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錦州銀行股份有限公司

Bank of Jinzhou Co., Ltd.*

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

(Stock Code: 0416)

(Stock Code of Preference Shares: 4615)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2021

The board of directors of Bank of Jinzhou Co., Ltd.* is pleased to announce the unaudited interim results of the Bank for the six months ended 30 June 2021 prepared in accordance with IFRSs promulgated by the International Accounting Standards Board. The interim financial information for the six months ended 30 June 2021 prepared by the Bank was reviewed by Crowe (HK) CPA Limited in accordance with International Standard on Review Engagements 2410. The Board and its audit committee have reviewed and confirmed this interim results.

1. CORPORATE INFORMATION

1.1 Corporate Basic Information

Legal Name and Abbreviation in Chinese:	錦州銀行股份有限公司 (Abbreviation: 錦州銀行)
Legal Name and Abbreviation in English:	BANK OF JINZHOU CO., LTD. (Abbreviation: BANK OF JINZHOU)
Legal Representative:	Mr. Wei Xuekun
Authorized Representatives:	Mr. Wei Xuekun, Mr. Guo Wenfeng
Listing Exchange of H Shares:	Hong Kong Stock Exchange
Stock Name of H Shares:	BANK OF JINZHOU
Stock Code of H Shares:	0416
Listing Exchange of Offshore Preference Shares:	Hong Kong Stock Exchange
Stock Name of Offshore Preference Shares:	BOJZ 17USD_PREF
Stock Code of Offshore Preference Shares:	4615

1.2 Contact Persons and Contact Details

Secretary to the Board:	Mr. Yu Jun
Joint Company Secretaries:	Mr. Yu Jun and Ms. Leung Wing Han Sharon
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Registered Address:	No.68 Keji Road, Jinzhou City, Liaoning Province, the PRC
Principal Place of Business in Hong Kong:	40 / F, Dah Sing Financial Centre, 248 Queen's Road East, Wanchai, Hong Kong

2. FINANCIAL HIGHLIGHTS

Between the financial statements of the Bank prepared in accordance with China Accounting Standards for Business Enterprises and those in accordance with IFRSs, there is no difference in respect of the net profit attributable to Ordinary Shareholders of the Bank for the Reporting Period and net asset attributable to Ordinary Shareholders as at the end of the Reporting Period.

2.1 Financial Data

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	For the six months ended 30 June		Interim period of 2021 vs Interim period of 2020	For the year ended 31 December 2020
	2021	2020	Rate of change (%)	
Operating Results				
Interest income	19,124,154	20,940,446	(8.7)	37,344,545
Interest expense	(13,443,550)	(14,887,830)	(9.7)	(28,045,398)
Net interest income	<u>5,680,604</u>	<u>6,052,616</u>	(6.1)	<u>9,299,147</u>
Net fee and commission income	291,570	92,809	214.2	174,690
Net trading gains / (losses)	184,338	288,751	(36.2)	(118,122)
Dividend income	14,248	–	–	1,440
Net gains / (losses) arising from investment securities	8,055	(153)	(5,364.7)	1,721
Net foreign exchange gains / (losses)	9,402	1,790	425.3	(78,105)
Other net operating income	1,951	8,655	(77.5)	28,522
Operating income	<u>6,190,168</u>	<u>6,444,468</u>	(3.9)	<u>9,309,293</u>
Operating expenses	(1,435,592)	(1,511,117)	(5.0)	(3,318,583)

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	For the six months ended 30 June		Interim period of 2021 vs interim period of 2020	For the year ended 31 December 2020
Operating Results	2021	2020	Rate of change (%)	
Operating profit before impairment	4,754,576	4,933,351	(3.6)	5,990,710
Impairment losses on assets	(4,373,611)	(4,428,740)	(1.2)	(5,662,563)
Profit before tax	380,965	504,611	(24.5)	328,147
Income tax expenses	(194,922)	(91,349)	113.4	(174,620)
Net profit	186,043	413,262	(55.0)	153,527
Net profit attributable to shareholders of the parent company	429,890	406,644	5.7	404,569
Calculated on a per share basis (RMB)			Change	
Basic and diluted earnings / (losses) per share	0.03	0.05	(0.02)	(0.02)
<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	As at 30 June 2021	As at 31 December 2020	30 June 2021 vs 31 December 2020	As at 30 June 2020
Major Indicators of Assets / Liabilities			Rate of change (%)	
Total assets	828,883,541	777,992,324	6.5	821,265,555
Of which: net loans and advances to customers	552,589,347	495,464,197	11.5	407,329,790
Total liabilities	757,438,893	706,750,144	7.2	761,339,447
Of which: deposits from customers	464,320,582	439,223,670	5.7	413,977,645
Share capital	13,981,616	13,981,616	–	7,781,616
Total equity attributable to shareholders of the parent company	68,105,506	67,659,191	0.7	56,085,459
Total equity	71,444,648	71,242,180	0.3	59,926,108

2.2 Financial Indicators

	For the six months ended 30 June		Interim period of 2021 vs interim period of 2020	For the year ended 31 December 2020
	2021	2020	Change	
Profitability Indicators (%)				
Return on average total assets ⁽¹⁾	0.05*	0.10*	(0.05)	0.02
Return on average equity ⁽²⁾	1.48*	1.77*	(0.29)	0.78
Net interest spread ⁽³⁾	1.34*	1.33*	0.01	1.68
Net interest margin ⁽⁴⁾	1.54*	1.59*	(0.05)	1.42
Net fee and commission income to operating income ratio	4.71	1.44	3.27	1.88
Cost-to-income ratio ⁽⁵⁾	21.11	20.96	0.15	32.35
	As at 30 June 2021	As at 31 December 2020	30 June 2021 vs 31 December 2020	As at 30 June 2020
Assets Quality Indicators (%)				
Non-performing loan ratio ⁽⁶⁾	2.29	2.07	0.22	1.94
Provision coverage ratio ⁽⁷⁾	193.47	198.67	(5.20)	243.73
Provision to loans ratio ⁽⁸⁾	4.43	4.11	0.32	4.73
Capital Adequacy Indicators (%)				
Core tier-one capital adequacy ratio ⁽⁹⁾	8.20	8.23	(0.03)	5.50
Tier-one capital adequacy ratio ⁽¹⁰⁾	9.62	9.65	(0.03)	6.94
Capital adequacy ratio	11.74	11.76	(0.02)	9.06
Total equity to total assets	8.62	9.16	(0.54)	7.30

Notes:

- (1) Represents the net profit for the period / year as a percentage of the average balance of total assets at the beginning and the end of that period / year.
- (2) Represents the Bank's net profit attributable to the parent company for the period / year as a percentage of the average balance of net assets attributable to holders of ordinary shares of the parent company at the beginning and the end of that period / year.
- (3) Calculated as the difference between the average yield on total interest-earning assets and the average cost on total interest-bearing liabilities.
- (4) Calculated by dividing net interest income by average interest-earning assets, which are calculated based on the daily average of the interest-earning assets.
- (5) Cost-to-income ratio = operating expenses (excluding tax and surcharges) / operating income.
- (6) Non-performing loan ratio = total non-performing loans / total loans and advances to customers.
- (7) Provision coverage ratio = provision for impairment losses on loans / total non-performing loans.
- (8) Provision to loans ratio = provision for impairment losses on loans / total loans and advances to customers.
- (9) Core tier-one capital adequacy ratio = (core tier-one capital – corresponding capital deductions) / risk-weighted assets.
- (10) Tier-one capital adequacy ratio = (tier-one capital – corresponding capital deductions) / risk-weighted assets.

* indicates annualized ratios

3. MANAGEMENT DISCUSSIONS AND ANALYSIS

3.1 Business and Financial Review

Facing the complicated and ever-changing domestic and overseas environment in 2021, China coordinated the prevention and control of the pandemic and economic and social development, and implemented effective macro policies. The economic operation in China was stable and improved in the first half of the year. Drivers to economic development were further enhanced, more efforts were put in reform and opening up, new achievements were made in high-quality development and the general social situation remained stable. The financial industry adhered to the guidance of Xi Jinping's thoughts on Socialism with Chinese Characteristics for a New Era, followed the decisions and deployment by the central economic work conference and the government work reports, adhered to the strategy of seeking progress while maintaining stability to boost the ability to serve real economies, improved the efficiency in the allocation of financial resources, reinforced the capability on the prevention and control of financial risks, and promoted the sustainable and stable recovery of the national economy.

During the Reporting Period, the Bank held up to the principle of "Party supervising the financial field" and further advanced the "1226" development strategy and the "three-year planning". The Bank took the path of inherent high quality development and focused on its main responsibilities and main businesses of "three services" to support the development of real economies and inclusive finance. It optimized the asset and liability structure, reinforced revenue enhancement and expense reduction, strengthened incentive and restrictive mechanisms, further deepened fundamental management and technology-driven development, improved systems and procedures, enhanced risk control capability and standardized internal control compliance gradually for the achievement of steady and sustained business operation.

As at the end of the Reporting Period, the total assets of the Bank amounted to RMB828,884 million, representing an increase of 6.5% as compared to that as at 31 December 2020; the net loans and advances to customers amounted to RMB552,589 million, representing an increase of 11.5% as compared to that as at 31 December 2020; the balance of deposits from customers of the Bank amounted to RMB464,321 million, representing an increase of 5.7% as compared to that as at 31 December 2020. During the Reporting Period, the operating income of the Bank amounted to RMB6,190 million, and the net profit amounted to RMB186 million.

As at the end of the Reporting Period, the Bank's capital adequacy ratio, tier-one capital adequacy ratio and core tier-one capital adequacy ratio amounted to 11.74%, 9.62% and 8.20%, respectively.

3.2 Analysis of the Financial Statements

3.2.1 Analysis of the income statement

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	For the six months ended 30 June		Change in amount	Rate of change (%)
	2021	2020		
Interest income	19,124,154	20,940,446	(1,816,292)	(8.7)
Interest expense	(13,443,550)	(14,887,830)	1,444,280	(9.7)
Net interest income	<u>5,680,604</u>	<u>6,052,616</u>	<u>(372,012)</u>	(6.1)
Net fee and commission income	291,570	92,809	198,761	214.2
Net trading gains	184,338	288,751	(104,413)	(36.2)
Dividend income	14,248	–	14,248	–
Net gains / (losses) arising from investment securities	8,055	(153)	8,208	(5,364.7)
Net foreign exchange gains	9,402	1,790	7,612	425.3
Other net operating income	1,951	8,655	(6,704)	(77.5)
Operating income	<u>6,190,168</u>	<u>6,444,468</u>	<u>(254,300)</u>	(3.9)
Operating expenses	(1,435,592)	(1,511,117)	75,525	(5.0)
Operating profit before impairment	<u>4,754,576</u>	<u>4,933,351</u>	<u>(178,775)</u>	(3.6)
Impairment losses on assets	(4,373,611)	(4,428,740)	55,129	(1.2)
Profit before tax	<u>380,965</u>	<u>504,611</u>	<u>(123,646)</u>	(24.5)
Income tax expenses	<u>(194,922)</u>	<u>(91,349)</u>	<u>(103,573)</u>	113.4
Net profit	<u><u>186,043</u></u>	<u><u>413,262</u></u>	<u><u>(227,219)</u></u>	(55.0)

During the Reporting Period, the Bank's profit before tax was RMB381 million; the net profit was RMB186 million, net interest income was RMB5,681 million, representing a decrease of RMB372 million or 6.1% as compared to that for the six months ended 30 June 2020, primarily due to the decrease in the average balance of interest-earning assets and the decline in average yield.

3.2.1.1 Net interest income

Net interest income accounted for the largest portion of the Bank's operating income, representing 91.8% and 93.9% of operating income in the Reporting Period and for the six months ended 30 June 2020, respectively. The following table sets forth, for the periods indicated, the interest income, interest expense and net interest income of the Bank:

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	For the six months ended 30 June			Rate of change (%)
	2021	2020	Change in amount	
Interest income	19,124,154	20,940,446	(1,816,292)	(8.7)
Interest expense	<u>(13,443,550)</u>	<u>(14,887,830)</u>	<u>1,444,280</u>	(9.7)
Net interest income	<u>5,680,604</u>	<u>6,052,616</u>	<u>(372,012)</u>	(6.1)

The following table sets forth, for the periods indicated, the average balance of interest-earning assets and interest-bearing liabilities, the related interest income or expense and relevant average yield on interest-earning assets or relevant average cost on interest-bearing liabilities of the Bank:

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	For the six months ended 30 June 2021			For the six months ended 30 June 2020		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Interest-earning Assets						
Loans and advances to customers	500,840,306	14,501,492	5.79	474,015,179	14,396,550	6.07
Investment securities and other financial assets	172,648,956	3,955,932	4.58	203,396,122	5,716,821	5.62
Deposits with the central bank	50,064,246	382,662	1.53	44,991,723	343,332	1.53
Deposits with banks and other financial institutions	1,535,162	18,623	2.43	15,839,763	94,269	1.19
Placements with banks and other financial institutions	5,827,072	187,785	6.45	7,625,603	84,826	2.22
Financial assets held under resale agreements	1,276,134	11,620	1.82	10,649,097	103,721	1.95
Finance lease receivables	<u>4,337,825</u>	<u>66,040</u>	3.04	<u>5,755,530</u>	<u>200,927</u>	6.98
Total interest-earning assets	<u>736,529,701</u>	<u>19,124,154</u>	5.19	<u>762,273,017</u>	<u>20,940,446</u>	5.49

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	For the six months ended 30 June 2021			For the six months ended 30 June 2020		
	Average balance	Interest expense	Average cost (%)	Average balance	Interest expense	Average cost (%)
Interest-bearing Liabilities						
Deposits from customers	439,033,504	8,350,447	3.80	383,606,118	7,354,964	3.83
Deposits from banks and other financial institutions	132,398,135	3,025,108	4.57	179,321,958	4,345,144	4.85
Placements from banks and other financial institutions	25,928,822	484,017	3.73	13,178,271	218,172	3.31
Financial assets sold under repurchase agreements	42,785,200	568,526	2.66	8,385,338	111,519	2.66
Debt securities payable	58,021,729	1,012,900	3.49	130,621,846	2,835,650	4.34
Borrowing from the central bank	220,641	2,552	2.31	630,535	22,381	7.10
Total interest-bearing liabilities	<u>698,388,031</u>	<u>13,443,550</u>	3.85	<u>715,744,066</u>	<u>14,887,830</u>	4.16
Net interest income		5,680,604			6,052,616	
Net interest spread⁽¹⁾			1.34			1.33
Net interest margin⁽²⁾			1.54			1.59

Notes:

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

The following table sets forth, for the periods indicated, the changes in the Bank's interest income and interest expense attributable to changes in volume and interest rate. Changes in volume are measured by changes in the average balances of interest-earning assets and interest-bearing liabilities and changes in interest rate are measured by the average interest rate of the interest-earning assets and interest-bearing liabilities. Effect caused by changes of both volume and interest rate has been allocated to changes in net interest income.

	For the six months ended 30 June 2021 vs 2020		
	Increase / (decrease) factors		
<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	Volume ⁽¹⁾	Interest rate ⁽²⁾	Net increase / (decrease) ⁽³⁾
Interest-earning Assets			
Loans and advances to customers	814,719	(709,777)	104,942
Investment securities and other financial assets	(864,205)	(896,684)	(1,760,889)
Deposits with the central bank	38,708	622	39,330
Deposits with banks and other financial institutions	(85,133)	9,487	(75,646)
Placements with banks and other financial institutions	(20,007)	122,966	102,959
Financial assets held under resale agreements	(91,292)	(809)	(92,101)
Finance lease receivables	(49,492)	(85,395)	(134,887)
	<u>(256,702)</u>	<u>(1,559,590)</u>	<u>(1,816,292)</u>
Changes in interest income			
Interest-bearing Liabilities			
Deposits from customers	1,062,721	(67,238)	995,483
Deposits from banks and other financial institutions	(1,137,009)	(183,027)	(1,320,036)
Placements from banks and other financial institutions	211,091	54,754	265,845
Financial assets sold under repurchase agreements	457,494	(487)	457,007
Debt securities payable	(1,576,065)	(246,685)	(1,822,750)
Borrowing from the central bank	(14,549)	(5,280)	(19,829)
	<u>(996,317)</u>	<u>(447,963)</u>	<u>(1,444,280)</u>
Changes in interest expense			
Changes in net interest income	<u>739,615</u>	<u>(1,111,627)</u>	<u>(372,012)</u>

Notes:

- (1) Represents the average balance for the Reporting Period minus the average balance for the previous period, multiplied by the average yield / cost for such previous period.
- (2) Represents the average yield / cost for the Reporting Period minus the average yield / cost for the previous period, multiplied by the average balance for the Reporting Period.
- (3) Represents interest income or expense for the Reporting Period minus interest income or expense for the previous period.

3.2.1.2 Interest income

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

	For the six months ended 30 June			
	2021		2020	
<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	Amount	% of total	Amount	% of total
Loans and advances to customers				
Corporate loans and advances	13,935,911	72.8	14,127,848	67.5
Personal loans	227,458	1.2	241,629	1.2
Discounted bills	338,123	1.8	27,073	0.1
Subtotal	14,501,492	75.8	14,396,550	68.8
Investment securities and other financial assets	3,955,932	20.7	5,716,821	27.3
Deposits with the central bank	382,662	2.0	343,332	1.6
Deposits with banks and other financial institutions	18,623	0.1	94,269	0.5
Placements with banks and other financial institutions	187,785	1.0	84,826	0.4
Financial assets held under resale agreements	11,620	0.1	103,721	0.5
Finance lease receivables	66,040	0.3	200,927	0.9
Total	19,124,154	100.0	20,940,446	100.0

The Bank's interest income decreased by 8.7% to RMB19,124,154 thousand in the Reporting Period from RMB20,940,446 thousand for the six months ended 30 June 2020, mainly attributable to the decrease in interest income from investment securities and other financial assets.

