

錦州銀行股份有限公司  
Bank of Jinzhou Co., Ltd.\*

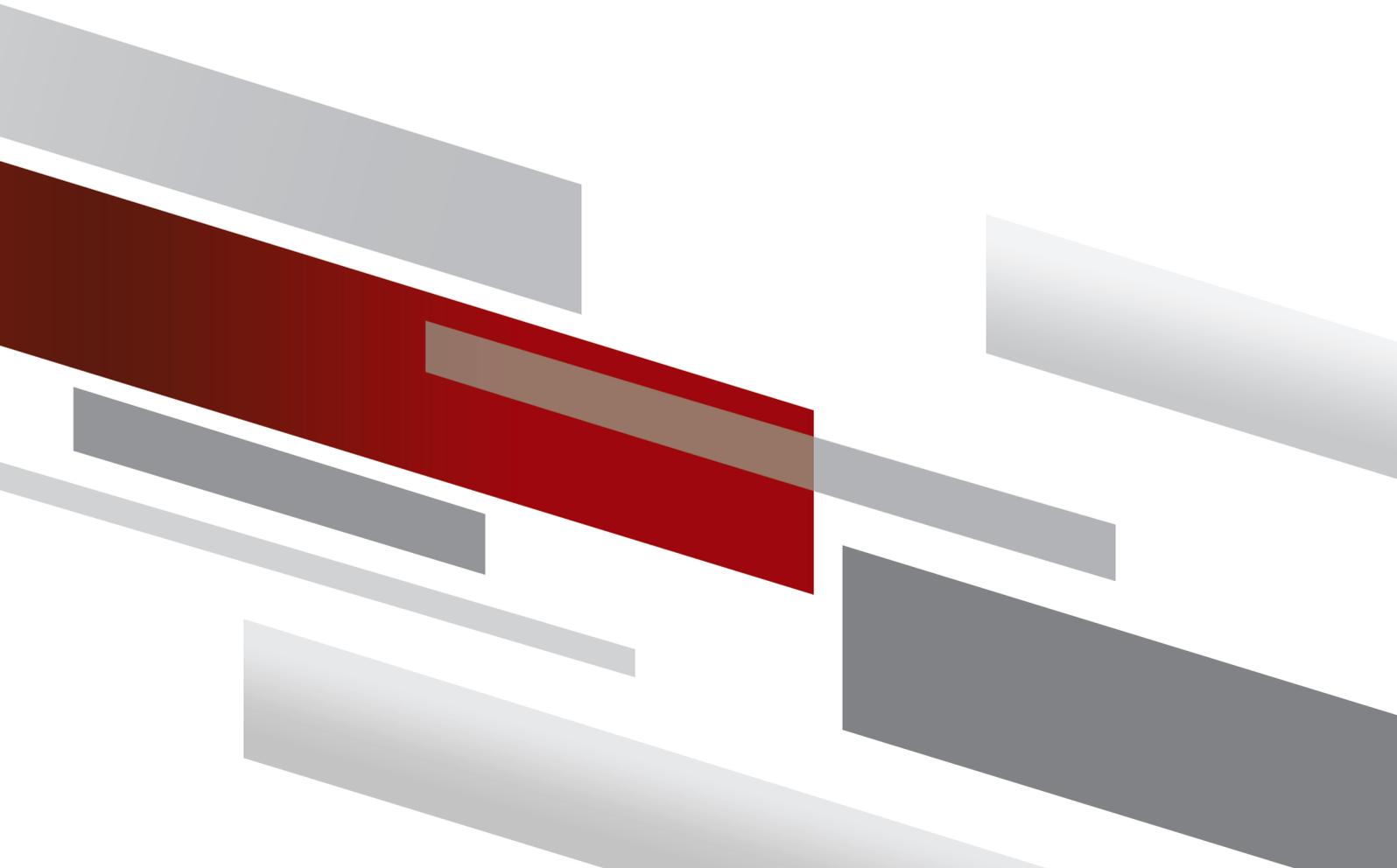
# 2021 中期報告

INTERIM REPORT

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

Stock Code:0416    Stock Code of Preference Shares:4615



\* 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.

