b>				
<u>Financial liabilities which are measured at fair value on a recurring basis:</u>				
Derivative financial liabilities				
– Foreign exchange derivatives	–	(13,521)	–	(13,521)
– Precious metal derivatives	–	(3,066)	–	(3,066)
– Others	–	(1,206)	–	(1,206)
Financial liabilities at fair value through profit or loss				
	–	(1,996)	(3,188)	(5,184)
<b>Total</b>	<b>–</b>	<b>(19,789)</b>	<b>(3,188)</b>	<b>(22,977)</b>

## Notes to the Condensed Consolidated Interim Financial Statements (Continued)

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

### 11 Fair value of financial instruments (continued)

#### 11.2 Movement in level 3 financial instruments measured at fair value

The following table shows the movement of Level 3 financial instruments during the period:

	Six months ended 30 June 2020			
	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income		Total
		Debt securities	Equity securities	
As at 1 January	50,582	1,828	1,125	53,535
— in profit or loss	5,003	—	—	5,003
— in other comprehensive income	—	955	—	955
Purchase	17,401	—	500	17,901
Settlement	(30,519)	(1,280)	—	(31,799)
As at 30 June	42,467	1,503	1,625	45,595
Unrealised gain/losses from fair value changes	(1,308)	3	—	(1,305)

	2019			
	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income		Total
		Debt securities	Equity securities	
At 1 January	30,939	3,681	625	35,245
— in profit or loss	(930)	—	—	(930)
— in other comprehensive income	—	(651)	—	(651)
Purchase	36,512	—	500	37,012
Settlement	(15,939)	(1,202)	—	(17,141)
At 31 December	50,582	1,828	1,125	53,535
Unrealised gain/losses from fair value changes	1,380	38	—	1,418

## Notes to the Condensed Consolidated Interim Financial Statements (Continued)

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

### 11 Fair value of financial instruments (continued)

#### 11.3 Transfers among levels

For the six months ended 30 June 2020 and for the year ended 31 December 2019, there were no transfers among Level 1, Level 2 and Level 3 of the fair value hierarchy for financial assets and liabilities of the Group.

#### 11.4 Fair value of financial assets and liabilities not carried at fair value

- (1) **Cash and balances with central bank, balances with banks and other financial institutions, placements with banks and other financial institutions, loans and advances to customers, long-term receivables, deposits and placements from banks and other financial institutions, borrowings from banks and other financial institutions, deposits from customers and financial assets held under resale agreements and sold under repurchase agreements**

Given that these financial assets and financial liabilities mainly mature within a year or adopt floating interest rates, their book values approximate their fair values.

- (2) **Financial assets measured at amortised cost other than bonds**

The estimated fair value of debt instrument investments measured at amortised cost other than bonds represents the amount of estimated future cash flows expected to be received, discounted at current market rates.

- (3) **Financial assets measured at amortised cost-bonds**

The fair value for financial assets measured at amortised cost-bonds is usually measured based on “bid” market prices or brokers’/dealers’ quotations. If relevant market information is not available, the fair value is based on quoted price of security products with similar characteristics such as credit risk, materiality and yield.

- (4) **Debt securities issued**

Fair values of debt securities issued are based on quoted market prices. For debt securities where quoted market prices are not available, a discounted cash flow model is used to calculate their fair value using current market rates appropriate for debt securities with similar remaining maturities.

## Notes to the Condensed Consolidated Interim Financial Statements (Continued)

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

### 11 Fair value of financial instruments (continued)

#### 11.4 Fair value of financial assets and liabilities not carried at fair value (continued)

The following table summarises the carrying amounts, the fair value and the analysis by level of the fair value hierarchy of financial assets measured at amortised and cost debt securities issued:

	30 June 2020				
	Carrying amount	Fair value	Level 1	Level 2	Level 3
<u>Financial assets</u>					
Financial assets measured at amortised cost	1,289,435	1,304,113	2,342	986,168	315,603
<u>Financial liabilities</u>					
Debt securities issued	772,691	779,235	—	779,235	—

	31 December 2019				
	Carrying amount	Fair value	Level 1	Level 2	Level 3
<u>Financial assets</u>					
Financial assets measured at amortised cost	1,143,079	1,148,271	2,112	913,349	232,810
<u>Financial liabilities</u>					
Debt securities issued	817,225	819,872	—	819,872	—

### 12 Subsequent events

Up to the approval date of the condensed consolidated interim financial statements, the Group had no material subsequent events for disclosure.

### 13 Comparative figures

For financial statements disclosure purpose, the Group made reclassification adjustments to some comparative figures.