(1) Interest income from loans and advances to customers

Interest income from loans and advances to customers was a large component of the Bank's interest income, representing 75.8% and 68.8% of the Bank's interest income in the Reporting Period and for the six months ended 30 June 2020, respectively. The following table sets forth, for the periods indicated, the average balance, relevant interest income and average yield for loans and advances to customers:

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	For the six months ended 30 June					
		2021			2020	
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Corporate loans and advances	466,403,033	13,935,911	5.98	461,744,035	14,127,848	6.12
Personal loans	10,108,915	227,458	4.50	9,977,348	241,629	4.84
Discounted bills	<u>24,328,358</u>	<u>338,123</u>	2.78	<u>2,293,796</u>	<u>27,073</u>	2.36
Total	<u>500,840,306</u>	<u>14,501,492</u>	5.79	<u>474,015,179</u>	<u>14,396,550</u>	6.07

Interest income from loans and advances to customers increased by 0.7% from RMB14,396,550 thousand for the six months ended 30 June 2020 to RMB14,501,492 thousand for the Reporting Period, primarily due to the increase in interest income from the increased average balance of loans and advances to customers, partially offset by the decrease in interest income resulted from the decreased average yield. The average balance of loans and advances to customers increased by 5.7% from RMB474,015,179 thousand for the six months ended 30 June 2020 to RMB500,840,306 thousand during the Reporting Period, primarily because (i) the Bank reclassified the business type of a portion of beneficiary rights transfer plan measured at amortized cost to loans; and (ii) the Bank moderately increased the scale of its discounted bills business based on the development needs of the real economy and its own business development plan. The average yield decreased from 6.07% for the six months ended 30 June 2020 to 5.79% during the Reporting Period.

(2) Interest income from investment securities and other financial assets

Interest income from investment securities and other financial assets decreased by 30.8% to RMB3,955,932 thousand in the Reporting Period from RMB5,716,821 thousand for the six months ended 30 June 2020, primarily due to the decrease in the average balance of investment securities and other financial assets and decline in average yield. The average balance of investment securities and other financial assets decreased by 15.1% from RMB203,396,122 thousand for the six months ended 30 June 2020 to RMB172,648,956 thousand during the Reporting Period, mainly because the Bank reclassified the business type of a portion of beneficiary rights transfer plan measured at amortized cost to loans. The average yield decreased from 5.62% for the six months ended 30 June 2020 to 4.58% during the Reporting Period, primarily due to the decline in average yield of the beneficial interest transfer plans measured at the amortized cost.

(3) Interest income from deposits with the central bank

Interest income from deposits with the central bank increased by 11.5% to RMB382,662 thousand in the Reporting Period from RMB343,332 thousand for the six months ended 30 June 2020, mainly due to the increase of average balance of deposits with the central bank.

(4) Interest income from deposits with banks and other financial institutions

Interest income from deposits with banks and other financial institutions decreased by 80.2% to RMB18,623 thousand in the Reporting Period from RMB94,269 thousand for the six months ended 30 June 2020, primarily due to the decrease in average balance of deposits with banks and other financial institutions of the Bank. The average balance of the deposits with banks and other financial institutions decreased by 90.3% to RMB1,535,162 thousand in the Reporting Period from RMB15,839,763 thousand for the six months ended 30 June 2020, primarily due to the need to balance liquidity and returns management of the Bank, which decreased the scale of deposits with banks and other financial institutions and increased high-quality current assets, such as bonds.

(5) Interest income from placements with banks and other financial institutions

Interest income from placements with banks and other financial institutions increased by 121.4% to RMB187,785 thousand in the Reporting Period from RMB84,826 thousand for the six months ended 30 June 2020, primarily due to the increase in interest income from higher average yield of placements with banks and other financial institutions, partially offset by the decrease in interest income due to the decrease in the average balance. The average balance of placements with banks and other financial institutions decreased by 23.6% to RMB5,827,072 thousand in the Reporting Period from RMB7,625,603 thousand for the six months ended 30 June 2020, primarily due to the need to balance liquidity and returns management of the Bank, which decreased the scale of placements with banks and other financial institutions and increased high-quality current assets, such as bonds. The average yield of placements with banks and other financial institutions increased to 6.45% in the Reporting Period from 2.22% for the six months ended 30 June 2020, mainly due to the increase in the business proportion of placements with banks and other financial institutions with higher yield.

(6) Interest income from financial assets held under resale agreements

Interest income from financial assets held under resale agreements decreased by 88.8% to RMB11,620 thousand in the Reporting Period from RMB103,721 thousand for the six months ended 30 June 2020, primarily due to the decrease in the average balance of financial assets held under resale agreements and the decline in average yield. The average balance of financial assets held under resale agreements decreased by 88.0% to RMB1,276,134 thousand in the Reporting Period from RMB10,649,097 thousand for the six months ended 30 June 2020, primarily due to the Bank's decrease in scale of financial assets held under resale agreements in order to balance returns and liquidity management. The average yield decreased from 1.95% for the six months ended 30 June 2020 to 1.82% in the Reporting Period.

(7) Interest income from finance lease receivables

Interest income from finance lease receivables decreased by 67.1% to RMB66,040 thousand for the Reporting Period from RMB200,927 thousand for the six months ended 30 June 2020, mainly attributable to the decrease in the average balance and average yield of financial lease receivables. The average balance of finance lease receivables decreased by 24.6% to RMB4,337,825 thousand for the Reporting Period from RMB5,755,530 thousand for the six months ended 30 June 2020, mainly due to the increase in credit risks of certain industries and enterprises under the impact of the uncertainty of macroeconomy and the pandemic, which put pressure on the investment in new projects, and the Bank's business recovery progress was accelerated while investment in the finance leasing business slowed down. The average yield decreased from 6.98% for the six months ended 30 June 2020 to 3.04% for the Reporting Period.

3.2.1.3 Interest expense

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

	For the six months ended 30 June			
	2021		2020	
<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	Amount	% of total	Amount	% of total
Deposits from customers	8,350,447	62.1	7,354,964	49.4
Deposits from banks and other financial institutions	3,025,108	22.5	4,345,144	29.2
Placements from banks and other financial institutions	484,017	3.6	218,172	1.5
Financial assets sold under repurchase agreements	568,526	4.2	111,519	0.7
Debt securities payable	1,012,900	7.6	2,835,650	19.0
Borrowing from the central bank	2,552	0.0	22,381	0.2
Total	13,443,550	100.0	14,887,830	100.0

Interest expense decreased by 9.7% to RMB13,443,550 thousand for the Reporting Period from RMB14,887,830 thousand for the six months ended 30 June 2020, mainly due to the decrease in average balance of interest-bearing liabilities and decline in average cost.

(1) Interest expense on deposits from customers

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

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	For the six months ended 30 June					
	Average balance	2021 Interest expense	Average cost (%)	Average balance	2020 Interest expense	Average cost (%)
Corporate deposits						
Demand	40,887,696	313,827	1.54	36,979,952	220,815	1.19
Time	57,179,204	915,448	3.20	61,081,762	890,900	2.92
Subtotal	<u>98,066,900</u>	<u>1,229,275</u>	2.51	<u>98,061,714</u>	<u>1,111,715</u>	2.27
Personal deposits						
Demand	19,504,241	143,621	1.47	25,273,444	310,028	2.45
Time	321,462,363	6,977,551	4.34	260,270,960	5,933,221	4.56
Subtotal	<u>340,966,604</u>	<u>7,121,172</u>	4.18	<u>285,544,404</u>	<u>6,243,249</u>	4.37
Total deposits from customers	<u>439,033,504</u>	<u>8,350,447</u>	3.80	<u>383,606,118</u>	<u>7,354,964</u>	3.83

Interest expense on deposits from customers increased by 13.5% to RMB8,350,447 thousand in the Reporting Period from RMB7,354,964 thousand for the six months ended 30 June 2020, primarily due to the increase in interest expense from higher average balance of the Bank's deposits from customers, partially offset by the decrease in interest expenses resulting from the lower average cost. The average balance of the deposits from customers increased by 14.4% to RMB439,033,504 thousand in the Reporting Period from RMB383,606,118 thousand for the six months ended 30 June 2020, mainly because the Bank aimed to improve its service quality and efficiency, promoted its business transformation and enhanced its scenario and channel construction, expanded the customer scale through various forms of online and offline joint marketing, which promoted the growth of deposits. The average cost of the Bank's deposits from customers decreased from 3.83% for the six months ended 30 June 2020 to 3.80% in the Reporting Period.

(2) Interest expense on deposits from banks and other financial institutions

Interest expense on deposits from banks and other financial institutions decreased by 30.4% to RMB3,025,108 thousand in the Reporting Period from RMB4,345,144 thousand for the six months ended 30 June 2020, primarily due to the decrease in the average balance and average cost of deposits from banks and other financial institutions. The average balance of deposits from banks and other financial institutions decreased by 26.2% to RMB132,398,135 thousand in the Reporting Period as compared to RMB179,321,958 thousand for the six months ended 30 June 2020, mainly attributable to the adjustment to the interbank liabilities of the Bank in order to reduce the cost of debt. The average cost of deposits from banks and other financial institutions decreased from 4.85% in the six months ended 30 June 2020 to 4.57% in the Reporting Period, mainly attributable to the Bank's gradual withdrawal from deposits from banks and other financial institutions with higher cost.

(3) Interest expense on placements from banks and other financial institutions

Interest expense on placements from banks and other financial institutions increased by 121.9% to RMB484,017 thousand in the Reporting Period from RMB218,172 thousand for the six months ended 30 June 2020, primarily due to the increase in the average balance of placements from banks and other financial institutions and the average costs. The average balance of placements from banks and other financial institutions increased by 96.8% to RMB25,928,822 thousand in the Reporting Period from RMB13,178,271 thousand for the six months ended 30 June 2020, mainly because the Bank proactively developed its online interbank business during the Reporting Period. The average cost of placements from banks and other institutions increased from 3.31% for the six months ended 30 June 2020 to 3.73% in the Reporting Period, which was primarily due to the increase in the market interest rate of placements from banks and other financial institutions.

(4) Interest expense on financial assets sold under repurchase agreements

Interest expense on financial assets sold under repurchase agreements increased by 409.8% to RMB568,526 thousand in the Reporting Period from RMB111,519 thousand for the six months ended 30 June 2020, primarily due to the increase in the average balance of financial assets sold under repurchase agreements. The average balance of financial assets sold under repurchase agreements increased by 410.2% to RMB42,785,200 thousand in the Reporting Period from RMB8,385,338 thousand for the six months ended 30 June 2020, mainly because the Bank increased the scale of financial assets sold under repurchase agreements due to the need for balancing liquidity and yield management.

(5) Interest expense on debt securities payable

Interest expense on debt securities payable decreased by 64.3% from RMB2,835,650 thousand for the six months ended 30 June 2020 to RMB1,012,900 thousand in the Reporting Period, primarily due to the decrease in average balance and average cost of debt securities payable. The average balance of debt securities payable decreased by 55.6% to RMB58,021,729 thousand in the Reporting Period from RMB130,621,846 thousand for the six months ended 30 June 2020, mainly because the Bank decreased issuance size of interbank certificates of deposit. The average cost of debt securities payable decreased to 3.49% in the Reporting Period from 4.34% for the six months ended 30 June 2020, primarily due to the Bank's gradual withdrawal from interbank certificates of deposit with higher cost and shortening the issuance duration of interbank certificates of deposit.

(6) Interest expense on borrowing from the central bank

Interest expense on borrowing from the central bank decreased by 88.6% from RMB22,381 thousand for the six months ended 30 June 2020 to RMB2,552 thousand in the Reporting Period, mainly attributable to the decrease in the average balance of borrowing from the central bank of the Bank. The average balance of borrowing from the central bank decreased by 65.0% to RMB220,641 thousand in the Reporting Period from RMB630,535 thousand for the six months ended 30 June 2020, mainly due to the Bank's repayment of borrowing from central bank.

3.2.1.4 Net interest spread and net interest margin

Net interest spread is the difference between the average yield on total interest-earning assets and the average cost on total interest-bearing liabilities. Net interest margin is the ratio of net interest income to the average balance of interest-earning assets.

The net interest spread increased to 1.34% in the Reporting Period as compared to 1.33% for the six months ended 30 June 2020 and the net interest margin decreased to 1.54% in the Reporting Period as compared to 1.59% for the six months ended 30 June 2020, primarily due to the decrease in net interest income of the Bank.

3.2.1.5 Non-interest income

(1) Net fee and commission income

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	For the six months ended 30 June		Change in amount	Rate of change (%)
	2021	2020		
Fee and commission income				
Wealth management service fees	135,499	63,757	71,742	112.5
Agency services fees	65,549	11,511	54,038	469.4
Settlement and clearing fees	52,994	28,679	24,315	84.8
Underwriting and advisory fees	28,946	2,387	26,559	1,112.7
Bank card service fees	18,032	6,783	11,249	165.8
Others	12,679	5,374	7,305	135.9
Subtotal	313,699	118,491	195,208	164.7
Fee and commission expense				
Settlement and clearing fees	11,290	11,736	(446)	(3.8)
Others	10,839	13,946	(3,107)	(22.3)
Subtotal	22,129	25,682	(3,553)	(13.8)
Net fee and commission income	291,570	92,809	198,761	214.2

Fee and commission income increased by 164.7% to RMB313,699 thousand in the Reporting Period as compared to RMB118,491 thousand for the six months ended 30 June 2020, mainly attributable to the increase in wealth management service fees and agency services fees of the Bank. Wealth management service fees increased by 112.5% to RMB135,499 thousand in the Reporting Period from RMB63,757 thousand for the six months ended 30 June 2020, mainly because the Bank recognized excess returns on due wealth management products with predictive income during the Reporting Period. Agency services fees increased by 469.4% to RMB65,549 thousand in the Reporting Period from RMB11,511 thousand for the six months ended 30 June 2020, mainly due to the increase in fees on syndicated loans in the Reporting Period.

Fee and commission expense consists primarily of expenses paid to third parties in connection with the Bank's settlement and clearance, trade financing, bank card, agency and consultancy businesses. The Bank's fee and commission expense decreased by 13.8% to RM22,129 thousand in the Reporting Period as compared to RMB25,682 thousand for the six months ended 30 June 2020.

(2) Net trading gains

Net trading gains primarily comprises of net income from financial assets and liabilities at fair value through profit or loss. The Bank incurred a net trading gain of RMB184,338 thousand, representing a decrease of 36.2% as compared to RMB288,751 thousand for the six months ended 30 June 2020, primarily due to the decrease in the size of the Bank's financial assets at fair value through profit or loss.

(3) Dividend income

During the Reporting Period, the Bank's dividend income amounted to RMB14,248 thousand.

(4) Net gains / (losses) from investment securities

During the Reporting Period, net gains from investment securities was RMB8,055 thousand as compared with net losses from investment securities of RMB153 thousand for the six months ended 30 June 2020. During the Reporting Period, the net gains from investment securities was mainly due to the Bank's disposal of investment securities.

(5) Net foreign exchange gains

Net foreign exchange gains increased by 425.3% to RMB9,402 thousand in the Reporting Period from RMB1,790 thousand for the six months ended 30 June 2020, primarily due to the impact from changes in exchange rates.

(6) Other net operating income

Other net operating income decreased by 77.5% to RMB1,951 thousand in the Reporting Period from RMB8,655 thousand for the six months ended 30 June 2020, mainly due to the decrease in gains from asset disposal during the Reporting Period.

3.2.1.6 Operating expenses

During the Reporting Period, the Bank's operating expenses was RMB1,435,592 thousand, representing a decrease of RMB75,525 thousand or 5.0% as compared with that for the six months ended 30 June 2020.

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	For the six months ended 30 June			Rate of change (%)
	2021	2020	Change in amount	
Staff costs	795,980	741,656	54,324	7.3
General and administrative expenses	245,609	320,816	(75,207)	(23.4)
Depreciation and amortization	264,583	288,063	(23,480)	(8.2)
Tax and surcharges	129,006	160,297	(31,291)	(19.5)
Others	414	285	129	45.3
Total operating expenses	<u>1,435,592</u>	<u>1,511,117</u>	<u>(75,525)</u>	(5.0)

(1) Staff costs

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

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	For the six months ended 30 June			Rate of change (%)
	2021	2020	Change in amount	
Salaries and bonuses	572,914	579,544	(6,630)	(1.1)
Social insurance	108,758	59,654	49,104	82.3
Housing allowances	61,846	57,856	3,990	6.9
Staff welfares	26,240	17,609	8,631	49.0
Supplementary retirement benefit	2,104	1,312	792	60.4
Other long-term staff welfare	1,317	2,598	(1,281)	(49.3)
Others	22,801	23,083	(282)	(1.2)
Total staff costs	<u>795,980</u>	<u>741,656</u>	<u>54,324</u>	7.3

During the Reporting Period, the Bank's total staff costs was RMB795,980 thousand, representing an increase of RMB54,324 thousand or 7.3% as compared with that for the six months ended 30 June 2020, primarily due to an increase in social insurance premiums as the Bank no longer enjoyed the policy on the reduction of state social insurance premiums during the pandemic during the Reporting Period.

(2) General and administrative expenses

General and administrative expenses decreased by 23.4% to RMB245,609 thousand in the Reporting Period as compared to RMB320,816 thousand for the six months ended 30 June 2020, mainly because the Bank strengthened its cost control.

(3) Depreciation and amortization

Depreciation and amortization decreased by 8.2% to RMB264,583 thousand in the Reporting Period as compared to RMB288,063 thousand for the six months ended 30 June 2020, primarily due to the decrease in corresponding depreciation expenses as a result of a decrease in the Bank's right-of-use assets.

(4) Tax and surcharges

Tax and surcharges decreased by 19.5% to RMB129,006 thousand in the Reporting Period as compared to RMB160,297 thousand for the six months ended 30 June 2020, primarily attributable to the decrease in surcharges of value-added tax.

(5) Others

Other operating expense increased by 45.3% to RMB414 thousand in the Reporting Period from RMB285 thousand for the six months ended 30 June 2020.

3.2.1.7 Impairment losses on assets

The following table sets forth, for the periods indicated, the principal components of the Bank's impairment losses on assets:

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	For the six months ended 30 June	
	2021	2020
Loans and advances to customers	4,353,228	3,506,706
Deposits and placements with banks and other financial institutions	184,828	(1,204)
Financial assets at fair value through other comprehensive income	28,813	9,288
Financial assets measured at amortized cost	(657,495)	1,070,517
Finance lease receivables	428,814	38,660
Credit commitments	(14,607)	(195,087)
Other assets	50,030	(140)
Total	<u>4,373,611</u>	<u>4,428,740</u>

Impairment losses on assets decreased by 1.2% to RMB4,373,611 thousand in the Reporting Period from RMB4,428,740 thousand for the six months ended 30 June 2020.