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# DEFINITIONS

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

“Articles of Association”	the articles of association of the Bank, as amended from time to time
“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
“CBIRC”	China Banking and Insurance Regulatory Commission, which was formed after the duty restructuring of China Banking Regulatory Commission (the “Former CBRC”) and China Insurance Regulatory Commission
“Former CBRC Liaoning Bureau”	the former China Banking Regulatory Commission Liaoning Bureau (中國銀行業監督管理委員會遼寧監管局), now renamed as China Banking and Insurance Regulatory Commission Liaoning Bureau (中國銀行保險監督管理委員會遼寧監管局)
“Chengfang Huida”	Beijing Chengfang Huida Enterprise Management Co., Ltd. (北京成方匯達企業管理有限公司)
“Corporate Governance Code”	the Corporate Governance Code as set out in Appendix 14 of the Listing Rules
“CSRC”	China Securities Regulatory Commission
“Director(s)”	the director(s) of the Bank
“Domestic Share(s)”	the ordinary share(s) in the share capital of the Bank with a nominal value of RMB1.00 each, which are subscribed for or credited as paid up in Renminbi by PRC nationals and/or PRC corporate entities
“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

“ICBC”	Industrial and Commercial Bank of China Limited
“Latest Practicable Date”	10 September 2021, being the latest practicable date prior to the printing of this interim report for ascertaining certain information in this report
“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
“Liaoning Financial Holding”	Liaoning Financial Holding Group Co., Ltd. (遼寧金融控股集團有限公司)
“Offshore Preference Share(s)”	non-cumulative perpetual offshore preference shares for the amount of US\$1,496,000,000 with a dividend rate of 5.50% issued by the Bank on 27 October 2017 and listed on the Hong Kong Stock Exchange (stock code: 4615)
“PBOC”	the People’s Bank of China
“PRC” or “China”	the People’s Republic of China, for the purposes of this interim report 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
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
“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

# CHAPTER 1 COMPANY PROFILE

## I. Basic Information about the Company

Legal Chinese Name and Abbreviation	:	錦州銀行股份有限公司(abbreviated as “錦州銀行”)
Legal English Name and Abbreviation	:	BANK OF JINZHOU CO., LTD. (abbreviated as “BANK OF JINZHOU”)
Legal Representative	:	Mr. Wei Xuekun
Authorized Representatives	:	Mr. Wei Xuekun, Mr. Guo Wenfeng
Secretary to the Board of Directors	:	Mr. Yu Jun
Joint Company Secretaries	:	Mr. Yu Jun, Ms. Leung Wing Han Sharon
Registered and Office Address	:	No. 68 Keji Road, Jinzhou City, Liaoning Province, the PRC
Postal Code	:	121013
Telephone	:	+86-416-3220002
Fax	:	+86-416-3220003
Company Website	:	<a href="http://www.jinzhoubank.com">www.jinzhoubank.com</a>
Email Address	:	<a href="mailto:webmaster@jinzhoubank.com">webmaster@jinzhoubank.com</a>
Customer Service Hotline	:	+86-400-66-96178
Principal Place of Business in Hong Kong	:	40th Floor, Dah Sing Financial Centre, 248 Queen's Road East, Wanchai, Hong Kong
Accounting Firm	:	Crowe (HK) CPA Limited
PRC Legal Advisor	:	King & Wood Mallesons
Hong Kong Legal Advisor	:	King & Wood Mallesons

Custodian of Domestic Shares	:	China Securities Depository and Clearing Corporation Limited
H Share Registrar	:	Computershare Hong Kong Investor Services Limited
Listing Place of Stock, Stock Name and Stock Code	:	H Shares: Hong Kong Stock Exchange; BANKOFJINZHOU; 0416 Offshore Preference Shares: Hong Kong Stock Exchange; BOJZ 17USDPREF; 4615
Uniform Social Credit Code of Corporation	:	912107002426682145
Finance License No. of Institution	:	B0127H221070001
Website of the Hong Kong Stock Exchange where this interim report is published	:	www.hkexnews.hk
Place where the interim report is maintained	:	Office of the Board of Directors of the Bank

