

Overview of Operating Performance

In face of the unexpected worldwide COVID-19 pandemic outbreak and complicated business conditions since the beginning of 2020, the Bank applied the new development philosophy. With 2020 designated as the “Year of Enhanced Implementation”, it coordinated the fight against COVID-19 and each work in pursuit of reform and development, stimulated vitality, made agile response, and achieved breakthroughs in key areas, maintaining the sound momentum of making progress while ensuring stability.

Steadily increasing assets and liabilities and realising generally stable financial performance

The Bank took the initiative to address changes in the domestic and global situation by strengthening business expansion and further reinforcing internal management. Its business performance remained stable. As at 30 June 2020, the Group’s assets totalled RMB24,152.855 billion and its liabilities stood at RMB22,064.242 billion, representing an increase of 6.07% and 6.11% respectively compared with the prior year-end. In the first half of 2020, the Group realised steady growth in operating income and pre-provision operating profit, achieving a profit for the period of RMB107.812 billion and a profit attributable to equity holders of the Bank of RMB100.917 billion. Its return on average total assets (ROA) stood at 0.92% and return on average equity (ROE) was 11.10%. The cost to income ratio continued to fall, and operational efficiency increased.

Mounting a robust and well-organised fight against COVID-19 and enabling targeted financial services

Earnestly performing its responsibilities as a large bank, the Bank implemented state requirements to ensure stability on six fronts and security in six areas, and took a multi-pronged approach to support the resumption of work and production and the development of real economy. It took the initiative to launch 30 measures for supporting Hubei Province in beating COVID-19 and reopening its economy. By issuing a series of innovative products such as anti-pandemic bonds and special interbank certificates of deposit, it financed the fight against COVID-19 through a suite of channels. The Bank created customised “Anti-virus Loan” and “Work Resumption Loan” products for micro and small-sized enterprises and self-employed individuals, helping them to pull through a difficult period. It continuously increased credit resources for such key fields as inclusive finance, private enterprises and manufacturing, achieving a 39% increase in the balance of its outstanding inclusive finance loans granted to micro and small-sized enterprises¹ over the same period of the previous year. The Bank introduced 13 measures to “stabilise foreign trade” and the amount of its ECA-backed financing grew at a relatively rapid pace. It adopted active measures to prevent and control the virus, and was effective in ensuring employee safety and the continuity of its business operations.

¹ Inclusive finance loans granted to micro and small-sized enterprises are measured in accordance with the *Circular of the General Office of China Banking and Insurance Regulatory Commission on Promoting the Work of “Volume Increase, Coverage Expansion, Quality Improvement and Cost Reduction” Concerning Financial Services for Micro and Small-sized Enterprises in 2020* (Yin Bao Jian Ban Fa [2020] No. 29).

Advancing strategy implementation and properly addressing the challenges of in-depth reform

The Bank continued to deepen reform and innovation, in line with its strategic development goals. It achieved progress in strategy implementation and successfully carried out all tasks related to its high-quality development. The Bank made new breakthroughs in the development of its core businesses. It continuously cemented the foundations of its corporate banking business, effectively improved its personal banking customer base, realised stable growth in financial markets business, took crucial steps forward in the regional integration of its overseas institutions, further improved the layout of its diversified operations and boosted its service capabilities. The Bank recorded fresh results in the reform of key fields, sped up its digital transformation, and made orderly progress in key projects including enterprise-level architecture development, the building of strategic scenarios and ecosystems, data governance, smart operations and outlet transformation.

Maintaining stable asset quality and enhancing risk resilience

The Bank continued to improve its comprehensive risk management system, strengthened investigations of potential risks in key fields, actively promoted the collection and mitigation of non-performing assets (NPAs) and managed to maintain the Group's asset quality at a stable level. As at 30 June 2020, the Group's outstanding non-performing loans (NPLs) stood at RMB198.382 billion, with an NPL ratio of 1.42%, the allowance for loan impairment losses to NPLs was up to 186.46%. The Bank took effective measures to control liquidity and market risk in response to market fluctuations, maintaining key risk indicators at a stable level. It bolstered its capital replenishment efforts by successfully completing the issuance of RMB40.0 billion of undated capital bonds and USD2.82 billion of offshore preference shares, thus maintaining its capital adequacy ratios at high levels.