3.2.1.8 Income tax expenses

Income tax expenses increased by 113.4% to RMB194,922 thousand in the Reporting Period from RMB91,349 thousand for the six months ended 30 June 2020.

3.2.2 Analysis of the statement of financial position

3.2.2.1 Assets

As at the end of the Reporting Period, the total assets of the Bank was RMB828,883,541 thousand, representing an increase of 6.5% as compared to RMB777,992,324 thousand as at 31 December 2020. The principal components of the Bank's assets were (i) loans and advances to customers; (ii) investment securities and other financial assets; and (iii) cash and deposits with the central bank, accounting for 66.7%, 21.2% and 6.2%, respectively, of the Bank's total assets as at the end of the Reporting Period. The table below sets forth balances of the principal components of the Bank's total assets as of the dates indicated:

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	As at 30 June 2021		As at 31 December 2020	
	Amount	% of total	Amount	% of total
Assets				
Total loans and advances to customers	549,955,732	66.3	496,749,748	63.8
Interest receivable on loans and advances to customers	26,970,479	3.3	19,147,848	2.5
Provision of impairment losses on loans and advances to customers	(24,336,864)	(2.9)	(20,433,399)	(2.6)
Net loans and advances to customers	552,589,347	66.7	495,464,197	63.7
Net investment securities and other financial assets ⁽¹⁾	175,968,930	21.2	180,701,450	23.2
Cash and deposits with the central bank	51,455,903	6.2	55,826,576	7.2
Deposits with banks and other financial institutions	13,071,616	1.6	4,748,291	0.6
Financial assets held under resale agreements	3,300,000	0.4	4,273,751	0.5
Placements with banks and other financial institutions	6,075,912	0.7	6,062,898	0.8
Finance lease receivables	2,699,106	0.3	3,248,825	0.4
Other assets ⁽²⁾	23,722,727	2.9	27,666,336	3.6
Total assets	828,883,541	100.0	777,992,324	100.0

Notes:

- (1) Includes the financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and financial assets at amortized cost.
- (2) Includes property and equipment, deferred tax assets, positive fair value of derivatives and others.

(1) Loans and advances to customers

As at the end of the Reporting Period, the Bank's total loans and advances to customers was RMB549,955,732 thousand, representing an increase of 10.7% as compared to that as at 31 December 2020. Total loans and total advances to customers accounted for 66.3% of the Bank's total assets, representing an increase of 2.5 percentage points as compared to that as at 31 December 2020.

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	As at 30 June 2021		As at 31 December 2020	
	Amount	% of total	Amount	% of total
Corporate loans and advances	488,084,475	88.7	467,387,803	94.1
Personal loans	10,756,909	2.0	10,129,459	2.0
Discounted bills	<u>51,114,348</u>	<u>9.3</u>	<u>19,232,486</u>	<u>3.9</u>
Total loans and advances to customers	<u>549,955,732</u>	<u>100.0</u>	<u>496,749,748</u>	<u>100.0</u>

The Bank's total loans and advances to customers primarily comprises of corporate loans and advances, personal loans and discounted bills. Corporate loans and advances is the largest component of the Bank's loan portfolio. As at the end of the Reporting Period and as at 31 December 2020, the Bank's corporate loans and advances amounted to RMB488,084,475 thousand and RMB467,387,803 thousand, respectively, accounting for 88.7% and 94.1% of the Bank's total loans and advances to customers, respectively.

The Bank's corporate loans and advances increased by 4.4% from RMB467,387,803 thousand as at 31 December 2020 to RMB488,084,475 thousand as at the end of the Reporting Period, primarily due to additional corporate loans and advances focusing on the manufacturing industry.

The Bank's personal loans mainly comprises of personal business loans, residential and commercial mortgage loans, personal consumption loans, credit card overdrafts and other personal loans. As at the end of the Reporting Period, the balance of personal loans amounted to RMB10,756,909 thousand, accounting for 2.0% of the Bank's total loans and advances to customers, representing an increase of RMB627,450 thousand or 6.2% as compared to that as at 31 December 2020, primarily due to the increase in the balance of housing mortgage loans during the Reporting Period.

A. Loans by collateral

As at the end of the Reporting Period and as at 31 December 2020, collateralized loans, pledged loans or guaranteed loans represented, in aggregate, 81.4% and 89.9%, respectively, of the Bank's total loans and advances to customers. If a loan is secured by more than one form of security interest, the entire amount of such loan will be allocated to the category representing the primary form of security interest. The table below sets forth the distribution of the Bank's loans and advances to customers by the type of collateral as at the dates indicated:

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	As at 30 June 2021		As at 31 December 2020	
	Amount	% of total	Amount	% of total
Unsecured loans	102,194,078	18.6	49,932,378	10.1
Guaranteed loans	254,420,367	46.3	247,673,798	49.8
Collateralized loans	126,660,829	23.0	122,970,446	24.8
Pledged loans	<u>66,680,458</u>	<u>12.1</u>	<u>76,173,126</u>	<u>15.3</u>
Total loans and advances to customers	<u>549,955,732</u>	<u>100.0</u>	<u>496,749,748</u>	<u>100.0</u>

As at the end of the Reporting Period, the balance of the Bank's loans secured by mortgages and pledges amounted to RMB193,341,287 thousand, representing a decrease of RMB5,802,285 thousand or 2.9% as compared to that as at 31 December 2020, and accounting for 35.1% of the Bank's total loans and advances to customers. The balance of unsecured and guaranteed loans was RMB356,614,445 thousand, representing an increase of RMB59,008,269 thousand or 19.8% as compared to that as at 31 December 2020, and accounting for 64.9% of the Bank's total loans and advances to customers.

B. Movements of provision for impairment losses on loans and advances to customers

- (i) Changes of provision for impairment losses on loans and advances to customers measured at amortized cost for the Reporting Period are as follows:

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	For the six months ended 30 June 2021			Total
	ECL over the next 12 months	Lifetime ECL-not credit-impaired loans	Lifetime ECL-credit-impaired loans	
As at 1 January 2021	(11,873,361)	(3,157,902)	(5,402,136)	(20,433,399)
Transferred				
– to expected credit loss (“ECL”) over the next 12 months	(717,050)	716,940	110	–
– to lifetime ECL - not credit-impaired loans	540,136	(545,418)	5,282	–
– to lifetime ECL - credit-impaired loans	18,840	148,580	(167,420)	–
Net (charge) / release for the period	1,285,766	(3,046,668)	(2,592,326)	(4,353,228)
Write-offs	394,531	45,059	10,173	449,763
As at 30 June 2021	<u>(10,351,138)</u>	<u>(5,839,409)</u>	<u>(8,146,317)</u>	<u>(24,336,864)</u>

- (ii) Changes of provision for impairment losses on loans and advances to customers at fair value through other comprehensive income for the Reporting Period are as follows:

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	For the six months ended 30 June 2021			Total
	ECL over the next 12 months	Lifetime ECL-not credit-impaired loans	Lifetime ECL-credit-impaired loans	
As at 1 January 2021	(6,071)	–	–	(6,071)
Net charge for the period	(28,813)	–	–	(28,813)
As at 30 June 2021	<u>(34,884)</u>	<u>–</u>	<u>–</u>	<u>(34,884)</u>

(iii) Changes of provision for impairment losses on loans and advances to customers measured at amortized cost for the year ended 31 December 2020 are as follows:

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	For the year ended 31 December 2020			Total
	ECL over the next 12 months	Lifetime ECL- not credit-impaired loans	Lifetime ECL- credit-impaired loans	
As at 1 January 2020	(12,151,110)	(4,314,052)	(26,872,875)	(43,338,037)
Transferred				
– to ECL over the next 12 months	(244,198)	150,564	93,634	–
– to lifetime ECL - not credit-impaired loans	676,165	(865,055)	188,890	–
– to lifetime ECL - credit-impaired loans	224,062	263,763	(487,825)	–
Net charge for the year	(855,369)	(1,890,762)	(2,944,698)	(5,690,829)
Write-offs	477,089	3,497,640	24,620,738	28,595,467
As at 31 December 2020	<u>(11,873,361)</u>	<u>(3,157,902)</u>	<u>(5,402,136)</u>	<u>(20,433,399)</u>

(iv) Changes of provision for impairment losses on loans and advances to customers at fair value through other comprehensive income for the year ended 31 December 2020 are as follows:

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	For the year ended 31 December 2020			Total
	ECL over the next 12 months	Lifetime ECL- not credit-impaired loans	Lifetime ECL- credit-impaired loans	
As at 1 January 2020	(5,134)	–	–	(5,134)
Net charge for the year	(937)	–	–	(937)
As at 31 December 2020	<u>(6,071)</u>	<u>–</u>	<u>–</u>	<u>(6,071)</u>

Provision for impairment losses on loans and advances to customers increased by 19.2% from RMB20,439,470 thousand as at 31 December 2020 to RMB24,371,748 thousand as at the end of the Reporting Period, primarily because the Bank made provision for impairment of assets to address increased outstanding balance of non-performing assets and expected losses, so as to enhance its risk resistance ability.

(2) Investment securities and other financial assets

Investment securities and other financial assets consists of debt investments, equity investments, wealth management products investments and financial assets measured at amortized cost. As at the end of the Reporting Period and as at 31 December 2020, the Bank had net investment securities and other financial assets of RMB175,968,930 thousand and RMB180,701,450 thousand, accounting for 21.2% and 23.2% of the Bank's total assets, respectively.

The following table sets out the composition of investment securities and other financial assets (interests receivable not included) as at the dates indicated:

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	As at 30 June 2021		As at 31 December 2020	
	Amount	% of total	Amount	% of total
Debt investments	141,536,190	83.7	122,968,905	70.7
Financial assets at fair value through profit or loss	21,614,657	12.8	23,012,083	13.2
Financial assets at fair value through other comprehensive income	39,281,034	23.2	20,354,654	11.7
Financial assets at amortized cost	80,651,473	47.7	79,613,015	45.8
Provision for impairment losses on debt investments	(10,974)	(0.0)	(10,847)	(0.0)
Equity investments	1,382,539	0.8	1,322,180	0.8
Financial assets at fair value through other comprehensive income	1,382,539	0.8	1,322,180	0.8
Wealth management products investments	–	–	8,024	0.0
Financial assets at amortized cost (other than debt investments)	26,151,587	15.5	49,600,186	28.5
Beneficial interest transfer plans	30,468,955	18.1	54,575,270	31.4
Provision for impairment losses on financial assets at amortized cost (other than debt investments)	(4,317,368)	(2.6)	(4,975,084)	(2.9)
Net investments	<u>169,070,316</u>	<u>100.0</u>	<u>173,899,295</u>	<u>100.0</u>

As at the end of the Reporting Period, the Bank's net investment securities and other financial assets (interests receivable not included) amounted to RMB169,070,316 thousand, representing a decrease of 2.8% from RMB173,899,295 thousand as at 31 December 2020, which was mainly attributable to the Bank's recovery of some of the beneficial interest transfer plans measured at the amortized cost.

3.2.2.2 Liabilities

As at the end of the Reporting Period and as at 31 December 2020, the Bank's total liabilities amounted to RMB757,438,893 thousand and RMB706,750,144 thousand, respectively. The Bank's liabilities mainly comprise of (i) deposits from customers; (ii) deposits from banks and other financial institutions; and (iii) financial assets sold under repurchase agreements, accounting for 61.3%, 17.5% and 10.7%, respectively of the Bank's total liabilities as at the end of the Reporting Period.

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

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	As at 30 June 2021		As at 31 December 2020	
	Amount	% of total	Amount	% of total
Deposits from customers	464,320,582	61.3	439,223,670	62.1
Deposits from banks and other financial institutions	132,374,147	17.5	135,044,341	19.1
Financial assets sold under repurchase agreements	81,026,747	10.7	35,102,853	5.0
Debt securities payable	47,686,621	6.3	71,270,006	10.1
Placements from banks and other financial institutions	28,255,872	3.7	22,645,854	3.2
Financial liabilities at fair value through profit or loss	–	–	7,822	0.0
Other liabilities ⁽¹⁾	3,774,924	0.5	3,455,598	0.5
Total	<u>757,438,893</u>	<u>100.0</u>	<u>706,750,144</u>	<u>100.0</u>

Note:

- (1) Includes borrowing from the central bank, negative fair value of derivatives, accrued staff costs, taxes payable, lease liabilities, provisions and other liabilities .

(1) Deposits from customers

The Bank provides demand and time deposit products for corporate and personal customers. The table below sets forth deposits from customers (excluding interests payable) and product types as at the dates indicated:

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	As at 30 June 2021		As at 31 December 2020	
	Amount	% of total	Amount	% of total
Corporate deposits				
Demand	41,193,770	9.0	44,996,160	10.5
Time	59,359,623	13.1	56,239,340	13.1
Subtotal	<u>100,553,393</u>	<u>22.1</u>	<u>101,235,500</u>	<u>23.6</u>
Personal deposits				
Demand	21,350,991	4.7	25,422,058	5.9
Time	332,150,293	73.2	302,415,488	70.5
Subtotal	<u>353,501,284</u>	<u>77.9</u>	<u>327,837,546</u>	<u>76.4</u>
Total	<u>454,054,677</u>	<u>100.0</u>	<u>429,073,046</u>	<u>100.0</u>

As at the end of the Reporting Period, the Bank's total deposits from customers (excluding interests payable) amounted to RMB454,054,677 thousand, representing an increase of RMB24,981,631 thousand or 5.8% as compared to that as at 31 December 2020, mainly because the Bank aimed to improve its service quality and efficiency, promoted its business transformation, enhanced its scenario and channel construction, expanded the customer scale through various forms of online and offline joint marketing, which promoted the growth of deposits.

(2) Deposits from banks and other financial institutions

The counterparties of the Bank's deposits from the banks and other financial institutions mainly included domestic banks and other financial institutions. The following table sets out the composition of the counterparties of the Bank's deposits from the banks and other financial institutions (excluding interests payable) as at the dates indicated:

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	As at 30 June 2021		As at 31 December 2020	
	Amount	% of total	Amount	% of total
Deposits in Mainland China				
– Banks	11,992,322	9.1	14,206,220	10.6
– Other financial institutions	<u>119,267,716</u>	<u>90.9</u>	<u>119,438,149</u>	<u>89.4</u>
Total	<u>131,260,038</u>	<u>100.0</u>	<u>133,644,369</u>	<u>100.0</u>

As at the end of the Reporting Period, the Bank's total deposits from the banks and other financial institutions (excluding interest payable) amounted to RMB131,260,038 thousand, decreased by RMB2,384,331 thousand or 1.8% from 31 December 2020.

(3) Debt securities payable

Upon the approval of the Former CBRC and the PBOC, the Bank issued the tier-two capital bonds with write-down terms in an aggregate principal amount of RMB2,500 million on 26 December 2016. The bonds have a term of ten years and fixed coupon rate of 4.30% per annum. The Bank has an option to redeem such bonds wholly or partially at the nominal amount on 27 December 2021 upon the approval of relevant regulatory authorities.

Upon the approval of the Former CBRC and the PBOC, the Bank issued the tier-two capital bonds with write-down terms in an aggregate principal amount of RMB4,000 million on 26 March 2018. The bonds have a term of ten years and fixed coupon rate of 4.90% per annum. The Bank has an option to redeem such bonds wholly or partially at the nominal amount on 28 March 2023 upon the approval of relevant regulatory authorities.

As at the end of the Reporting Period and as at 31 December 2020, the Bank issued 42 and 56 tranches of negotiable certificates of deposit denominated in Renminbi which were not matured, the balance (excluding interests payable) of which were RMB41,084 million and RMB64,623 million, respectively.

3.2.2.3 Shareholders' equity

The following table sets forth the composition of Shareholders' equity as at the dates indicated:

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	As at 30 June 2021		As at 31 December 2020	
	Amount	% of total	Amount	% of total
Share capital	13,981,616	19.6	13,981,616	19.6
Other equity instruments				
including: offshore preference shares	9,897,363	13.9	9,897,363	13.9
Capital reserve	26,449,020	37.0	26,493,374	37.2
Surplus reserve	3,056,744	4.2	3,056,744	4.3
General reserve	11,800,217	16.5	11,800,217	16.6
Retained earnings	2,920,546	4.1	2,429,877	3.4
Total equity attributable to equity shareholders of the parent Company	68,105,506	95.3	67,659,191	95.0
Non-controlling interests	3,339,142	4.7	3,582,989	5.0
Total equity	71,444,648	100.0	71,242,180	100.0

3.2.3 Loan quality analysis

3.2.3.1 Breakdown of loans by the five-category classification

For the Bank, the non-performing loans are classified into loans and advances to customers of substandard, doubtful and loss. As at the end of the Reporting Period, the non-performing loans of the Bank amounted to RMB12,597,193 thousand. The Bank's total provision for impairment losses on loans to customers measured at amortized cost and at fair value through other comprehensive income was RMB24,371,748 thousand. The following table sets forth the distribution of the Bank's loans and advances to customers by the five-category loan classification as at the dates indicated:

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	As at 30 June 2021		As at 31 December 2020	
	Amount	% of total	Amount	% of total
Normal	479,935,303	87.3	435,176,427	87.6
Special-mention	57,423,236	10.4	51,285,420	10.3
Substandard	6,386,409	1.2	7,896,270	1.7
Doubtful	5,934,929	1.0	2,165,296	0.4
Loss	275,855	0.1	226,335	0.0
Total loans and advances to customers	<u>549,955,732</u>	<u>100.0</u>	<u>496,749,748</u>	<u>100.0</u>
Non-performing loans	<u>12,597,193</u>	<u>2.29</u>	<u>10,287,901</u>	<u>2.07</u>

As at the end of the Reporting Period and as at 31 December 2020, the non-performing loan ratios of the Bank were 2.29% and 2.07%, respectively. The Bank's non-performing loan ratio as at the end of the Reporting Period was 0.22 percentage point higher as compared to that as at 31 December 2020.