## II. Company Profile

Bank of Jinzhou was incorporated, with the approval of the PBOC, on 22 January 1997, and headquartered in Jinzhou City, Liaoning Province, the PRC. The Bank established 15 branches in Beijing, Tianjin, Shenyang, Dalian, Harbin, Dandong, Fushun, Anshan, Chaoyang, Fuxin, Liaoyang, Huludao, Benxi, Yingkou and Jinzhou, the PRC and promoted and established seven village and township banks, namely 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), 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 Linghai Jinyin Village and Township Bank Co., Ltd. (遼寧凌海錦銀村鎮銀行股份有限公司) and 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). Bank of Jinzhou also promoted and established Bank of Jinzhou Financial Leasing Co., Ltd. (錦銀金融租賃有限責任公司). As at the end of the Reporting Period, the Bank had 242 institutions in aggregate.

The businesses scope of the Bank includes absorption of public deposit, publication of short-term, medium-term and long-term loans, domestic and overseas settlement, issue of financial bonds and inter-bank borrowing. As at the end of the Reporting Period, the Bank had registered capital of RMB13,981,615,684, total assets of RMB828.884 billion, net loans and advances to customers of RMB552.589 billion and balance of deposits from customers of RMB464.321 billion.

The H Shares of the Bank were listed on the Main Board of the Hong Kong Stock Exchange (stock code: 0416) on 7 December 2015. On 27 October 2017, the Bank successfully issued US\$1.496 billion of Offshore Preference Shares which were listed on the Hong Kong Stock Exchange with stock code 4615.

### III. Awards in the first half of 2021

In January 2021, the Bank was awarded the “UnionPay Outstanding Cooperative Organization Award in 2020” by China UnionPay Liaoning Branch.

In May 2021, at the 2021 (the 17th) China Enterprise Training & Development Annual Conference and the 12th China Talent Development Awards Ceremony, the original series of learning projects of the Bank, namely “My experience, I will show” and “My micro-lessons, I will teach”, won the “Best Learning Project” award in the China Talent Development Awards.

In May 2021, the Bank was awarded the “Outstanding Institution for Poverty Alleviation in Liaoning Province” by the Chinese Communist Party of Liaoning Province and the People’s Government of Liaoning Province.

# CHAPTER 2 FINANCIAL HIGHLIGHTS

## I. Financial Data

(Expressed in thousands of Renminbi, unless otherwise stated)	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		
<b>Operating Results</b>			<b>Rate of change (%)</b>	
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)
<b>Net interest income</b>	<b>5,680,604</b>	<b>6,052,616</b>	<b>(6.1)</b>	<b>9,299,147</b>
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
<b>Operating income</b>	<b>6,190,168</b>	<b>6,444,468</b>	<b>(3.9)</b>	<b>9,309,293</b>
Operating expenses	(1,435,592)	(1,511,117)	(5.0)	(3,318,583)
<b>Operating profit before impairment</b>	<b>4,754,576</b>	<b>4,933,351</b>	<b>(3.6)</b>	<b>5,990,710</b>
Impairment losses on assets	(4,373,611)	(4,428,740)	(1.2)	(5,662,563)
<b>Profit before tax</b>	<b>380,965</b>	<b>504,611</b>	<b>(24.5)</b>	<b>328,147</b>
Income tax expenses	(194,922)	(91,349)	113.4	(174,620)
<b>Net profit</b>	<b>186,043</b>	<b>413,262</b>	<b>(55.0)</b>	<b>153,527</b>
Net profit attributable to shareholders of the parent company	429,890	406,644	5.7	404,569
<b>Calculated on a per share basis (RMB)</b>			<b>Change</b>	
Basic and diluted earnings/(losses) per share	0.03	0.05	(0.02)	(0.02)

