

# Management Discussion and Analysis

## Outlook

In the second half of 2021, the banking industry will continue to face a complicated operating environment. From an international perspective, the pandemic situation continues to evolve, and the external environment has become more complicated and serious. From a domestic perspective, China's economy has continued growing, reinforcing and improving steadily, as its development drivers have been further enhanced, but the nation's economic recovery remains unbalanced and its foundation is not yet solid.

The Bank will follow the general principle of pursuing progress while ensuring stability, ground its efforts in the new development stage, apply the new development philosophy, and serve the new development pattern. It will implement the 14th Five-Year Plan of the Group, carry out COVID-19 prevention and control, improve its business management, and strive to achieve high-quality development, ensuring a good start to the 14th Five-Year Plan period.

First, the Bank will take solid steps to implement the development pattern of "One Body with Two Wings" and improve its capabilities in serving the real economy. It will actively integrate into the overall development situation, give full play to its unique strengths, allocate more resources in serving the country's regional development strategy, and supporting for projects in key areas, thus further consolidating the crucial role of its domestic commercial banking business. It will actively respond to the changes in the post-pandemic era and accelerate the transformation of global business. It will also reinforce its strengths in comprehensive operation and continue to improve its value creation capabilities.

Second, the Bank will press ahead with the development of "Eight Priorities in Delivering Financial Services" to enhance its market competitiveness. It will fully integrate into the process of economic transformation, continue to focus on the development of technology finance, green finance, inclusive finance, cross-border finance, consumer finance, wealth finance, supply chain finance and county-level finance, actively serve new business patterns and new models, and foster new growth drivers.

Third, the Bank will advance the digital transformation on all fronts and improve its capability for digital development. It will deeply integrate into the development trends of the digital economy, comprehensively launch new digital infrastructures, deepen the scenario-based ecological construction, and fully leverage the role of product innovation to boost the all-round upgrading of its business management models.

Fourth, the Bank will strengthen comprehensive risk management and control and improve its capabilities in responding to major risks. It will improve its comprehensive risk management system as well as its risk management regimes and mechanisms. It will continue to strengthen asset quality management and vigorously implement NPL collection and mitigation. It will also carry out liquidity and market risk management in a forward-looking manner, and refine the early warning and disposal mechanisms for major risks in the financial market. In addition, the Bank will devote great efforts to internal control and case prevention management, and deepen AML and sanctions compliance management. It will also strengthen reputational risk management, thus continuously improving its brand image.