3.2.3.2 Concentration of loans

(1) Concentration by industry of loans and non-performing loans

Loans consist of loans and advances to customers in various industries. The table below sets forth the breakdown of loans and non-performing loans by industry as at the dates indicated:

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	As at 30 June 2021				As at 31 December 2020			
	Loan amount	% of total	Non- performing loan amount	Non- performing loan ratio (%)	Loan amount	% of total	Non- performing loan amount	Non- performing loan ratio (%)
Corporate loans and advances								
Wholesale and retail trade	187,117,801	34.0	1,906,570	1.02	226,013,818	45.5	1,578,667	0.70
Manufacturing	157,901,510	28.7	2,069,765	1.31	102,602,634	20.7	1,457,915	1.42
Leasing and commercial services	34,637,351	6.3	333,801	0.96	35,403,695	7.1	82,920	0.23
Real estate	30,592,946	5.6	2,356,248	7.70	28,161,856	5.7	1,535,190	5.45
Science research and technological services	10,638,614	1.9	–	–	3,541,040	0.7	–	–
Construction	9,681,415	1.8	755,667	7.81	8,466,842	1.7	702,144	8.29
Education	6,463,582	1.2	350	0.01	6,492,654	1.3	–	–
Transportation, storage and postal services	6,044,025	1.1	54,737	0.91	10,487,171	2.1	34,737	0.33
Water, environment and public utility management	4,401,670	0.8	162,400	3.69	4,300,240	0.9	165,400	3.85
Electricity, gas and water production and supply	4,307,188	0.8	253,295	5.88	5,153,481	1.0	244,445	4.74
Mining	2,061,392	0.4	67,840	3.29	1,946,980	0.4	43,500	2.23
Agriculture, forestry, animal husbandry and fishery	740,702	0.1	312,482	42.19	1,040,773	0.2	590,807	56.77
Public management and social organization	190,499	0.0	–	–	4,019,490	0.8	–	–
Others	33,305,780	6.0	1,378,618	4.14	29,757,129	6.0	993,570	3.34
Subtotal	488,084,475	88.7	9,651,773	1.98	467,387,803	94.1	7,429,295	1.59
Discounted bills	51,114,348	9.3	–	–	19,232,486	3.9	–	–
Personal loans	10,756,909	2.0	2,945,420	27.38	10,129,459	2.0	2,858,606	28.22
Total	549,955,732	100.0	12,597,193	2.29	496,749,748	100.0	10,287,901	2.07

As at the end of the Reporting Period, corporate loans and advances offered to customers in the industries of (i) wholesale and retail trade; (ii) manufacturing; (iii) leasing and commercial services; and (iv) real estate represented the largest components of the Bank's corporate loans and advances. As at the end of the Reporting Period and as at 31 December 2020, the balance of loans provided to the corporate customers in the aforesaid four industries was RMB410,249,608 thousand and RMB392,182,003 thousand, respectively, accounting for 74.6% and 79.0% of the total loans and advances granted by the Bank, respectively. From the perspective of the structure of increased volume, the manufacturing industry and scientific research and technological services experienced higher incremental proportions with an increase of eight percentage points and 1.2 percentage points, respectively. During the Reporting Period, the Bank continued to give full play to the active role of financial institutions in strategic transformation, adjusted its strategic positioning, enhanced its ability to serve the real economy, focused on increasing support on strategic emerging industries, high-tech enterprises, industrial foundation projects and small and micro enterprises, especially focusing on key industries, key enterprises and key projects such as advanced equipment manufacturing in the province, continued to optimize the allocation of risky asset portfolios, and made dynamic adjustments to industries such as wholesale and retail trade that we have reduced or withdrawn from.

(2) Borrower concentration

Loans to the ten largest single borrowers

The table below sets forth the borrowing amounts of the top ten single borrowers as at the end of the Reporting Period.

(Expressed in thousands of Renminbi, unless otherwise stated)

Customer	Industry involved	As at 30 June 2021	
		Amount	% of total loans
Customer A	Manufacturing	31,027,954	5.6
Customer B	Manufacturing	21,422,650	3.9
Customer C	Manufacturing	17,572,904	3.2
Customer D	Manufacturing	8,578,943	1.6
Customer E	Manufacturing	5,444,500	1.0
Customer F	Manufacturing	5,171,250	0.9
Customer G	Science research and technological services	4,998,500	0.9
Customer H	Manufacturing	3,663,710	0.7
Customer I	Leasing and commercial services	3,615,400	0.7
Customer J	Real estate	3,468,000	0.6

(3) Distribution of non-performing loans by product type

The table below sets forth the loans and non-performing loans by product type as at the dates indicated:

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	As at 30 June 2021			As at 31 December 2020		
	Loan amount	Non-performing loan amount	Non-performing loan ratio (%)	Loan amount	Non-performing loan amount	Non-performing loan ratio (%)
Corporate loans and advances						
Small enterprises and micro enterprises	238,935,709	5,010,708	2.10	262,489,819	4,387,352	1.67
Medium enterprises	136,444,952	3,992,975	2.93	127,941,430	1,657,203	1.30
Others	<u>112,703,814</u>	<u>648,090</u>	0.58	<u>76,956,554</u>	<u>1,384,740</u>	1.80
Subtotal	<u>488,084,475</u>	<u>9,651,773</u>	1.98	<u>467,387,803</u>	<u>7,429,295</u>	1.59
Discounted bills	<u>51,114,348</u>	<u>-</u>	-	<u>19,232,486</u>	<u>-</u>	-
Personal loans						
Personal business loans	7,130,946	2,856,577	40.06	7,461,706	2,792,119	37.42
Personal consumption loans	279,282	25,219	9.03	345,922	22,915	6.62
Residential and commercial properties mortgage loans	3,026,973	58,410	1.93	2,085,147	38,474	1.85
Credit card overdrafts	319,606	5,112	1.60	236,472	4,886	2.07
Others	<u>102</u>	<u>102</u>	100.00	<u>212</u>	<u>212</u>	100.00
Subtotal	<u>10,756,909</u>	<u>2,945,420</u>	27.38	<u>10,129,459</u>	<u>2,858,606</u>	28.22
Total	<u>549,955,732</u>	<u>12,597,193</u>	2.29	<u>496,749,748</u>	<u>10,287,901</u>	2.07

The non-performing loan ratio, representing non-performing loans divided by the total loans and advances to customers, was 2.29% as at the end of the Reporting Period.

As at the end of the Reporting Period and as at 31 December 2020, the non-performing loan ratios of the Bank's corporate loans and advances were 1.98% and 1.59%, respectively.

As at the end of the Reporting Period and as at 31 December 2020, the non-performing loan ratios of the Bank's personal loans were 27.38% and 28.22%, respectively.

(4) Overdue loans and advances to customers

The table below sets forth the aging analysis of the Bank's overdue loans and advances to customers as at the dates indicated:

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	As at 30 June 2021		As at 31 December 2020	
	Amount	% of total	Amount	% of total
Overdue within 3 months (inclusive)	2,041,845	14.9	5,784,530	37.0
Overdue more than 3 months to 6 months (inclusive)	770,565	5.6	1,026,346	6.6
Overdue more than 6 months to 1 year (inclusive)	2,010,808	14.7	2,583,149	16.5
Overdue more than 1 year	<u>8,891,050</u>	<u>64.8</u>	<u>6,237,456</u>	<u>39.9</u>
Total overdue loans and advances to customers	<u>13,714,268</u>	<u>100.0</u>	<u>15,631,481</u>	<u>100.0</u>

3.2.4 Analysis on capital adequacy ratio

The Bank calculated and disclosed capital adequacy ratios in accordance with the relevant provisions of the Measures for Administration on Capital of Commercial Banks (Provisional) (《商業銀行資本管理辦法(試行)》) (effective since 1 January 2013) promulgated by the CBRC. As at the end of the Reporting Period, the Bank's core tier-one capital adequacy ratio was 8.20%, representing a decrease of 0.03 percentage point as compared to that as at 31 December 2020; the tier-one capital adequacy ratio was 9.62%, representing a decrease of 0.03 percentage point as compared to that as at 31 December 2020; the capital adequacy ratio was 11.74%, representing a decrease of 0.02 percentage point as compared to that as at 31 December 2020. The decrease in capital adequacy ratios was mainly due to the increase in other net deferred tax assets that depended on the bank's future profits, which decreased the net capital.

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

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	As at 30 June 2021	As at 31 December 2020
Total core tier-one capital		
– Share capital	13,981,616	13,981,616
– Qualifying portion of capital reserve	26,443,884	26,487,305
– Surplus reserve	3,056,744	3,056,744
– General reserve	11,800,217	11,800,217
– Retained earnings	2,920,546	2,429,877
– Qualifying portions of non-controlling interests	269,766	310,897
Core tier-one capital deductions		
– Other intangible assets other than land use right	(240,330)	(258,890)
– Other net deferred tax assets that depend on the Bank's future bank earnings	(873,052)	—
Net core tier-one capital	57,359,391	57,807,766
Other tier-one capital	9,933,332	9,938,816
Net tier-one capital	67,292,723	67,746,582
Tier-two capital		
– Instruments issued and share premium	6,500,000	6,500,000
– Surplus provision for loan impairment	8,188,286	8,238,503
– Qualifying portions of non-controlling interests	71,937	82,906
Net capital base	82,052,946	82,567,991
Total risk weighted assets	699,159,937	702,372,570
Core tier-one capital adequacy ratio⁽¹⁾	8.20%	8.23%
Tier-one capital adequacy ratio⁽²⁾	9.62%	9.65%
Capital adequacy ratio	11.74%	11.76%

Notes:

(1) Core tier-one capital adequacy ratio = (core tier-one capital-corresponding capital deductions) / risk weighted assets.

(2) Tier-one capital adequacy ratio = (tier-one capital-corresponding capital deductions) / risk-weighted assets.

3.2.5 Analysis of the cash flow

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	For the six months ended 30 June		
	2021	2020	Year-on-year change
Subtotal of cash inflow from operating activities	93,110,588	34,752,547	58,358,041
Subtotal of cash outflow from operating activities	(65,121,467)	(88,379,733)	23,258,266
Net cash flows from / (used in) operating activities	27,989,121	(53,627,186)	81,616,307
Subtotal of cash inflow from investing activities	31,117,816	63,319,220	(32,201,404)
Subtotal of cash outflow from investing activities	(33,454,824)	(48,879,272)	15,424,448
Net cash flows (used in) / from investing activities	(2,337,008)	14,439,948	(16,776,956)
Subtotal of cash inflow from financing activities	65,789,715	166,711,646	(100,921,931)
Subtotal of cash outflow from financing activities	(90,437,653)	(149,755,803)	59,318,150
Net cash flows (used in) / from financing activities	(24,647,938)	16,955,843	(41,603,781)
Effect of changes in foreign exchange rate on cash and cash equivalents	(7,997)	(31,735)	23,738
Net increase / (decrease) in cash and cash equivalents	996,178	(22,263,130)	23,259,308

During the Reporting Period, the net cash inflow from operating activities was RMB27,989 million. Of which, cash inflow was RMB93,111 million, representing an increase of RMB58,358 million as compared with the previous year, mainly due to the increase in net increase in financial assets sold under repurchase agreements; cash outflow was RMB65,121 million, representing a decrease of RMB23,258 million as compared with the previous year, mainly due to the decrease in net decrease in borrowings from the central bank.

During the Reporting Period, the net cash outflow from investing activities was RMB2,337 million, of which the cash inflow was RMB31,118 million, representing a decrease of RMB32,201 million as compared with the previous year, mainly due to the decrease in cash inflow received from the recovery of investments; the cash outflow was RMB33,455 million, representing a decrease of RMB15,424 million as compared with the previous year, mainly due to the decrease in cash outflow from investment payments.

During the Reporting Period, the net cash outflow from financing activities was RMB24,648 million, of which net cash inflow was RMB65,790 million, representing a decrease of RMB100,922 million as compared with the previous year, mainly due to the decrease in cash inflow received from bond issuance; cash outflow was RMB90,438 million, representing a decrease of RMB59,318 million as compared with the previous year, mainly due to the decrease of the cash outflows paid for settlement of the principal of due bonds.

3.2.6 Segment information

3.2.6.1 Summary of geographical segments

In presenting information on the basis of geographical segments, operating income is allocated based on the location of the branch that generates the income. Substantially all of the Bank's businesses are conducted in the PRC and the Bank classifies the Bank's businesses in the PRC into the following three major geographical regions:

Jinzhou Region: the Bank's headquarters, Jinzhou branch, Jinzhou Taihe Jinyin Village and Township Bank Co., Ltd. (錦州太和錦銀村鎮銀行股份有限公司), Liaoning Yixian Jinyin Village and Township Bank Co., Ltd. (遼寧義縣錦銀村鎮銀行股份有限公司), Liaoning Beizhen Jinyin Village and Township Bank Co., Ltd. (遼寧北鎮錦銀村鎮銀行股份有限公司), Liaoning Heishan Jinyin Village and Township Bank Co., Ltd. (遼寧黑山錦銀村鎮銀行股份有限公司) and Liaoning Linghai Jinyin Village and Township Bank Co., Ltd. (遼寧凌海錦銀村鎮銀行股份有限公司).

Other Northeastern China Region (excluding Jinzhou region): Shenyang branch, Dalian branch, Harbin branch, Dandong branch, Fushun branch, Anshan branch, Chaoyang branch, Fuxin branch, Liaoyang branch, Huludao branch, Benxi branch, Yingkou branch, Liaoning Kazuo Jinyin Village and Township Bank Co., Ltd. (遼寧喀左錦銀村鎮銀行股份有限公司), Liaoning Huanren Jinyin Village and Township Bank Co., Ltd. (遼寧桓仁錦銀村鎮銀行股份有限公司) and Bank of Jinzhou Financial Leasing Co., Ltd. (錦銀金融租賃有限責任公司).

Northern China Region: Beijing branch and Tianjin branch.

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	For the six months ended 30 June			
	2021		2020	
	Amount	% of total	Amount	% of total
Operating Income				
Jinzhou Region	4,091,573	66.1	4,558,111	70.7
Other Northeastern China Region	1,476,052	23.8	1,015,416	15.8
Northern China Region	622,543	10.1	870,941	13.5
Total	6,190,168	100.0	6,444,468	100.0

3.2.6.2 Summary of business segment

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

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	For the six months ended 30 June			
	2021		2020	
	Amount	% of total	Amount	% of total
Operating income				
Corporate banking business	4,077,079	65.9	4,711,610	73.2
Retail banking business	506,728	8.2	433,394	6.7
Treasury business	1,606,113	25.9	1,290,827	20.0
Others	248	0.0	8,637	0.1
Total	6,190,168	100.0	6,444,468	100.0

3.2.7 Analysis of off-balance sheet items

The Bank's off-balance sheet items include credit commitments and other off-balance sheet items. Credit commitments mainly include acceptances, letters of credit, letters of guarantee, loan commitments and credit card commitments. Other off-balance sheet items mainly are capital expenditure commitments. The following table sets forth the Bank's credit commitments and other off-balance sheet items as at the dates indicated:

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	As at 30 June 2021	As at 31 December 2020
Acceptances	74,833,326	81,509,790
Letters of credit	3,528,925	1,399,829
Letters of guarantee	1,840,570	188,228
Loan commitments	302,088	352,286
Credit card commitments	1,473,754	1,599,581
Subtotal	81,978,663	85,049,714
Capital expenditure commitments	47,567	39,813
Subtotal	47,567	39,813
Total	82,026,230	85,089,527

3.3 Risk Management

Comprehensive risk management is a process to effectively identify, assess, measure, monitor, control or mitigate and report risks in order to ensure the realization of the operating and strategic objectives by setting up effective and balanced risk governance structure, fostering robust and prudent risk culture, formulating unified risk management strategies and risk appetite, and implementing the risk limit and risk management policies.

The Bank's Board of Directors is responsible for coordinating and leading Bank-wide risk management and assumes ultimate responsibility for comprehensive risk management. The Board of Directors further standardizes the mechanism for comprehensive risk management by reviewing relevant proposals on risk management, strengthening policy guidance, and guiding the establishment of rules and regulations. At the same time, the Board pays attention to the risk profile in key areas, follows up on and monitors the implementation of decisions and strictly abides by the bottom line of risks. Directors put forward professional opinions and suggestions on proposals and reports to provide strong support for the Board's scientific and efficient decision-making.

The Bank formulates and implements a prudent risk appetite, complies with regulatory requirements, operates in compliance with the laws and regulations and insists on a balance between capital, risk and gains. The Bank will continue to improve its risk governance structure and risk management system, conduct effective identification, measurement, control, supervision, reporting and control on various types of actual risks, and continuously enhance its overall risk management capabilities to provide effective guarantee for the achievement of the Bank's strategic objectives for and achieve sustainable development of the Bank.

The Bank's risk management policies were established to identify and analyze the risks to which the Bank is exposed to, and set internal control procedures for monitoring the risk level of the Bank. The risk management policies and the internal control systems are reviewed regularly to reflect changes in market conditions and the Bank's business activities.

3.3.1 Credit risk

Credit risk refers to the risk arising from the failure of the borrowers of the Bank or counterparties to meet their obligations under the agreement. The core to the Bank's credit risk management system mainly includes: the formulation of credit policies, due diligence, customer credit rating, assessment of collaterals, loan review and approval, loan disbursement management, post-loan management, non-performing loan management, and accountability.

The Board and senior management of the Bank are fully aware of the credit risks in various businesses, supervise and organize the identification, measurement, control and mitigation of credit risks. The Board and its subordinate special committees approve credit risk management policies and procedures, and evaluate and supervise credit risk management. Senior management and its subordinate special committees continuously improve the credit risk management system, formulate clear implementation and accountability mechanisms, study major credit risk matters and response measures, and report to the Board.

The credit and risk management department of the Bank is a functional department responsible for the management of the credit policies of the Bank, risk management and business monitoring; the credit approval department is responsible for the credit management, rating management and lending control of the Bank, improving the credit approval system and workflow, and organizing credit review and management committee meetings; the credit assets operation and management center is responsible for the collection, disposal and management of risk assets and conducts such procedures by applying list-based or project-based management according to the characteristics of the collection process.