(Expressed in thousands of Renminbi, unless otherwise stated)	As at	As at	30 June 2021	As at
	30 June 2021	31 December 2020	vs 31 December 2020	30 June 2020
<b>Major Indicators of Assets/Liabilities</b>			<b>Rate of change (%)</b>	
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

## II. 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		
<b>Profitability Indicators (%)</b>			<b>Change</b>	
Return on average total assets <sup>(1)</sup>	0.05*	0.10*	(0.05)	0.02
Return on average equity <sup>(2)</sup>	1.48*	1.77*	(0.29)	0.78
Net interest spread <sup>(3)</sup>	1.34*	1.33*	0.01	1.68
Net interest margin <sup>(4)</sup>	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 <sup>(5)</sup>	21.11	20.96	0.15	32.35

	As at	As at	30 June 2021	As at
	30 June 2021	31 December 2020	vs 31 December 2020	30 June 2020
<b>Assets Quality Indicators (%)</b>			<b>Change</b>	
Non-performing loan ratio <sup>(6)</sup>	2.29	2.07	0.22	1.94
Provision coverage ratio <sup>(7)</sup>	193.47	198.67	(5.20)	243.73
Provision to loans ratio <sup>(8)</sup>	4.43	4.11	0.32	4.73
<b>Capital Adequacy Indicators (%)</b>			<b>Change</b>	
Core tier-one capital adequacy ratio <sup>(9)</sup>	8.20	8.23	(0.03)	5.50
Tier-one capital adequacy ratio <sup>(10)</sup>	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

# CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

## I. 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 domestic economic operation 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.

## II. Analysis of the Financial Statements

### (I) Analysis of the income statement

(Expressed in thousands of Renminbi, unless otherwise stated)	For the six months ended 30 June			
	2021	2020	Change in amount	Rate of change (%)
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)
<b>Net interest income</b>	<b>5,680,604</b>	<b>6,052,616</b>	<b>(372,012)</b>	<b>(6.1)</b>
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)
<b>Operating income</b>	<b>6,190,168</b>	<b>6,444,468</b>	<b>(254,300)</b>	<b>(3.9)</b>
Operating expenses	(1,435,592)	(1,511,117)	75,525	(5.0)
<b>Operating profit before impairment</b>	<b>4,754,576</b>	<b>4,933,351</b>	<b>(178,775)</b>	<b>(3.6)</b>
Impairment losses on assets	(4,373,611)	(4,428,740)	55,129	(1.2)
<b>Profit before tax</b>	<b>380,965</b>	<b>504,611</b>	<b>(123,646)</b>	<b>(24.5)</b>
Income tax expenses	(194,922)	(91,349)	(103,573)	113.4
<b>Net profit</b>	<b>186,043</b>	<b>413,262</b>	<b>(227,219)</b>	<b>(55.0)</b>

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.

### 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:

(Expressed in thousands of Renminbi, unless otherwise stated)	For the six months ended 30 June			
	2021	2020	Change in amount	Rate of change (%)
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)
<b>Net interest income</b>	<b>5,680,604</b>	<b>6,052,616</b>	<b>(372,012)</b>	<b>(6.1)</b>

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:

(Expressed in thousands of Renminbi, unless otherwise stated)	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 (%)
<b>Interest-earning Assets</b>						
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	4,337,825	66,040	3.04	5,755,530	200,927	6.98
<b>Total interest-earning assets</b>	<b>736,529,701</b>	<b>19,124,154</b>	<b>5.19</b>	<b>762,273,017</b>	<b>20,940,446</b>	<b>5.49</b>

(Expressed in thousands of Renminbi, unless otherwise stated)	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 (%)
<b>Interest-bearing Liabilities</b>						
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
<b>Total interest-bearing liabilities</b>	<b>698,388,031</b>	<b>13,443,550</b>	<b>3.85</b>	<b>715,744,066</b>	<b>14,887,830</b>	<b>4.16</b>
Net interest income		5,680,604			6,052,616	
<b>Net interest spread <sup>(1)</sup></b>			<b>1.34</b>			<b>1.33</b>
<b>Net interest margin <sup>(2)</sup></b>			<b>1.54</b>			<b>1.59</b>

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.