# Unaudited Supplementary Financial Information

For the six months ended 30 June 2020

(Expressed in millions of Renminbi, unless otherwise stated)

## 1 Liquidity coverage ratio

	As at 30 June 2020	Average for the six months ended 30 June 2020	As at 31 December 2019	Average for the six months ended 30 June 2019
Liquidity coverage ratio (%) (RMB and foreign currency)	<b>125.49%</b>	<b>126.44%</b>	133.66%	119.65%

The above liquidity coverage ratio is calculated in accordance with the formula promulgated by the CBIRC and based on the financial information prepared in accordance with PRC GAAP.

## 2 Currency concentrations

		30 June 2020			
		USD	HKD	Others	Total
Spot assets		<b>444,157</b>	<b>45,373</b>	<b>73,161</b>	<b>562,691</b>
Spot liabilities		<b>(338,826)</b>	<b>(31,633)</b>	<b>(33,180)</b>	<b>(403,639)</b>
Forward purchases		<b>906,070</b>	<b>21,512</b>	<b>46,730</b>	<b>974,312</b>
Forward sales		<b>(986,251)</b>	<b>(28,605)</b>	<b>(84,907)</b>	<b>(1,099,763)</b>
Net long position	(1)	<b>25,150</b>	<b>6,647</b>	<b>1,804</b>	<b>33,601</b>

		31 December 2019			
		USD	HKD	Others	Total
Spot assets		409,199	58,588	55,791	523,578
Spot liabilities		(346,058)	(34,271)	(26,939)	(407,268)
Forward purchases		949,694	21,771	99,252	1,070,717
Forward sales		(975,995)	(41,816)	(133,053)	(1,150,864)
Net long/(short) position	(1)	36,840	4,272	(4,949)	36,163

(1) The net option position is calculated using the delta equivalent approach as required by the Hong Kong Monetary Authority.

## Unaudited Supplementary Financial Information (Continued)

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

### 3 Loans and advances to customers

#### 3.1 Impaired loans by geographical area

	30 June 2020		31 December 2019	
	Impaired loans	Allowance for impairment losses	Impaired loans	Allowance for impairment losses
Head Office	18,778	16,296	15,630	11,368
Yangtze River Delta	5,378	2,980	5,321	3,314
Pearl River Delta	4,150	2,261	4,328	2,694
Bohai Rim	10,314	6,766	5,753	3,920
North-eastern Region	4,405	2,939	4,371	3,202
Central Region	12,693	9,187	13,800	7,849
Western Region	8,325	5,171	6,413	3,497
Overseas and subsidiaries	721	415	1,159	564
<b>Total</b>	<b>64,764</b>	<b>46,015</b>	56,775	36,408

#### 3.2 Loans overdue for more than 3 months by geographical area

	30 June 2020		31 December 2019	
	Overdue loans	Allowance for impairment losses	Overdue loans	Allowance for impairment losses
Head Office	17,912	15,763	14,513	10,977
Yangtze River Delta	3,436	2,228	4,698	3,044
Pearl River Delta	2,924	1,578	3,402	2,324
Bohai Rim	8,195	5,534	5,243	3,657
North-eastern Region	1,683	1,106	2,503	1,568
Central Region	11,468	8,322	13,035	7,482
Western Region	4,963	3,604	3,707	2,377
Overseas and subsidiaries	831	293	803	399
<b>Total</b>	<b>51,412</b>	<b>38,428</b>	47,904	31,828



## Unaudited Supplementary Financial Information (Continued)

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

### 4 International claims

	30 June 2020				
	Asia pacific	North and South America	Europe	Other Locations	Total
Banks	25,938	46,810	6,725	—	79,473
Official sector	1,568	40,423	448	—	42,439
Non-bank private sector	102,791	205,492	27,163	8,841	344,287
<b>Total</b>	<b>130,297</b>	<b>292,725</b>	<b>34,336</b>	<b>8,841</b>	<b>466,199</b>

	31 December 2019				
	Asia pacific	North and South America	Europe	Other Locations	Total
Banks	40,594	59,561	9,956	—	110,111
Official sector	2,258	44,397	357	—	47,012
Non-bank private sector	106,545	158,327	27,173	8,173	300,218
<b>Total</b>	<b>149,397</b>	<b>262,285</b>	<b>37,486</b>	<b>8,173</b>	<b>457,341</b>





Add.: No. 2, Fuxingmennei Avenue, Xicheng District, Beijing, China  
Tel. : (+86-10) 58560666  
Fax. : (+86-10) 58560720  
Postal Code: 100031  
Website: [www.cmbc.com.cn](http://www.cmbc.com.cn)