With respect to credit risk control and management, the Bank specifies the respective duties and operating procedures of each department according to the principles of separation of credit investigation and credit approval, separation of management and review, and separation of credit limit and review, and improves the credit approval process of branches. The Bank has established the operating mechanism of the credit approval committee under the collective review system.

During the Reporting Period, the Board of Directors and senior management of the Bank kept abreast of the Bank's asset quality, structural investment, risk mitigation and capital management by reviewing risk management systems, work plans and risk management reports, and supervised the Bank to re-establish its credit risk management system, effectively prevent and control major risks, and proactively control the quality of assets.

3.3.2 Operational risk

Operational risk refers to, in the process of operation and management of a commercial bank, the risk resulting from imperfect governance structure of the legal persons, unsound internal control system, deviation of operational procedures and standards, violation by business personnel of procedural requirements and the failure by the internal control system to effectively identify, warn and prevent non-compliance and improper operation.

The Bank has incorporated operational risk into its comprehensive risk management system, and has built an operational risk governance structure consisting of the Board, senior management, the operational risk management committee and the "three lines of defense" department. The Board is ultimately responsible for monitoring the effectiveness of operational risk management, and senior management is responsible for implementing the operational risk management strategy, overall policies and systems approved by the Board of Directors.

The Bank's internal control and compliance department is responsible for the continuous monitoring, inspection and evaluation of the adequacy and effectiveness of the Bank's operational risk management system and conducts review of the Bank's internal control system and its implementation. The Bank has established a bank of key risk indicators for operational risk and a loss event collection mechanism and collects and analyzes indicator information regularly, and reports to the management on the operational risk status.

3.3.3 Market Risk

Market risk refers to the risk of losses that the Bank may suffer in the Bank's on / off-balance-sheet business as a result of unfavorable changes in market prices, including interest rates, exchange rates, stock prices and commodity prices.

The Bank's exposure to the market risk mainly includes interest rate risk and exchange rate risk. The Bank aims to implement effective market risk management in order to control the market risk within the scope which is acceptable for the Bank, ensuring that the market risk assumed matches with the operational goals and the development plan of the Bank.

The market risk management system of the Bank consists of the Board of Directors, the Board of Supervisors, senior management and the market risk business operation department. The Board of Directors and senior management implement effective monitoring of the market risk management system and assume the ultimate responsibility for the implementation of monitoring of market risk management. An independent market risk management committee is established under the risk management committee at the senior management level.

The Bank's credit and risk management department is responsible for continuously monitoring and assessing the adequacy and effectiveness of the Bank's market risk management system. The assets and liabilities management department, the financial market department, the assets management department and interbank department are responsible for the interest rate risks and exchange rate risks.

3.3.3.1 Interest rate risk

The interest rate risk refers to the risk that the Bank's overall revenue and economic value will suffer losses as a result of unfavorable changes in key elements such as interest rate and term structure. The Bank classified the transactions as banking account transactions and trading account transactions. The identification, measurement, monitoring and controls over the relevant market risks are based on the nature and characteristics of these accounts. The trading account transactions include the Bank's investments with an intention to sell in the short term and profit from actual or expected short-term price fluctuations or with risk exposures locked in. The banking account transactions represent non-trading businesses. The primary objective of interest rate risk management is to minimize potential adverse effects on the net interest income and the economic value caused by interest rate volatility. The Bank mainly analyzes the interest rate risk of banking account transactions.

Interest rate risk is integrated into the overall risk management system. The Bank's asset and liability management department is responsible for management of interest rate risk on the banking book.

During the Reporting Period, the Bank closely monitored the changes in policies and external interest rate, measured interest rate risks on the banking book on a regular basis, with measurement methods including but not limited to re-pricing of gap risk, duration analysis, simulation of changes in net interest income and economic value, carrying out stress tests for interest rate risk on the banking book on a regular basis, and it continuously monitored various indicator levels to ensure that interest rate risk of the Bank is controllable.

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

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	As at 30 June 2021					
	Total	Non-interest bearing	Less than three months	Between three months and one year	Between one year and five years	More than five years
Assets						
Cash and deposits with the central bank	51,455,903	715,342	50,740,561	—	—	—
Deposits with banks and other financial institutions	13,071,616	101,986	12,944,430	25,200	—	—
Placements with banks and other financial institutions	6,075,912	549,940	—	5,525,972	—	—
Financial assets held under resale agreements	3,300,000	243	3,299,757	—	—	—
Loans and advances to customers ⁽¹⁾	552,589,347	26,970,479	110,394,082	256,958,888	143,109,168	15,156,730
Investments ⁽²⁾	175,968,930	8,281,153	16,370,755	19,620,080	45,254,277	86,442,665
Finance lease receivables ⁽³⁾	2,699,106	—	1,530,357	21,560	1,147,189	—
Others	23,722,727	23,469,745	63,829	189,153	—	—
Total assets	828,883,541	60,088,888	195,343,771	282,340,853	189,510,634	101,599,395
Liabilities						
Borrowing from the central bank	487,120	489	—	486,631	—	—
Deposits from banks and other financial institutions	132,374,147	1,114,109	23,011,208	42,252,000	65,996,830	—
Placements from banks and other financial institutions	28,255,872	188,661	19,480,000	8,587,211	—	—
Financial assets sold under repurchase agreements	81,026,747	76,453	80,950,294	—	—	—
Deposits from customers	464,320,582	10,265,905	109,993,864	177,175,167	166,872,046	13,600
Debt securities issued	47,686,621	106,574	36,231,831	4,852,409	—	6,495,807
Others	3,287,804	2,469,648	140,677	493,328	145,163	38,988
Total liabilities	757,438,893	14,221,839	269,807,874	233,846,746	233,014,039	6,548,395
Asset-liability gap	71,444,648	45,867,049	(74,464,103)	48,494,107	(43,503,405)	95,051,000

As at 31 December 2020						
<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>		Non-interest bearing	Less than three months	Between three months and one year	Between one year and five years	More than five years
	Total					
Assets						
Cash and deposits with the central bank	55,826,576	759,215	55,067,361	—	—	—
Deposits with banks and other financial institutions	4,748,291	89,581	4,633,510	25,200	—	—
Placements with banks and other financial institutions	6,062,898	363,661	—	5,699,237	—	—
Financial assets held under resale agreements	4,273,751	167	4,273,584	—	—	—
Loans and advances to customers ⁽¹⁾	495,464,197	19,147,848	109,286,846	177,630,369	175,756,076	13,643,058
Investments ⁽²⁾	180,701,450	8,124,335	20,619,641	21,561,907	46,325,472	84,070,095
Finance lease receivables ⁽³⁾	3,248,825	—	681,884	477,198	2,089,743	—
Others	27,666,336	27,548,703	4,951	112,682	—	—
Total assets	<u>777,992,324</u>	<u>56,033,510</u>	<u>194,567,777</u>	<u>205,506,593</u>	<u>224,171,291</u>	<u>97,713,153</u>
Liabilities						
Borrowing from the central bank	105,816	266	20,690	84,860	—	—
Deposits from banks and other financial institutions	135,044,341	1,399,972	45,042,539	19,995,000	68,606,830	—
Placements from banks and other financial institutions	22,645,854	142,592	14,800,000	7,703,262	—	—
Financial assets sold under repurchase agreements	35,102,853	88,167	35,014,686	—	—	—
Deposits from customers	439,223,670	10,150,624	120,795,048	135,690,287	172,257,907	329,804
Debt securities payable	71,270,006	151,536	43,712,072	20,911,153	—	6,495,245
Others	3,357,604	2,469,386	296,344	359,790	159,879	72,205
Total liabilities	<u>706,750,144</u>	<u>14,402,543</u>	<u>259,681,379</u>	<u>184,744,352</u>	<u>241,024,616</u>	<u>6,897,254</u>
Asset-liability gap	<u>71,242,180</u>	<u>41,630,967</u>	<u>(65,113,602)</u>	<u>20,762,241</u>	<u>(16,853,325)</u>	<u>90,815,899</u>

Notes:

- (1) For loans and advances to customers, the category “Less than three months” includes overdue amounts (net of provision for impairment losses) of RMB5,763 million as at the end of the Reporting Period (31 December 2020: RMB6,734 million).

- (2) Investments include financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, financial assets measured at amortized cost and other investments. For investments, the category “Less than three months” includes overdue amounts of RMB2,037 million (net of provision for impairment loss) as at the end of the Reporting Period (31 December 2020: RMB8,583 million).
- (3) For finance lease receivables, the category “Less than three months” includes overdue amounts (net of provision for impairment losses) of RMB1,530 million as at the end of the Reporting Period (31 December 2020: RMB682 million).

The Bank uses sensitivity analysis to measure the potential impact of changes in interest rate on its net profit and shareholders’ equity. The following table sets forth, as of the dates indicated, the results of the interest rate sensitivity analysis based on the assets and liabilities as of the same dates:

	For the six months ended 30 June			
	2021		2020	
<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	Changes in net profit	Changes in shareholders’ equity	Changes in net profit	Changes in shareholders’ equity
100 basis points increase	920,613	1,803,162	(2,316,355)	(2,697,027)
100 basis points decrease	(930,500)	(1,867,204)	2,317,826	2,724,884

3.3.3.2 Exchange rate risk

Exchange rate risk is the risk of loss of foreign exchange exposure arising from an imbalance in the currency structure between foreign exchange assets and foreign exchange liabilities due to adverse movements in foreign exchange rates. The objective of exchange rate risk management is to ensure that the impact of foreign exchange rate changes on the Bank’s financial position and Shareholders’ equity is kept within acceptable limits.

Exchange rate risk is integrated into the overall risk management system. The Bank’s asset and liability management department is responsible for management of exchange rate risk.

During the Reporting Period, the Bank closely monitored changes in the external environment and market conditions, and actively applied a number of portfolio management measures such as limit management and risk hedging to adjust and optimize the total amount and structure of foreign exchange assets and liabilities, so that the exchange rate risk of the Bank was under control.

The Bank's currency exposures as at the end of the relevant periods are as follows:

	As at 30 June 2021			
<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	RMB	USD	Others	Total
	<i>(RMB equivalent)</i>	<i>(RMB equivalent)</i>	<i>(RMB equivalent)</i>	<i>(RMB equivalent)</i>
Assets				
Cash and deposits with the central bank	51,238,523	211,223	6,157	51,455,903
Deposits with banks and other financial institutions	12,577,158	446,332	48,126	13,071,616
Placements with banks and other financial institutions	6,075,912	—	—	6,075,912
Loans and advances to customers	552,305,344	278,329	5,674	552,589,347
Others	201,670,375	4,020,388	—	205,690,763
Total assets	<u>823,867,312</u>	<u>4,956,272</u>	<u>59,957</u>	<u>828,883,541</u>
Liabilities				
Borrowing from the central bank	487,120	—	—	487,120
Deposits from banks and other financial institutions	132,374,147	—	—	132,374,147
Placements from banks and other financial institutions	28,168,647	87,225	—	28,255,872
Deposits from customers	463,227,216	1,071,797	21,569	464,320,582
Debt securities payable	47,686,621	—	—	47,686,621
Others	84,118,264	196,282	5	84,314,551
Total liabilities	<u>756,062,015</u>	<u>1,355,304</u>	<u>21,574</u>	<u>757,438,893</u>
Net position	<u>67,805,297</u>	<u>3,600,968</u>	<u>38,383</u>	<u>71,444,648</u>
Off-balance sheet credit commitments	<u>81,462,480</u>	<u>515,115</u>	<u>1,068</u>	<u>81,978,663</u>

	As at 31 December 2020			
	RMB	USD	Others	Total
<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>		<i>(RMB equivalent)</i>	<i>(RMB equivalent)</i>	<i>(RMB equivalent)</i>
Assets				
Cash and deposits with the central bank	55,690,242	136,157	177	55,826,576
Deposits with banks and other financial institutions	4,266,286	430,291	51,714	4,748,291
Placements with banks and other financial institutions	6,062,898	—	—	6,062,898
Loans and advances to customers	494,876,693	578,211	9,293	495,464,197
Others	211,873,825	4,016,537	—	215,890,362
Total assets	<u>772,769,944</u>	<u>5,161,196</u>	<u>61,184</u>	<u>777,992,324</u>
Liabilities				
Borrowing from the central bank	105,816	—	—	105,816
Deposits from banks and other financial institutions	135,044,341	—	—	135,044,341
Placements from banks and other financial institutions	22,642,588	3,266	—	22,645,854
Deposits from customers	436,567,701	2,632,037	23,932	439,223,670
Debt securities payable	71,270,006	—	—	71,270,006
Others	38,259,005	201,452	—	38,460,457
Total liabilities	<u>703,889,457</u>	<u>2,836,755</u>	<u>23,932</u>	<u>706,750,144</u>
Net position	<u>68,880,487</u>	<u>2,324,441</u>	<u>37,252</u>	<u>71,242,180</u>
Off-balance sheet credit commitments	<u>84,712,639</u>	<u>337,075</u>	<u>—</u>	<u>85,049,714</u>

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	As at 30 June 2021		As at 31 December 2020	
	RMB	USD equivalent	RMB	USD equivalent
On-balance-sheet net foreign exchange exposures	3,639,351	563,358	2,361,693	361,951
Off-balance-sheet net foreign exchange exposures	<u>(1,004,277)</u>	<u>(155,458)</u>	<u>(1,367,546)</u>	<u>(209,589)</u>
Total net foreign exchange exposures	<u>2,635,074</u>	<u>407,900</u>	<u>994,147</u>	<u>152,362</u>

The Bank uses sensitivity analysis to measure the potential impact of changes in exchange rate on its net profit and shareholders' equity. The following table sets forth, at the dates indicated, the results of the Bank's exchange rate sensitivity analysis based on the Bank's assets and liabilities as at the same date:

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	Fluctuation of foreign exchange rates	For the six months ended 30 June			
		2021	2020	Change of net profit	Shareholders equity change
Type of Currencies		Change of net profit	Shareholders equity change	Change of net profit	Shareholders equity change
USD	1%	19,763	19,763	10,159	10,159
USD	-1%	(19,763)	(19,763)	(10,159)	(10,159)

The sensitivity analysis mentioned above is based on a static foreign exchange exposure profile of assets and liabilities. The relevant analysis is based on below assumptions:

- The foreign exchange sensitivity represents the gain and loss on foreign exchange recognized as a result of the fluctuation of the foreign currency exchange rates against RMB by 1%;
- The fluctuation of exchange rates by 1% on the balance sheet date is based on the assumption of the fluctuation of exchange rates over the next full year from the balance sheet date;
- The exchange rates against RMB for the US dollars change in the same direction simultaneously. Due to the immaterial proportion of the Bank's total assets and liabilities denominated in currencies other than US dollars, the calculation of the amount of USD equivalent of other foreign currencies in the above sensitivity analysis shall have potential impacts on the Bank's net profit and shareholders' equity;
- The foreign exchange exposures calculated include spot and forward foreign exchange exposures and swaps;

- Other variables (including interest rates) remain unchanged; and
- The analysis does not take into account the effect of risk management measures taken by the Bank.

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

3.3.4 Liquidity Risk

Liquidity risk represents the risk that the commercial bank is unable to raise sufficient funds at reasonable costs in a timely manner to satisfy due liabilities, to perform other payment obligations and to satisfy other funds requirements of normal businesses. In extreme cases, liquidity insufficiency can lead to settlement risks of commercial banks. Significant growth in the demand for credit facilities, substantial performance of loan commitments, unexpected increase in non-performing loans, sharp decrease in deposit level and financing difficulty in the currency market may affect the Bank's liquidity. Meanwhile, adjustment in financial policies, dramatic changes in interest rates in the market, the Bank's own asset and liability structure and liquidity management capability are also important factors which affect the Bank's liquidity.

The Bank has incorporated liquidity risk into its comprehensive risk management system, and established asset and liability management strategy and liquidity management policy. The Bank's Board of Directors is responsible for reviewing and approving liquidity risk appetite, liquidity risk management strategies, significant policies and procedures, continuously paying attention to liquidity risk profile, regularly reviewing liquidity risk reports, and keeping abreast of the liquidity risk level, management status and its major changes. The asset and liability management committee of the Bank is responsible for bank-wide liquidity management and establishes liquidity management objectives according to the requirements and regulatory indicators for asset and liability management at the beginning of each year.

The asset and liability management department of the Bank is responsible for the identification, measurement, monitoring and control of the Bank's liquidity risk, while members of the asset and liability management committee is responsible for implementation of the liquidity management policies.

During the Reporting Period, the Bank paid close attention to the pressure on liquidity management arising from changes in the economic and financial situation, and improved the level of refinement in liquidity management. The Bank coordinated the sources of funds and the scale and pace of fund operations, and reasonably arranged the funds available to the Bank according to the capital situation to support the balanced and steady development of various asset and liability businesses. The Bank continued to strengthen the forecast of large-sum funds and the management of fund monitoring, enhanced the ability to predict market changes, and improved the identification, measurement and monitoring of liquidity risk. The Bank strengthened liquidity emergency management, paid close attention to the capital situation at important time points in a timely manner, regularly carried out stress tests and formulated emergency measures to ensure the smooth operation of liquidity. The Bank strengthened the management of liquidity indicators and improved the ability of liquidity risk management.