(Expressed in thousands of Renminbi, unless otherwise stated)	For the six months ended 30 June 2021 vs 2020		
	Increase/(decrease) factors		
	Volume <sup>(1)</sup>	Interest rate <sup>(2)</sup>	Net increase/ (decrease) <sup>(3)</sup>
<b>Interest-earning Assets</b>			
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)
<b>Changes in interest income</b>	<b>(256,702)</b>	<b>(1,559,590)</b>	<b>(1,816,292)</b>
<b>Interest-bearing Liabilities</b>			
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)
<b>Changes in interest expense</b>	<b>(996,317)</b>	<b>(447,963)</b>	<b>(1,444,280)</b>
<b>Changes in net interest income</b>	<b>739,615</b>	<b>(1,111,627)</b>	<b>(372,012)</b>

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.

## 2. Interest income

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

(Expressed in thousands of Renminbi, unless otherwise stated)	For the six months ended 30 June			
	2021		2020	
	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
<b>Subtotal</b>	<b>14,501,492</b>	<b>75.8</b>	<b>14,396,550</b>	<b>68.8</b>
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
<b>Total</b>	<b>19,124,154</b>	<b>100.0</b>	<b>20,940,446</b>	<b>100.0</b>

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:

(Expressed in thousands of Renminbi, unless otherwise stated)	For the six months ended 30 June					
	Average balance	2021 Interest income	Average yield (%)	Average balance	2020 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	24,328,358	338,123	2.78	2,293,796	27,073	2.36
<b>Total</b>	<b>500,840,306</b>	<b>14,501,492</b>	<b>5.79</b>	<b>474,015,179</b>	<b>14,396,550</b>	<b>6.07</b>

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 decrease in deposits with banks and other financial institutions and increase in high-quality current assets, such as bonds, in light of the need to balance liquidity and returns management of the Bank.

**(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 decrease in placements with banks and other financial institutions and increase in high-quality current assets, such as bonds, in light of the need to balance liquidity and returns management of the Bank. 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 epidemic, which put pressure on the investment in new projects, and the business recovery progress was accelerated while investment in the finance leasing business slow down. The average yield decreased from 6.98% for the six months ended 30 June 2020 to 3.04% for the Reporting Period.

### 3. Interest expense

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

(Expressed in thousands of Renminbi, unless otherwise stated)	For the six months ended 30 June			
	2021		2020	
	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
<b>Total</b>	<b>13,443,550</b>	<b>100.0</b>	<b>14,887,830</b>	<b>100.0</b>

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:

(Expressed in thousands of Renminbi, unless otherwise stated)	For the six months ended 30 June					
	2021			2020		
	Average balance	Interest expense	Average cost (%)	Average balance	Interest expense	Average cost (%)
<b>Corporate deposits</b>						
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
<b>Subtotal</b>	<b>98,066,900</b>	<b>1,229,275</b>	<b>2.51</b>	<b>98,061,714</b>	<b>1,111,715</b>	<b>2.27</b>
<b>Personal deposits</b>						
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
<b>Subtotal</b>	<b>340,966,604</b>	<b>7,121,172</b>	<b>4.18</b>	<b>285,544,404</b>	<b>6,243,249</b>	<b>4.37</b>
<b>Total deposits from customers</b>	<b>439,033,504</b>	<b>8,350,447</b>	<b>3.80</b>	<b>383,606,118</b>	<b>7,354,964</b>	<b>3.83</b>

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, enhanced its scenario and channel construction and 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 gains 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.