The analysis of assets and liabilities of the Bank based on their remaining maturity date as at the end of relevant period is set out below:

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	As at 30 June 2021							Total
	Indefinite	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years	
Assets								
Cash and deposits with the central bank	47,960,256	3,495,647	—	—	—	—	—	51,455,903
Deposit with banks and other financial institutions	6,894	13,039,211	10	5	25,496	—	—	13,071,616
Placements with banks and other financial institutions	—	—	—	—	6,075,912	—	—	6,075,912
Financial assets held under resale agreements	—	—	3,300,000	—	—	—	—	3,300,000
Loans and advances to customers	5,877,093	1,478,695	36,622,771	71,066,743	266,182,055	150,585,980	20,776,010	552,589,347
Investments	2,935,090	417,455	4,705,867	12,522,593	20,564,878	46,132,458	88,690,589	175,968,930
Finance lease receivables	1,356,506	269,710	—	—	21,560	1,051,330	—	2,699,106
Others	23,469,745	—	8,215	55,690	189,077	—	—	23,722,727
Total assets	81,605,584	18,700,718	44,636,863	83,645,031	293,058,978	197,769,768	109,466,599	828,883,541
Liabilities								
Borrowing from the central bank	—	—	—	3,604	483,516	—	—	487,120
Deposits from banks and other financial institutions	—	3,915,010	9,835,877	9,408,531	42,617,230	66,597,499	—	132,374,147
Placements from banks and other financial institutions	—	—	18,489,479	1,108,754	8,657,639	—	—	28,255,872
Financial assets sold under repurchase agreements	—	—	63,839,175	17,187,572	—	—	—	81,026,747
Deposits from customers	—	64,001,629	15,345,961	33,112,182	181,197,513	170,649,073	14,224	464,320,582
Debt securities payable	—	—	2,802,497	33,523,320	4,864,997	—	6,495,807	47,686,621
Others	—	2,469,531	67,999	72,677	493,328	145,280	38,989	3,287,804
Total liabilities	—	70,386,170	110,380,988	94,416,640	238,314,223	237,391,852	6,549,020	757,438,893
Asset-liability gap	81,605,584	(51,685,452)	(65,744,125)	(10,771,609)	54,744,755	(39,622,084)	102,917,579	71,444,648

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 31 December 2020							Total
	Indefinite	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years	
Assets								
Cash and deposits with the central bank	44,715,148	11,111,428	–	–	–	–	–	55,826,576
Deposit with banks and other financial institutions	–	4,723,063	–	–	25,228	–	–	4,748,291
Placements with banks and other financial institutions	173,265	–	–	–	5,889,633	–	–	6,062,898
Financial assets held under resale agreements	–	–	4,273,751	–	–	–	–	4,273,751
Loans and advances to customers	6,912,884	1,456,843	36,497,920	71,860,569	182,209,335	178,370,561	18,156,085	495,464,197
Investments	10,978,791	16,502	4,397,144	9,062,544	23,028,721	47,784,052	85,433,696	180,701,450
Finance lease receivables	694,914	316,266	–	–	477,198	1,760,447	–	3,248,825
Others	27,548,703	–	175	4,775	112,683	–	–	27,666,336
Total assets	91,023,705	17,624,102	45,168,990	80,927,888	211,742,798	227,915,060	103,589,781	777,992,324
Liabilities								
Borrowing from the central bank	–	–	–	20,741	85,075	–	–	105,816
Deposits from banks and other financial institutions	–	10,705,623	10,828,879	23,025,063	21,150,910	69,333,866	–	135,044,341
Placements from banks and other financial institutions	–	–	9,851,954	5,032,752	7,761,148	–	–	22,645,854
Financial assets sold under repurchase agreements	–	–	24,395,285	10,707,568	–	–	–	35,102,853
Deposits from customers	–	72,215,368	14,034,669	37,400,562	138,903,886	176,331,666	337,519	439,223,670
Debt securities issued	–	–	10,090,547	33,724,026	20,960,188	–	6,495,245	71,270,006
Others	–	2,469,386	61,940	234,404	359,790	159,879	72,205	3,357,604
Total liabilities	–	85,390,377	69,263,274	110,145,116	189,220,997	245,825,411	6,904,969	706,750,144
Asset-liability gap	91,023,705	(67,766,275)	(24,094,284)	(29,217,228)	22,521,801	(17,910,351)	96,684,812	71,242,180

As at the end of Reporting Period and as at 31 December 2020, the net stable funding ratio was 117.95% and 113.79%, respectively.

As at the end of Reporting Period, the stable funds available to the Bank were RMB549,456 million, and the required stable funds were RMB465,856 million.

3.3.5 Information Technology Risk

Information technology risk includes operational risk, legal risk, reputational risk and other types of risks caused by natural factors, human errors, technical loopholes and management failure in the relevant fields of information technology at all levels of the Bank.

The Bank has established an information technology risk management system and incorporated information technology risks into the overall risk management system by setting up a corresponding organizational structure, including the Board, information technology management committee, the information technology management department, the risk management responsibility department, and the audit responsibility department.

During the Reporting Period, the Bank has formulated and improved the information technology systems, which covered information technology risk management in respect of information technology governance, information safety, special project management, application and research and development, tests, operation and maintenance, business sustainability and outsourcing, and clarified relevant management departments and their duties for three lines of defense of information technology risk management. The Bank has set up an effective strategic mechanism and realized the identification, monitoring and control for technology risks to make sure the development of business was sustainable, continuously enhancing the level of information technology risk management and improving our core competitiveness and sustainable development capacity.

3.3.6 Reputation risk

Reputation risk refers to the risk resulting from negative comments to the Bank by stakeholder with respect to the operations, management and other activities, or due to external events. Reputation risk management refers to the process and method of establishing a sound reputation risk management system in accordance with reputation risk management objectives and planning, and providing assurance for achieving the overall objectives of reputation risk management through daily reputation risk management and proper handling of reputation risk events.

The Board of Directors of the Bank is responsible for formulating reputation risk management policies in line with the Bank's strategic objectives and applicable to the entire Bank, establishing the reputation risk management system, monitoring the overall status and effectiveness of the reputation risk management, and assuming the ultimate responsibility for reputation risk management. The Bank's office is the reputation risk management department, and its duties and responsibilities include guiding functional departments, branches and subsidiaries to implement the requirements of the reputation risk management system, organizing the identification, monitoring, evaluation and reporting of reputation risks, and coordinating the disposal of reputation risk events.

During the Reporting Period, the Bank strengthened reputation risk identification, monitoring, control and solution and improved the level of reputation risk control through diversified initiatives such as continuing to revise reputation risk management measures, carrying out real-time monitoring of online public opinion, standardizing internal management of major emergencies, improving emergency response plan, the actively promoting its contribution in reform and restructuring, operation and development, service to regional economy and social responsibility, as well as continuously improving the mechanism on reputation risk.

3.3.7 Country Risk

Country risk refers to the risk that the borrowers or debtors of a country or region are unable or refuse to repay the debts of a bank, or causes the bank's business in the country or region to suffer losses, or causes the bank to suffer other losses due to economic, political and social changes and events. It may be triggered by economic deterioration, political and social turmoil, nationalization or expropriation of property, government repudiation of foreign debts, foreign exchange control or currency depreciation in the country or region. The Bank has included the country risk management into overall risk management system. In accordance with regulatory requirements, the Bank conducted regular identification, measure, assessment and monitoring work and set a limit management for country risks, subject to adjustment upon changes in country risks. The Bank's country risk rating system is mainly based on the rating results of the sovereign rating models of rating agencies.

As at the end of the Reporting Period, the Bank's assets involved in country risk exposure were relatively small in size and the level of country risk was relatively low, and full provision for country risk had been made in accordance with regulatory requirements. The country risk will not have a material impact on the Bank's business operations.

3.3.8 Anti-money Laundering Management

The Bank attaches great importance to anti-money laundering by earnestly fulfilling its anti-money laundering obligations, constantly improving the compliance and effectiveness of anti-money laundering, continuously deepening the risk control of money laundering and steadily enhancing the standard of anti-money laundering. The Bank has set up an all-rounded internal anti-money laundering control system, and amends the internal control system in an appropriate manner. The Bank has also steadily promoted various anti-money laundering activities and gradually built an anti-money laundering management system to improve the relevant working mechanism. According to the requirements under the Guidelines on Risk Management of Money Laundering and Terrorism Financing of Corporate Financial Institutions (Trial) 《法人金融機構洗錢和恐怖融資風險管理指引(試行)》 and the Notice on the Guidelines on Risk Self-assessment of Money Laundering and Terrorism Financing of Corporate Financial Institutions 《(法人金融機構洗錢和恐怖融資風險自評估指引的通知)》, the Bank actively conducted risk self-assessment of money laundering of institutions, strengthened assessment on money laundering risks of business products and formulated the inherent risk indicator model and product business assessment standards. While increasing large-scale transactions and strengthening reporting work on suspicious transactions, the Bank has continued to optimize anti-money laundering system and suspicious transaction monitoring indicators to increase the efficiency of our anti-money laundering work. With our continuous implementation of regulatory requirements, the Bank conducted identification of beneficiary owners and control work on customers with high risks and established the performance assessment mechanism of the anti-money laundering, and strengthened its internal supervision over anti-money laundering so as to leverage the role of incentive mechanism and internal inspection, supervision and management. Also, the Bank organized promotional activities of anti-money laundering, and contributed in combating money laundering and terrorist financing for the whole society.

3.3.9 Protection of Consumer Rights

During the Reporting Period, the Bank has been conscientiously implementing various laws and regulations and regulatory requirements on consumer rights and interests protection, and has continued to promote the construction of the institutional mechanism for consumer rights and interests protection, integrating consumer rights protection into all aspects of corporate governance. To build a comprehensive consumer rights and interests protection system, the Bank has revised and improved systems to continuously strengthen the foundation of consumer rights and interests protection system. The management of consumer complaints was strictly regulated, consumer complaints were properly handled and the construction of a consumer complaint management system was steadily promoted. The Bank attached great importance to financial knowledge publicity and education by organizing financial publicity and education events. The Bank has also established a three-dimensional education model of “online + offline” by relying on channels such as business branches, online and other channels to expand the coverage of the education audience and help consumers establish a correct view on consumption and risk.

During the Reporting Period, the Bank received a total of 43 consumer complaints, mainly related to RMB savings and credit card businesses in Liaoning and Tianjin, etc. The on time feedback rate and the settlement rate of the Bank for consumption complaints was 100% and 100%, respectively.

3.4 Prospects

2021 is the 100th anniversary of the founding of the Chinese Communist Party and the beginning of the “14th Five-Year Plan” period. The international economic and financial situation remains complicated and volatile. China will adhere to the guidance of Xi Jinping’s Thoughts on Socialism with Chinese Characteristics for a New Era, follow the decisions and deployment of the Central Economic Work Conference and the Government Work Report, adhere to the general tone of seeking progress while maintaining stability, implement a new development concept, build a new development pattern, continue to consolidate and expand the results of pandemic prevention and control and economic and social development and implement macro policies in a precise manner so that the economy continues to recover steadily, with its quality and efficiency are improving steadily, and economic development shows a trend of steady reinforcement and improvement.

In the second half of 2021, the Bank will continue to be guided by Xi Jinping's Thoughts on Socialism with Chinese Characteristics for a New Era, and the Bank's development strategy is to strengthen leadership of the party. Under the "dual circulation" national development strategy and the emerging trend of financial technologies in China and with the strong support from the party committees and governments and regulatory authorities at all levels, the Bank will implement the new development concept of "compliance, innovation, coordination and quality". We adhere to our corporate mission of creating value for shareholders, wealth for customers, welfare for employees and contribution to society. The Bank adheres to the path of inherent high quality development and focuses on the main responsibilities of the "three services" to support the development of the real economy. The Bank takes differentiated and distinctive products and services as the two directions of its development strategy. Driven by financial technology and supported by talent development, the Bank will promote market expansion, structural optimization, mechanism innovation, cost reduction and efficiency enhancement, quality improvement, and legal compliance and foundation strengthening for the achievement of a sustained and steady trend of overall operations.

4. ISSUANCE OF BONDS

4.1 Issuance of Tier-two Capital Bonds

Upon the approval of the Former CBRC and PBOC, the Bank issued the tier-two capital bonds with write-down terms in an aggregate principal amount of RMB2,500 million on 26 December 2016. The bonds have a term of ten years and fixed coupon rate of 4.30% per annum. The Bank has an option to redeem such bonds wholly or partially at the nominal amount on 27 December 2021 upon the approval of relevant regulatory authorities.

Upon the approval of the Former CBRC and PBOC, the Bank issued the tier-two capital bonds with write-down terms in an aggregate principal amount of RMB4,000 million on 26 March 2018. The bonds have a term of ten years and fixed coupon rate of 4.90% per annum. The Bank has an option to redeem such bonds wholly or partially at the nominal amount on 28 March 2023 upon the approval of relevant regulatory authorities.

4.2 Issuance of Negotiable Certificates of Deposit

As at the end of the Reporting Period, 42 outstanding and not yet expired negotiable certificates of deposit were issued by the Bank with an aggregate amount of RMB41,084 million (excluding interests payable).

5. OTHER INFORMATION

5.1 Corporate Governance Code

The Bank continuously improved corporate governance mechanism, and gradually enhanced corporate governance level. The Bank has adopted relevant requirements set out in the Corporate Governance Code, administrative measures and corporate governance for commercial banks in China. The Bank has also established a corresponding corporate governance system. In accordance with relevant requirements, the Bank has set up dedicated and independent Board, board of supervisors and senior management. All members of the Board and board of supervisors of Bank (excluding employee representative Supervisors) were all elected at the general meetings by the Shareholders of the Bank. The Bank has further improved the information disclosure standards, regulated the management of investor relations activities and enhanced the transparency and governance standards persistently.

During the Reporting Period, the Bank has fully complied with the code provisions contained in the Corporate Governance Code and the Board is not aware of any information which indicates any non-compliance of the Bank with the code provisions contained in the Corporate Governance Code.

5.2 Securities Transactions by Directors and Supervisors

The Bank has adopted, in respect of securities transactions by Directors and Supervisors, a code of conduct on terms no less exacting than the required standards set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules. Having made specific enquiries to all Directors and Supervisors of the Bank, each Director and Supervisor of the Bank has confirmed that he / she has complied with such code of conduct during the Reporting Period.

5.3 Profits and Dividend

The Bank's revenue for the Reporting Period and the Bank's financial position as at the same date are set out in the financial statements of this announcement.

The Bank did not declare any interim dividend for the Reporting Period (for six months ended 30 June 2020: not declared).

5.4 Purchase, Sale and Redemption of Listed Securities of the Bank

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

5.5 Review by Audit Committee

As at the end of the Reporting Period, the Audit Committee of the Bank is comprised of five Directors, namely, the independent non-executive Director Mr. Wang Xiongyuan (as the chairman), the non-executive Director Ms. Ning Jie, the non-executive Director Ms. Gu Jihong, the independent non-executive Director Mr. Xiao Geng and the independent non-executive Director Mr. Su Mingzheng (as the members). The Audit Committee has reviewed the unaudited consolidated interim financial statements of the Bank for the six months ended 30 June 2021.

5.6 Subsequent Events

For details of subsequent events, please refer to note 17 to the financial statement set out in this announcement.

6. FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

	<i>Notes</i>	For the six months ended 30 June	
		2021	2020
		Unaudited	Unaudited
Interest income		19,124,154	20,940,446
Interest expense		(13,443,550)	(14,887,830)
Net interest income	4	5,680,604	6,052,616
Fee and commission income		313,699	118,491
Fee and commission expense		(22,129)	(25,682)
Net fee and commission income	5	291,570	92,809
Net trading gains	6	184,338	288,751
Dividend income		14,248	–
Net gains / (losses) arising from investment securities	7	8,055	(153)
Net foreign exchange gains		9,402	1,790
Other net operating income		1,951	8,655
Operating income		6,190,168	6,444,468
Operating expenses	8	(1,435,592)	(1,511,117)
Operating profit before impairment		4,754,576	4,933,351
Impairment losses on assets	9	(4,373,611)	(4,428,740)
Profit before tax		380,965	504,611
Income tax expense	10	(194,922)	(91,349)
Profit for the period		186,043	413,262
Attributable to:			
Equity shareholders of the Bank		429,890	406,644
Non-controlling interests		(243,847)	6,618
Profit for the period		186,043	413,262
Basic and diluted earnings per share (in RMB)	11	0.03	0.05

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

	For the six months ended 30 June	
	2021	2020
	Unaudited	Unaudited
Profit for the period	<u>186,043</u>	<u>413,262</u>
Other comprehensive income for the period:		
Items that will be reclassified subsequently to profit or loss:		
– Debt instruments at fair value through other comprehensive income:		
– Change in fair value	(65,363)	(19,049)
– Change in impairment provision	28,813	9,288
– Reclassified to profit or loss upon disposal	(5,195)	1,250
Items that will not be reclassified subsequently to profit or loss:		
– Remeasurement of defined benefit obligation	(11)	(5)
– Equity instruments designated at fair value through other comprehensive income:		
– Change in fair value	43,400	18,380
Related income tax effect	<u>14,781</u>	<u>(2,467)</u>
Other comprehensive income for the period	<u>16,425</u>	<u>7,397</u>
Total comprehensive income for the period	<u>202,468</u>	<u>420,659</u>
Attributable to:		
Equity shareholders of the Bank	446,315	414,041
Non-controlling interests	<u>(243,847)</u>	<u>6,618</u>
Total comprehensive income for the period	<u>202,468</u>	<u>420,659</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

	<i>Notes</i>	At 30 June 2021 Unaudited	At 31 December 2020 Audited
Assets			
Cash and deposits with the central bank		51,455,903	55,826,576
Deposits with banks and other financial institutions		13,071,616	4,748,291
Placements with banks and other financial institutions		6,075,912	6,062,898
Positive fair value of derivatives		252,982	117,633
Financial assets held under resale agreements		3,300,000	4,273,751
Loans and advances to customers		552,589,347	495,464,197
Financial assets at fair value through profit or loss	<i>12</i>	21,614,657	23,020,107
Financial assets at fair value through other comprehensive income	<i>13</i>	41,313,953	21,921,180
Financial assets measured at amortized cost	<i>14</i>	113,040,320	135,760,163
Finance lease receivables		2,699,106	3,248,825
Property and equipment		6,533,131	6,684,729
Deferred tax assets		11,596,173	11,743,169
Other assets		5,340,441	9,120,805
		<u>828,883,541</u>	<u>777,992,324</u>
Total assets			
Liabilities and equity			
Liabilities			
Borrowing from the central bank		487,120	105,816
Deposits from banks and other financial institutions		132,374,147	135,044,341
Placements from banks and other financial institutions		28,255,872	22,645,854
Financial liabilities at fair value through profit or loss		–	7,822
Negative fair value of derivatives		163,597	164,764
Financial assets sold under repurchase agreements		81,026,747	35,102,853
Deposits from customers		464,320,582	439,223,670
Accrued staff costs		374,456	369,510
Income tax payable		32,777	31,719
Other taxes payable		495,476	677,273
Debt securities payable		47,686,621	71,270,006
Provisions		393,429	410,284
Other liabilities		1,828,069	1,696,232
		<u>757,438,893</u>	<u>706,750,144</u>
Total liabilities			

	At 30 June 2021 Unaudited	At 31 December 2020 Audited
Equity		
Share capital	13,981,616	13,981,616
Other equity instruments including:		
Offshore preference shares	9,897,363	9,897,363
Capital reserve	26,449,020	26,493,374
Surplus reserve	3,056,744	3,056,744
General reserve	11,800,217	11,800,217
Retained earnings	<u>2,920,546</u>	<u>2,429,877</u>
Total equity attributable to equity shareholders of the Bank	68,105,506	67,659,191
Non-controlling interests	<u>3,339,142</u>	<u>3,582,989</u>
Total equity	<u>71,444,648</u>	<u>71,242,180</u>
Total liabilities and equity	<u><u>828,883,541</u></u>	<u><u>777,992,324</u></u>

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2021**

(Expressed in thousands of Renminbi, unless otherwise stated)

	Unaudited								
	Attributable to shareholders of the Bank								
	Share capital	Other equity instruments	Capital reserve	Surplus reserve	General reserve	Retained earnings	Subtotal	Non-controlling interests	Total
Balance at 1 January 2021	13,981,616	9,897,363	26,493,374	3,056,744	11,800,217	2,429,877	67,659,191	3,582,989	71,242,180
Changes in equity for the period:									
Profit for the period	-	-	-	-	-	429,890	429,890	(243,847)	186,043
Other comprehensive income	-	-	16,425	-	-	-	16,425	-	16,425
Total comprehensive income	-	-	16,425	-	-	429,890	446,315	(243,847)	202,468
Other comprehensive income transferred to retained earnings	-	-	(60,779)	-	-	60,779	-	-	-
Balance at 30 June 2021	13,981,616	9,897,363	26,449,020	3,056,744	11,800,217	2,920,546	68,105,506	3,339,142	71,444,648
Balance at 1 January 2020	7,781,616	9,897,363	20,583,321	2,994,679	11,800,217	2,614,222	55,671,418	3,834,031	59,505,449
Changes in equity for the period:									
Profit for the period	-	-	-	-	-	406,644	406,644	6,618	413,262
Other comprehensive income	-	-	7,397	-	-	-	7,397	-	7,397
Total comprehensive income	-	-	7,397	-	-	406,644	414,041	6,618	420,659
Balance at 30 June 2020	7,781,616	9,897,363	20,590,718	2,994,679	11,800,217	3,020,866	56,085,459	3,840,649	59,926,108

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2021**

(Expressed in thousands of Renminbi, unless otherwise stated)

	For the six months ended 30 June	
	2021	2020
	Unaudited	Unaudited
Cash flows from operating activities		
Profit for the period	186,043	413,262
Adjustments for:		
Impairment losses on assets	4,373,611	4,428,740
Depreciation and amortization	264,583	288,063
Interest expense on lease liabilities	6,849	7,082
Unrealized foreign exchange gains, net	(7,881)	(31,780)
Dividend income	(14,248)	–
Net (gains) / losses arising from investment securities	(8,055)	153
Net trading gains	(184,338)	(288,751)
Interest expense on debts securities issued	1,012,900	2,835,650
Net losses / (gains) on disposal of property and equipment and other long term assets	15,524	(163)
Income tax expense	194,922	91,349
Subtotal	5,839,910	7,743,605
Changes in operating assets		
Net (increase) / decrease in deposits with the central bank, banks and other financial institutions	(1,982,329)	4,646,725
Net increase in loans and advances to customers	(43,703,349)	(21,988,848)
Net decrease in finance lease receivables	120,905	2,198,651
Net increase in other operating assets	(6,597,489)	(11,955,235)
Subtotal	(52,162,262)	(27,098,707)
Changes in operating liabilities		
Net increase / (decrease) in borrowing from central bank	381,081	(32,938,190)
Net decrease in deposits from banks and other financial institutions	(2,384,331)	(6,234,076)
Net increase in financial assets sold under repurchase agreements	45,935,608	9,502,146
Net increase / (decrease) in placements from banks and other financial institutions	5,563,949	(9,610,948)
Net increase in deposits from customers	24,981,631	8,024,770
Income tax paid	(64,865)	(1,833,764)
Net decrease in other operating liabilities	(101,600)	(1,182,023)
Subtotal	74,311,473	(34,272,085)
Net cash flows generated from / (used in) operating activities	27,989,121	(53,627,187)

	For the six months ended 30 June	
	2021	2020
	Unaudited	Unaudited
Cash flows from investing activities		
Proceeds from disposal and redemption of investments	31,075,763	63,318,901
Dividend received	14,248	–
Proceeds from disposal of property and equipment and other assets	27,805	319
Payments on acquisition of investments	(33,402,289)	(48,842,986)
Payments on acquisition of property and equipment, intangible assets and other assets	(52,535)	(31,037)
Net cash flows (used in) / generated from investing activities	(2,337,008)	14,445,197
Cash flows from financing activities		
Proceeds from issue of debt securities	65,789,715	166,711,646
Repayment of debts securities issued	(90,190,000)	(149,480,000)
Interest paid on debts securities issued	(196,000)	(238,085)
Dividend paid	–	(9,920)
Repayment of lease liabilities	(51,653)	(33,046)
Net cash flows (used in) / generated from financing activities	(24,647,938)	16,950,595
Effect of foreign exchange rate changes on cash and cash equivalents	(7,997)	(31,735)
Net increase / (decrease) in cash and cash equivalents	996,178	(22,263,130)
Cash and cash equivalents at the beginning of the period	18,841,770	67,534,887
Cash and cash equivalents at the end of the period	19,837,948	45,271,757

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, unless otherwise stated)

1 BACKGROUND INFORMATION

Bank of Jinzhou Co., Ltd. (the “**Bank**”) was established on 22 January 1997 with approval of the People’s Bank of China (“**PBOC**”) (Yin Fu [1997] No.29).

The Bank obtained its finance permit No.B0127H221070001 from the China Banking Regulatory Commission (the (“**CBRC**”), which was renamed as China Banking and Insurance Regulatory Commission (“**CBIRC**”) on 8 April 2018. The Bank obtained its business license with unified social credit code No. 912107002426682145 from the State Administration for Industry and Commerce of the PRC. The legal representative is Wei Xuekun and the address of the registered office is No. 68 Keji Road, Jinzhou City, Liaoning Province, the People’s Republic of China.

In December 2015, the Bank’s H shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (Stock code: 0416). At 30 June 2021, the share capital of the Bank was RMB13,982 million.

The principal activities of the Bank and its subsidiaries (collectively referred to as the “**Group**”) are the provision of corporate and retail deposits, loans and advances, payment and settlement services, finance leasing as well as other banking services as approved by the CBIRC. The Group operates in Mainland China, which, for the purpose of this report, excludes the Hong Kong Special Administrative Region of the PRC (“**Hong Kong**”), the Macau Special Administrative Region of the PRC (“**Macau**”) and Taiwan. At 30 June 2021, the Bank had 15 branches in Jinzhou, Beijing, Tianjin, Shenyang, Dalian, Harbin, Dandong, Fushun, Anshan, Chaoyang, Fuxin, Liaoyang, Huludao, Benxi and Yingkou.

2 BASIS OF PRESENTATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial information have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting (“**IAS 34**”) issued by the International Accounting Standards Board (the “**IASB**”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”). The unaudited condensed consolidated interim financial information do not include all the information required for a complete set of financial statements and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2020.

The unaudited condensed consolidated interim financial information have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as appropriate. Except as described below, the accounting policies and methods of computation used in the unaudited condensed consolidated interim financial information for the six months ended 30 June 2021 are the same as those presented in the Group’s annual consolidated financial statements for the year ended 31 December 2020.

The Group has applied the following amendments to IFRSs (which include all International Financial Reporting Standards, IASs and Interpretations) issued by the IASB to these financial statement for the current accounting period.

Amendment to IFRS 16	Covid-19-related rent concessions beyond 30 June 2021
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest rate benchmark reform – phase 2

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

The application of the new and amendments to IFRS in the current period has had no material impact on the Group's financial positions and performance for the current and prior periods and / or on the disclosures set out in these unaudited condensed consolidated interim financial information.

3 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The nature and assumptions related to the Group's accounting estimates are consistent with those adopted in the Group's financial statements for 2020.

4 NET INTEREST INCOME

	For the six months ended 30 June	
	2021	2020
	Unaudited	Unaudited
Interest income arising from		
Deposits with the central bank	382,662	343,332
Deposits with banks and other financial institutions	18,623	94,269
Placements with banks and other financial institutions	187,785	84,826
Loans and advances to customers		
– Corporate loans and advances	13,935,911	14,127,848
– Personal loans	227,458	241,629
– Discounted bills	338,123	27,073
Financial assets held under resale agreements	11,620	103,721
Financial assets at fair value through other comprehensive income	431,804	210,955
Financial assets measured at amortized cost	3,524,128	5,505,866
Finance lease receivables	66,040	200,927
	<hr/>	<hr/>
Subtotal	19,124,154	20,940,446
	<hr/>	<hr/>
Interest expense arising from		
Borrowing from the central bank	2,552	22,381
Deposits from banks and other financial institutions	3,025,108	4,345,144
Placements from banks and other financial institutions	484,017	218,172
Deposits from customers		
– Corporate customers	1,229,275	1,111,715
– Individual customers	7,121,172	6,243,249
Financial assets sold under repurchase agreements	568,526	111,519
Debt securities issued	1,012,900	2,835,650
	<hr/>	<hr/>
Subtotal	13,443,550	14,887,830
	<hr/>	<hr/>
Net interest income	5,680,604	6,052,616
	<hr/> <hr/>	<hr/> <hr/>

5 NET FEE AND COMMISSION INCOME

	For the six months ended 30 June	
	2021	2020
	Unaudited	Unaudited
Fee and commission income		
Agency services fees	65,549	11,511
Settlement and clearing fees	52,994	28,679
Wealth management service fees	135,499	63,757
Underwriting and advisory fees	28,946	2,387
Bank card service fees	18,032	6,783
Others	12,679	5,374
	<hr/>	<hr/>
Subtotal	313,699	118,491
	<hr/>	<hr/>
Fee and commission expenses		
Settlement and clearing fees	11,290	11,736
Others	10,839	13,946
	<hr/>	<hr/>
Subtotal	22,129	25,682
	<hr/>	<hr/>
Net fee and commission income	291,570	92,809
	<hr/> <hr/>	<hr/> <hr/>

6 NET TRADING GAINS

	For the six months ended 30 June	
	2021	2020
	Unaudited	Unaudited
Trading financial instruments		
– Debt securities issued	289,513	246,744
– Derivative financial instruments	(105,289)	–
– Precious metals	1	–
	<u>184,225</u>	<u>246,744</u>
Subtotal		
	<u>184,225</u>	<u>246,744</u>
Financial instruments designated at fair value through profit or loss	113	42,007
	<u>113</u>	<u>42,007</u>
Total	<u>184,338</u>	<u>288,751</u>

The above amounts mainly include gains and losses arising from the purchase and sale of, interest income and changes in the fair value of financial assets and financial liabilities at fair value through profit or loss and derivative financial instruments.

7 NET GAINS / (LOSSES) ARISING FROM INVESTMENT SECURITIES

	For the six months ended 30 June	
	2021	2020
	Unaudited	Unaudited
Net revaluation gains / (losses) reclassified from other comprehensive income on disposal	5,195	(1,250)
Net revaluation gains from financial assets at fair value through other comprehensive income on disposal	2,860	1,097
	<u>2,860</u>	<u>1,097</u>
Total	<u>8,055</u>	<u>(153)</u>

8 OPERATING EXPENSES

	For the six months ended 30 June	
	2021	2020
	Unaudited	Unaudited
Staff costs		
– Salaries and bonuses	572,914	579,544
– Social insurance	108,758	59,654
– Housing allowances	61,846	57,856
– Union funds and education funds	22,801	23,083
– Staff welfare	26,240	17,609
– Supplementary retirement benefits	2,104	1,312
– Other long-term staff welfare	1,317	2,598
	<hr/>	<hr/>
Subtotal	795,980	741,656
	<hr/>	<hr/>
Premises and equipment expenses		
– Depreciation and amortization	264,583	288,063
– Rental and property management expenses	293	624
	<hr/>	<hr/>
Subtotal	264,876	288,687
	<hr/>	<hr/>
Tax and surcharges	129,006	160,297
Interest expense on lease liabilities	6,849	7,082
Other general and administrative expenses	238,881	313,395
	<hr/>	<hr/>
Total	1,435,592	1,511,117
	<hr/> <hr/>	<hr/> <hr/>

9 IMPAIRMENT LOSSES ON ASSETS

	For the six months ended 30 June	
	2021	2020
	Unaudited	Unaudited
Loans and advances to customers		
– ECL over the next 12 months	(1,285,766)	167,777
– lifetime ECL - not credit-impaired loans	3,046,668	1,821,738
– lifetime ECL - credit-impaired loans	<u>2,592,326</u>	<u>1,517,191</u>
Subtotal	<u>4,353,228</u>	<u>3,506,706</u>
Deposits and placements with banks and other financial institutions	184,828	(1,204)
Financial assets at fair value through other comprehensive income	28,813	9,288
Financial assets measured at amortized cost	(657,495)	1,070,517
Finance lease receivables	428,814	38,660
Credit commitments	(14,607)	(195,087)
Others	<u>50,030</u>	<u>(140)</u>
Total	<u><u>4,373,611</u></u>	<u><u>4,428,740</u></u>

10 INCOME TAX EXPENSE

(a) *Income tax expense:*

	For the six months ended 30 June	
	2021	2020
	Unaudited	Unaudited
Current income tax	33,145	1,358,620
Deferred income tax	<u>161,777</u>	<u>(1,267,271)</u>
Total	<u><u>194,922</u></u>	<u><u>91,349</u></u>

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

	For the six months ended 30 June	
	2021	2020
	Unaudited	Unaudited
Profit before tax	380,965	504,611
Statutory tax rate	25%	25%
Income tax calculated at statutory tax rate	95,241	126,153
Non-deductible expenses		
– Staff costs	1	186
– Others	114,554	64,821
	<u>114,555</u>	<u>65,007</u>
Subtotal		
	<u>114,555</u>	<u>65,007</u>
Non-taxable income		
– Interest income from the PRC government bonds	(10,417)	(10,312)
– Others	(16,230)	(9,826)
Impact of deductible temporary differences and deductible losses on unrecognized deferred tax assets	11,767	4,830
Effect of income taxes in respect of previous periods	6	(84,503)
	<u>6</u>	<u>(84,503)</u>
Total	<u>194,922</u>	<u>91,349</u>

11 BASIC AND DILUTED EARNINGS PER SHARE

	For the six months ended 30 June	
	2021	2020
	Unaudited	Unaudited
Net profit attributable to equity shareholders of the Bank	429,890	406,644
Weighted average number of ordinary shares (in thousands)	13,981,616	7,781,616
Basic and diluted earnings per share attributable to equity shareholders of the Bank (in RMB)	<u>0.03</u>	<u>0.05</u>

The Bank issued non-cumulative preference shares on 27 October 2017. The conversion feature of preference shares is considered to fall within contingently issuable ordinary shares. The triggering events of conversion did not occur for the six months ended 30 June 2021 and 2020 and therefore the conversion feature of preference shares has no effect on the calculation of basic and diluted earnings per share.

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

12 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Notes	30 June	31 December
		2021	2020
		Unaudited	Audited
Debt instruments held for trading	(a)	5,060,349	5,072,766
Beneficial interest transfer plans	(b)	15,785,541	17,173,518
Asset-backed securities		158,496	154,025
Balance with a bank		406,607	411,548
Wealth management products		<u>203,664</u>	<u>200,226</u>
Subtotal		<u>21,614,657</u>	<u>23,012,083</u>
Financial assets designated at fair value through profit or loss	(c)	<u>–</u>	<u>8,024</u>
Total		<u>21,614,657</u>	<u>23,020,107</u>

Notes:

(a) Debt instruments held for trading

	30 June 2021 Unaudited	31 December 2020 Audited
Issued by institutions in Mainland China		
– Banks and other financial institutions	<u>2,905,204</u>	<u>2,896,004</u>
Issued by institutions outside Mainland China		
– Banks and other financial institutions	<u>2,155,145</u>	<u>2,176,762</u>
Total	<u><u>5,060,349</u></u>	<u><u>5,072,766</u></u>
Listed	2,905,204	2,896,004
Unlisted	<u>2,155,145</u>	<u>2,176,762</u>
Total	<u><u>5,060,349</u></u>	<u><u>5,072,766</u></u>

At the end of the period / year, some of the debt instruments held for trading are used for the pledge of the repurchase agreements.

(b) Beneficial interest transfer plans

Beneficial interest transfer plans are mainly beneficial interests issued by trust companies, securities companies, insurance companies and asset management companies.

(c) Financial assets designated at fair value through profit or loss

Financial assets designated at fair value through profit or loss represented debt investments offered by the Group from principal-guaranteed wealth management programs managed and measures at fair value. The Group accounts for the corresponding investment funds of the above assets under financial liabilities designated at fair value through profit or loss. The gains from movements on fair value of these investments was Nil for the six months ended 30 June 2021 (for the six months ended 30 June 2020: gains from movements on fair value of RMB42 million).

13 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	30 June 2021 Unaudited	31 December 2020 Audited
Debt instruments issuers in Mainland China		
– Government	7,273,630	3,456,145
– Banks and other financial institutions	30,868,187	15,637,452
– Corporations	<u>653,631</u>	<u>773,419</u>
Subtotal	<u>38,795,448</u>	<u>19,867,016</u>
Certificates of deposit	485,586	487,638
Equity investments		
– Listed	136,706	171,762
– Unlisted	1,245,833	1,150,418
Add: Interests receivable	<u>650,380</u>	<u>244,346</u>
Total	<u><u>41,313,953</u></u>	<u><u>21,921,180</u></u>

At the end of the period / year, some of the debt instruments and certificates of deposit issued by Governments, bank and other institutions in Mainland China are used for the pledge of repurchase agreements.