**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.

## 5. Non-interest income

## (1) Net fee and commission income

(Expressed in thousands of Renminbi, unless otherwise stated)	For the six months ended 30 June			
	2021	2020	Change in amount	Rate of change (%)
<b>Fee and commission income</b>				
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
<b>Subtotal</b>	<b>313,699</b>	<b>118,491</b>	<b>195,208</b>	<b>164.7</b>
<b>Fee and commission expense</b>				
Settlement and clearing fees	11,290	11,736	(446)	(3.8)
Others	10,839	13,946	(3,107)	(22.3)
<b>Subtotal</b>	<b>22,129</b>	<b>25,682</b>	<b>(3,553)</b>	<b>(13.8)</b>
<b>Net fee and commission income</b>	<b>291,570</b>	<b>92,809</b>	<b>198,761</b>	<b>214.2</b>

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.

**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.

(Expressed in thousands of Renminbi, unless otherwise stated)	For the six months ended 30 June			
	2021	2020	Change in amount	Rate of change (%)
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
<b>Total operating expenses</b>	<b>1,435,592</b>	<b>1,511,117</b>	<b>(75,525)</b>	<b>(5.0)</b>

**(1) Staff costs**

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

(Expressed in thousands of Renminbi, unless otherwise stated)	For the six months ended 30 June			
	2021	2020	Change in amount	Rate of change (%)
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)
<b>Total staff costs</b>	<b>795,980</b>	<b>741,656</b>	<b>54,324</b>	<b>7.3</b>

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 epidemic 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.

### 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:

(Expressed in thousands of Renminbi, unless otherwise stated)	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)
<b>Total</b>	<b>4,373,611</b>	<b>4,428,740</b>

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.

### 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.

**(II) Analysis of the statement of financial position****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:

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 30 June 2021		As at 31 December 2020	
	Amount	% of total	Amount	% of total
<b>Assets</b>				
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 <sup>(1)</sup>	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 <sup>(2)</sup>	23,722,727	2.9	27,666,336	3.6
<b>Total assets</b>	<b>828,883,541</b>	<b>100.0</b>	<b>777,992,324</b>	<b>100.0</b>

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 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.

(Expressed in thousands of Renminbi, unless otherwise stated)	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	51,114,348	9.3	19,232,486	3.9
<b>Total loans and advances to customers</b>	<b>549,955,732</b>	<b>100.0</b>	<b>496,749,748</b>	<b>100.0</b>

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:

(Expressed in thousands of Renminbi, unless otherwise stated)	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	66,680,458	12.1	76,173,126	15.3
<b>Total loans and advances to customers</b>	<b>549,955,732</b>	<b>100.0</b>	<b>496,749,748</b>	<b>100.0</b>

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:

(Expressed in thousands of Renminbi, unless otherwise stated)	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	(10,351,138)	(5,839,409)	(8,146,317)	(24,336,864)

- (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:

(Expressed in thousands of Renminbi, unless otherwise stated)	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	(34,884)	–	–	(34,884)

- (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:

(Expressed in thousands of Renminbi, unless otherwise stated)	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
<b>As at 31 December 2020</b>	<b>(11,873,361)</b>	<b>(3,157,902)</b>	<b>(5,402,136)</b>	<b>(20,433,399)</b>

- (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:

(Expressed in thousands of Renminbi, unless otherwise stated)	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)
<b>As at 31 December 2020</b>	<b>(6,071)</b>	<b>–</b>	<b>–</b>	<b>(6,071)</b>

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 losses on 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:

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 30 June 2021		As at 31 December 2020	
	Amount	% of total	Amount	% of total
<b>Debt investments</b>	<b>141,536,190</b>	<b>83.7</b>	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)
<b>Equity investments</b>	<b>1,382,539</b>	<b>0.8</b>	1,322,180	0.8
Financial assets at fair value through other comprehensive income	1,382,539	0.8	1,322,180	0.8
<b>Wealth management products investments</b>	<b>–</b>	<b>–</b>	8,024	0.0
<b>Financial assets at amortized cost (other than debt investments)</b>	<b>26,151,587</b>	<b>15.5</b>	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)
<b>Net investments</b>	<b>169,070,316</b>	<b>100.0</b>	173,899,295	100.0

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.

## 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:

(Expressed in thousands of Renminbi, unless otherwise stated)	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 <sup>(1)</sup>	3,774,924	0.5	3,455,598	0.5
<b>Total</b>	<b>757,438,893</b>	<b>100.0</b>	<b>706,750,144</b>	<b>100.0</b>

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:

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

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:

(Expressed in thousands of Renminbi, unless otherwise stated)	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	119,267,716	90.9	119,438,149	89.4
<b>Total</b>	<b>131,260,038</b>	<b>100.0</b>	<b>133,644,369</b>	<b>100.0</b>

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, representing a decrease of RMB2,384,331 thousand or 1.8% as compared to that as at 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 partially or wholly 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 partially or wholly 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 RMB negotiable certificates of deposit which were not matured, the balance (excluding interests payable) of which were RMB41,084 million and RMB64,623 million, respectively.

### 3. Shareholders' equity

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

(Expressed in thousands of Renminbi, unless otherwise stated)	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
<b>Total equity attributable to shareholders of the parent company</b>	<b>68,105,506</b>	<b>95.3</b>	<b>67,659,191</b>	<b>95.0</b>
Non-controlling interests	3,339,142	4.7	3,582,989	5.0
<b>Total equity</b>	<b>71,444,648</b>	<b>100.0</b>	<b>71,242,180</b>	<b>100.0</b>

### (III) Loan quality analysis

#### 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 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:

(Expressed in thousands of Renminbi, unless otherwise stated)	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
<b>Total loans and advances to customers</b>	<b>549,955,732</b>	<b>100.0</b>	<b>496,749,748</b>	<b>100.0</b>
<b>Non-performing loans</b>	<b>12,597,193</b>	<b>2.29</b>	<b>10,287,901</b>	<b>2.07</b>

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.

## 2. Concentration of loans

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

Loans consist of loans 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:

(Expressed in thousands of Renminbi, unless otherwise stated)	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 (%)
<b>Corporate loans and advances</b>								
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
<b>Subtotal</b>	<b>488,084,475</b>	<b>88.7</b>	<b>9,651,773</b>	<b>1.98</b>	<b>467,387,803</b>	<b>94.1</b>	<b>7,429,295</b>	<b>1.59</b>
<b>Discounted bills</b>	<b>51,114,348</b>	<b>9.3</b>	<b>–</b>	<b>–</b>	<b>19,232,486</b>	<b>3.9</b>	<b>–</b>	<b>–</b>
<b>Personal loans</b>	<b>10,756,909</b>	<b>2.0</b>	<b>2,945,420</b>	<b>27.38</b>	<b>10,129,459</b>	<b>2.0</b>	<b>2,858,606</b>	<b>28.22</b>
<b>Total</b>	<b>549,955,732</b>	<b>100.0</b>	<b>12,597,193</b>	<b>2.29</b>	<b>496,749,748</b>	<b>100.0</b>	<b>10,287,901</b>	<b>2.07</b>

As at the end of the Reporting Period, loans 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 that we have reduced or withdrawn from, such as wholesale and retail trade.

**(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)		As at 30 June 2021	
Customer	Industry involved	Amount	% of total
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:

(Expressed in thousands of Renminbi, unless otherwise stated)	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 (%)
<b>Corporate loans and advances</b>						
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	112,703,814	648,090	0.58	76,956,554	1,384,740	1.80
<b>Subtotal</b>	<b>488,084,475</b>	<b>9,651,773</b>	<b>1.98</b>	<b>467,387,803</b>	<b>7,429,295</b>	<b>1.59</b>
<b>Discounted bills</b>	<b>51,114,348</b>	<b>—</b>	<b>—</b>	<b>19,232,486</b>	<b>—</b>	<b>—</b>
<b>Personal loans</b>						
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	102	102	100.00	212	212	100.00
<b>Subtotal</b>	<b>10,756,909</b>	<b>2,945,420</b>	<b>27.38</b>	<b>10,129,459</b>	<b>2,858,606</b>	<b>28.22</b>
<b>Total</b>	<b>549,955,732</b>	<b>12,597,193</b>	<b>2.29</b>	<b>496,749,748</b>	<b>10,287,901</b>	<b>2.07</b>