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

	ECL over the next 12 months	Lifetime ECL- not credit- impaired	Lifetime ECL-credit- impaired	Total
As at 1 January 2020	(2,192)	–	–	(2,192)
Transferred				
– to lifetime ECL				
– not credit-impaired	426	(426)	–	–
Net charge	<u>(2,903)</u>	<u>(101,145)</u>	<u>–</u>	<u>(104,048)</u>
Balance as at 31 December 2020 and 30 June 2021	<u><u>(4,669)</u></u>	<u><u>(101,571)</u></u>	<u><u>–</u></u>	<u><u>(106,240)</u></u>

Notes:

- (a) Provision for impairment of financial assets measured at fair value through other comprehensive income is recognized in other comprehensive income, while losses or gains from impairment are included in profit or loss. Besides, the book value of the financial assets presented in the condensed consolidated statement of financial position is not reduced.
- (b) During the six months ended 30 June 2021, there is no transfer of stage between the above debt instruments (31 December 2020: the debt instruments with a principal amount of RMB200 million in the Stage 1 have been transferred to Stage 2. The remaining debt are in the Stage 1).
- (c) The Group designates non-trading equity investments as at financial assets at fair value through other comprehensive income. At 30 June 2021, the amount for these non-trading equity investments was RMB1,383 million (31 December 2020: RMB1,322 million). The dividend income from these non-trading equity investments amounted to RMB14.25 million (for the six months ended 30 June 2020: Nil) and was included in profit or loss. During the Reporting Period, the Group disposed of non-trading equity investments, and an accumulated profit amounted to RMB60.78 million was transferred from other comprehensive income to retained earnings (for the six months ended 30 June 2020: Nil).

14 FINANCIAL ASSETS MEASURED AT AMORTIZED COST

	30 June 2021 Unaudited	31 December 2020 Audited
Debt securities issued by the following institutions in		
Mainland China		
– Government	1,980,210	1,980,683
– Banks and other financial institutions	500,788	501,107
– Corporations	<u>76,555,450</u>	<u>75,280,626</u>
Subtotal	<u>79,036,448</u>	<u>77,762,416</u>
Debt securities issued by the following institutions outside		
Mainland China		
– Corporations	1,615,025	1,850,599
Beneficial interest transfer plans	30,468,955	54,575,270
Add: Interest receivable	6,248,234	6,557,809
Less: Provision for impairment losses	<u>(4,328,342)</u>	<u>(4,985,931)</u>
Total	<u><u>113,040,320</u></u>	<u><u>135,760,163</u></u>

At the end of the period / year, certain debt securities issued by the Government, banks and other financial institutions in Mainland China are used for the pledge of repurchase agreements.

The movements of provision for impairment of financial assets measured at amortized cost are as follows:

	For the six months ended 30 June 2021			
	ECL over the next 12 months Unaudited	Lifetime ECL- not credit- impaired Unaudited	Lifetime ECL- credit- impaired Unaudited	Total Unaudited
Balance at 1 January	(839,479)	(219,852)	(3,926,600)	(4,985,931)
Transferred				
– to lifetime ECL – not credit- impaired	155,956	(155,956)	–	–
Net release for the period	261,099	20,996	375,400	657,495
Other movements	94	–	–	94
Balance at 30 June 2021	<u>(422,330)</u>	<u>(354,812)</u>	<u>(3,551,200)</u>	<u>(4,328,342)</u>

	For the year ended 31 December 2020			
	ECL over the next 12 months Audited	Lifetime ECL- not credit- impaired Audited	Lifetime ECL- credit- impaired Audited	Total Audited
Balance at 1 January	(3,149,459)	(4,734,250)	(1,349,188)	(9,232,897)
Transferred				
– to ECL over the next 12 months	(701,184)	701,184	–	–
– to lifetime ECL – not credit- impaired	41,543	(41,543)	–	–
– to lifetime ECL – credit- impaired	41,390	374,252	(415,642)	–
Net release / (charge) for the year	2,524,669	1,641,001	(3,655,561)	510,109
Net written-off for the year	403,562	1,839,504	1,493,791	3,736,857
Balance at 31 December 2020	<u>(839,479)</u>	<u>(219,852)</u>	<u>(3,926,600)</u>	<u>(4,985,931)</u>

Notes:

- (a) During the six months ended 30 June 2021, the Group adjusted the five-tier classification and customer rating of financial assets measured at amortized cost. The principal of financial assets measured at amortized cost transferred from ECL over the next 12 months to lifetime ECL-not credit-impaired was RMB5,217 million.
- (b) In the year of 2020, the Group adjusted the five-tier classification and customer rating of financial assets measured at amortized cost, and the financial assets measured at amortized cost from lifetime ECL-not credit-impaired was transferred to ECL over the next 12 months of RMB5,898 million. The financial assets measured at amortized cost from ECL over the next 12 months to lifetime ECL-not credit-impaired was RMB1,743 million. The financial assets measured at amortized cost from ECL over the next 12 months and lifetime ECL-not credit-impaired to lifetime ECL-credit-impaired was RMB9,127 million.
- (c) The ECL movement was caused by origination or purchase as well as changes in PD, LGD and EAD and stages as a result of regular update of parameters.

15 SEGMENT REPORTING

The Group manages its business by business lines and geographical areas. Interest income and expenses earned from third parties are referred to as “External net interest income / expense”. Net interest income and expenses arising from internal charges and transfer pricing adjustments are referred to as “Internal net interest income / expense”.

Consistent with the way in which information is reported internally to the Group’s most senior executive management for the purposes of resource allocation and performance assessment, the Group defines reportable segments based on the following operating segments:

Corporate banking business

Corporate banking business covers the provision of financial products and services to corporate customers. The products and services include deposit, loans, settlement and clearing and other products and services relating to the trading business.

Retail banking business

Retail banking business covers the provision of financial products and services to retail customers. The products and services include deposits, bank cards and credit cards services, personal loans and collateral loans, and personal wealth management services.

Treasury business

Treasury business covers money market placements, investments and repurchasing, foreign exchange transactions, for the Group's own accounts or on behalf of customers.

Other business

This represents business other than corporate banking business, retail banking business and treasury business, whose assets, liabilities, income and expenses are not directly attributable or cannot be allocated to a segment on a reasonable basis.

The transfer prices among segments are determined by the capital sources and due time which should match with the level of lending and deposit rates and interbank market rates announced by the PBOC. Expenses are distributed.

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

(a) *Segment profit / (loss), assets and liabilities*

	Corporate banking business Unaudited	Retail banking business Unaudited	Treasury business Unaudited	Other business and undistributed project Unaudited	Total Unaudited
For the six months ended					
30 June 2021					
Operating income					
External net interest income / (expense)	10,813,088	(6,885,313)	1,752,829	–	5,680,604
Internal net interest (expense) / income	<u>(6,848,584)</u>	<u>7,236,582</u>	<u>(387,998)</u>	<u>–</u>	<u>–</u>
Net interest income	3,964,504	351,269	1,364,831	–	5,680,604
Net fee and commission income	111,461	155,259	24,850	–	291,570
Net trading gains	–	–	184,338	–	184,338
Dividend income	–	–	14,248	–	14,248
Net gains arising from investment securities	–	–	8,055	–	8,055
Net foreign exchange gains	–	–	9,402	–	9,402
Other net operating income	<u>1,114</u>	<u>200</u>	<u>389</u>	<u>248</u>	<u>1,951</u>
Total operating income	4,077,079	506,728	1,606,113	248	6,190,168
Operating expenses	<u>(571,235)</u>	<u>(492,425)</u>	<u>(371,053)</u>	<u>(879)</u>	<u>(1,435,592)</u>
Operating profit / (loss) before impairment	3,505,844	14,303	1,235,060	(631)	4,754,576
Impairment losses on assets	<u>(4,774,067)</u>	<u>(36,789)</u>	<u>472,668</u>	<u>(35,423)</u>	<u>(4,373,611)</u>
Segment profit / (loss) before tax	<u><u>(1,268,223)</u></u>	<u><u>(22,486)</u></u>	<u><u>1,707,728</u></u>	<u><u>(36,054)</u></u>	<u><u>380,965</u></u>
Other segment information					
– Depreciation and amortization	<u><u>(97,805)</u></u>	<u><u>(71,850)</u></u>	<u><u>(91,906)</u></u>	<u><u>(3,022)</u></u>	<u><u>(264,583)</u></u>
– Capital expenditure	<u><u>19,926</u></u>	<u><u>14,093</u></u>	<u><u>18,000</u></u>	<u><u>516</u></u>	<u><u>52,535</u></u>
At 30 June 2021					
Segment assets	495,456,234	59,832,219	249,431,384	12,567,531	817,287,368
Deferred tax assets					<u>11,596,173</u>
Total assets					<u><u>828,883,541</u></u>
Segment liabilities	101,699,383	362,508,337	289,993,316	2,903,465	757,104,501
Dividend payable	<u>–</u>	<u>–</u>	<u>–</u>	<u>334,392</u>	<u>334,392</u>
Total liabilities	<u><u>101,699,383</u></u>	<u><u>362,508,337</u></u>	<u><u>289,993,316</u></u>	<u><u>3,237,857</u></u>	<u><u>757,438,893</u></u>

	Corporate banking business Unaudited	Retail banking business Unaudited	Treasury business Unaudited	Other business and undistributed project Unaudited	Total Unaudited
For the six months ended					
30 June 2020					
Operating income					
External net interest income / (expense)	12,118,196	(5,979,636)	(85,944)	–	6,052,616
Internal net interest (expense) / income	<u>(7,437,974)</u>	<u>6,333,412</u>	<u>1,104,562</u>	<u>–</u>	<u>–</u>
Net interest income	4,680,222	353,776	1,018,618	–	6,052,616
Net fee and commission income / (expense)	31,370	79,618	(18,179)	–	92,809
Net trading gains	–	–	288,751	–	288,751
Net losses arising from investment securities	–	–	(153)	–	(153)
Net foreign exchange gains	–	–	1,790	–	1,790
Other net operating income	<u>18</u>	<u>–</u>	<u>–</u>	<u>8,637</u>	<u>8,655</u>
Total operating income	4,711,610	433,394	1,290,827	8,637	6,444,468
Operating expenses	<u>(334,261)</u>	<u>(520,460)</u>	<u>(432,334)</u>	<u>(224,062)</u>	<u>(1,511,117)</u>
Operating profit / (loss) before impairment	4,377,349	(87,066)	858,493	(215,425)	4,933,351
Impairment losses on assets	<u>(2,364,009)</u>	<u>(1,181,356)</u>	<u>(1,078,462)</u>	<u>195,087</u>	<u>(4,428,740)</u>
Segment profit / (loss) before tax	<u>2,013,340</u>	<u>(1,268,422)</u>	<u>(219,969)</u>	<u>(20,338)</u>	<u>504,611</u>
Other segment information					
– Depreciation and amortization	<u>(93,225)</u>	<u>(58,048)</u>	<u>(109,466)</u>	<u>(27,324)</u>	<u>(288,063)</u>
– Capital expenditure	<u>9,958</u>	<u>5,607</u>	<u>12,526</u>	<u>2,946</u>	<u>31,037</u>
	Corporate banking business Audited	Retail banking business Audited	Treasury business Audited	Other business and undistributed project Audited	Total Audited
At 31 December 2020 (Audited)					
Segment assets	490,177,622	8,535,400	250,993,313	16,542,820	766,249,155
Deferred tax assets					<u>11,743,169</u>
Total assets					<u>777,992,324</u>
Segment liabilities	102,233,121	336,900,917	264,318,333	2,963,381	706,415,752
Dividend payable	<u>–</u>	<u>–</u>	<u>–</u>	<u>334,392</u>	<u>334,392</u>
Total liabilities	<u>102,233,121</u>	<u>336,900,917</u>	<u>264,318,333</u>	<u>3,297,773</u>	<u>706,750,144</u>

(b) Geographical information

The Group operates principally in Jinzhou Region, Other Northeastern China Region and Northern China Region.

Non-current assets include property and equipment, intangible assets and right-of-use assets. In presenting geographical information, non-current assets are allocated based on geographical location of the underlying assets. Operating income is allocated based on the locations of the subsidiaries and the branches which generate income.

The distribution of the geographical areas is as follows:

- “Jinzhou Region” including headquarters of the Bank of Jinzhou, Jinzhou branch and the five subsidiaries of the Group.
- “Other Northeastern China Region” including the following areas serviced by branches of the Bank: Shenyang, Dalian, Harbin, Dandong, Fushun, Anshan, Chaoyang, Fuxin, Liaoyang, Huludao, Benxi, Yingkou and the three subsidiaries of the Group.
- “Northern China Region” including the following areas serviced by branches of the Bank: Beijing and Tianjin.

	Operating Income	
	For the six months ended 30 June	
	2021	2020
	Unaudited	Unaudited
Jinzhou Region	4,091,573	4,558,111
Other Northeastern China Region	1,476,052	1,015,416
Northern China Region	622,543	870,941
	<u>6,190,168</u>	<u>6,444,468</u>
Total	<u><u>6,190,168</u></u>	<u><u>6,444,468</u></u>

	Non-current assets	
	30 June	31 December
	2021	2020
	Unaudited	Audited
Jinzhou Region	3,274,857	3,472,817
Other Northeastern China Region	3,259,587	3,282,721
Northern China Region	617,501	627,542
	<u>7,151,945</u>	<u>7,383,080</u>
Total	<u><u>7,151,945</u></u>	<u><u>7,383,080</u></u>

16 COMMITMENTS AND CONTINGENT LIABILITIES

(a) *Credit commitments*

The Group's credit commitments mainly includes loans commitments, credit card commitments, acceptances, letters of credit and letters of guarantees.

The contractual amounts of loans and credit card commitments represent the amounts should the contracts be fully drawn upon. The Group provides letters of guarantees and letters of credit to guarantee the performance of customers to third parties. Acceptances comprise of undertakings by the Group to pay bills of exchange drawn on customers. The management of the Group expects most acceptances to be settled simultaneously with the reimbursement from the customers.

	30 June 2021 Unaudited	31 December 2020 Audited
Loan commitments		
– Original contractual maturity within one year	239,298	352,261
– Original contractual maturity more than one year (inclusive)	62,790	25
Credit card commitments	<u>1,473,754</u>	<u>1,599,581</u>
Subtotal	<u>1,775,842</u>	<u>1,951,867</u>
Acceptances	74,833,326	81,509,790
Letters of guarantees	1,840,570	188,228
Letters of credit	<u>3,528,925</u>	<u>1,399,829</u>
Total	<u><u>81,978,663</u></u>	<u><u>85,049,714</u></u>

The Group may be exposed to credit risk in all the above credit businesses. The management of the Group periodically assesses credit risk and makes provision for any probable losses. As the facilities may expire without being drawn upon, the total of the contractual amounts shown above is not representative of expected future cash outflows.

(b) Capital commitments

As at the end of the period / year, the Group's authorized capital commitments are as follows:

	30 June 2021 Unaudited	31 December 2020 Audited
Contracted but not provided for		
– Purchase of property and equipment	<u>47,567</u>	<u>39,813</u>

(c) Outstanding litigations and disputes

As at 30 June 2021, the Group had no material outstanding litigation and disputes with gross claims.

17 EVENTS AFTER THE REPORTING PERIOD

As of the date of this announcement, the Group has no significant subsequent events after the Reporting Period which needs to be disclosed.

7. RELEASE OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

This results announcement was published on the website of HKEXnews of the Hong Kong Stock Exchange (www.hkexnews.hk) and the website of the Bank (www.jinzhoubank.com). The 2021 interim report prepared in accordance with the Listing Rules and the IFRS will be released on the website of HKEXnews of the Hong Kong Stock Exchange (www.hkexnews.hk) and the website of the Bank (www.jinzhoubank.com), and will be dispatched to the holders of H shares of the Bank in due course.

This results announcement was prepared in both Chinese and English versions. Where there is a discrepancy between the Chinese and English versions, the Chinese version shall prevail.

Definitions

“Bank”, “Bank of Jinzhou” or “Group”	Bank of Jinzhou Co., Ltd. (錦州銀行股份有限公司), a joint stock company incorporated in the PRC on 22 January 1997 with limited liability in accordance with PRC laws and, unless the context requires otherwise, includes its subsidiaries, branches, sub-branches and special institutions
“Board” or “Board of Directors”	the board of Directors of the Bank
“Board of Supervisors”	the board of Supervisors of the Bank
“Corporate Governance Code”	the Corporate Governance Code as set out in Appendix 14 of the Listing Rules
“Director(s)”	the director(s) of the Bank
“Former CBRC”	the former China Banking Regulatory Commission
“H Share(s)”	the ordinary share(s) in the share capital of the Bank with a nominal value of RMB1.00 each, which is / are subscribed for and traded in HK dollars and listed on the Main Board of the Hong Kong Stock Exchange
“HK\$” or “HK dollars”	the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“IFRSs”	the International Financial Reporting Standards promulgated by the International Accounting Standards Board

“Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange, as amended, supplemented or otherwise modified from time to time
“PBOC”	the People’s Bank of China
“PRC” or “China”	the People’s Republic of China, for the purposes of this announcement only, refers to the territory of the People’s Republic of China, excluding the Hong Kong Special Administrative Region of the PRC, the Macau Special Administrative Region of the PRC and Taiwan region of the PRC
“Reporting Period”	the six months ended 30 June 2021
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“Shareholder(s)” or “Ordinary Shareholder(s)”	the holder(s) of the share(s) of the Bank
“Share(s)” or “Ordinary Share(s)”	the Domestic Share(s) and the H Share(s) of the Bank, excluding the offshore preference share(s) of the Bank
“Supervisor(s)”	the supervisor(s) of the Bank
“US\$” or “US dollars”	the lawful currency of the United States of America

By order of the Board
Bank of Jinzhou Co., Ltd.*
Wei Xuekun
Chairman

Jinzhou, Liaoning Province, the PRC
20 August 2021

As at the date of this announcement, the Board comprises Mr. Wei Xuekun, Mr. Guo Wenfeng, Mr. Kang Jun, Mr. Yang Weihua and Mr. Yu Jun as executive Directors; Mr. Zhao Chuanxin, Ms. Ning Jie, Ms. Gu Jihong, Mr. Lyu Fei and Mr. Luo Nan as non-executive Directors; and Mr. Wu Jun, Mr. Xie Taifeng, Mr. Xiao Geng, Mr. Wang Xiongyuan and Mr. Su Mingzheng as independent non-executive Directors.

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