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:

(Expressed in thousands of Renminbi, unless otherwise stated)	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	8,891,050	64.8	6,237,456	39.9
<b>Total overdue loans and advances to customers</b>	<b>13,714,268</b>	<b>100.0</b>	<b>15,631,481</b>	<b>100.0</b>

**(IV) 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:

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 30 June 2021	As at 31 December 2020
<b>Total core tier-one capital</b>		
– 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
<b>Core tier-one capital deductions</b>		
– 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)	–
<b>Net core tier-one capital</b>	<b>57,359,391</b>	<b>57,807,766</b>
<b>Other tier-one capital</b>	<b>9,933,332</b>	<b>9,938,816</b>
<b>Net tier-one capital</b>	<b>67,292,723</b>	<b>67,746,582</b>
<b>Tier-two capital</b>		
– 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
<b>Net capital base</b>	<b>82,052,946</b>	<b>82,567,991</b>
<b>Total risk weighted assets</b>	<b>699,159,937</b>	<b>702,372,570</b>
<b>Core tier-one capital adequacy ratio <sup>(1)</sup></b>	<b>8.20%</b>	<b>8.23%</b>
<b>Tier-one capital adequacy ratio <sup>(2)</sup></b>	<b>9.62%</b>	<b>9.65%</b>
<b>Capital adequacy ratio</b>	<b>11.74%</b>	<b>11.76%</b>

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.

**(V) Analysis of the cash flow**

(Expressed in thousands of Renminbi, unless otherwise stated)	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
<b>Net cash flows from/(used in) operating activities</b>	<b>27,989,121</b>	<b>(53,627,186)</b>	<b>81,616,307</b>
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
<b>Net cash flows (used in)/from investing activities</b>	<b>(2,337,008)</b>	<b>14,439,948</b>	<b>(16,776,956)</b>
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
<b>Net cash flows (used in)/from financing activities</b>	<b>(24,647,938)</b>	<b>16,955,843</b>	<b>(41,603,781)</b>
<b>Effect of changes in foreign exchange rate on cash and cash equivalents</b>	<b>(7,997)</b>	<b>(31,735)</b>	<b>23,738</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>996,178</b>	<b>(22,263,130)</b>	<b>23,259,308</b>

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.

**(VI) Segment information****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.

(Expressed in thousands of Renminbi, unless otherwise stated)	For the six months ended 30 June			
	2021		2020	
	Amount	% of total	Amount	% of total
<b>Operating Income</b>				
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
<b>Total</b>	<b>6,190,168</b>	<b>100.0</b>	<b>6,444,468</b>	<b>100.0</b>

## 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:

(Expressed in thousands of Renminbi, unless otherwise stated)	For the six months ended 30 June			
	2021		2020	
	Amount	% of total	Amount	% of total
<b>Operating income</b>				
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
<b>Total</b>	<b>6,190,168</b>	<b>100.0</b>	<b>6,444,468</b>	<b>100.0</b>

## (VII) 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:

(Expressed in thousands of Renminbi, unless otherwise stated)	As at	As at
	30 June 2021	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
<b>Subtotal</b>	<b>81,978,663</b>	<b>85,049,714</b>
Capital expenditure commitments	47,567	39,813
<b>Subtotal</b>	<b>47,567</b>	<b>39,813</b>
<b>Total</b>	<b>82,026,230</b>	<b>85,089,527</b>

### III. Business Overview

#### (I) Corporate banking business

(Expressed in thousands of Renminbi, unless otherwise stated)	For the six months ended 30 June		
	2021	2020	Rate of change (%)
External net interest income	10,813,088	12,118,196	(10.8)
Internal net interest expense	(6,848,584)	(7,437,974)	(7.9)
Net interest income	3,964,504	4,680,222	(15.3)
Net fee and commission income	111,461	31,370	255.3
Other net operating income	1,114	18	6,088.9
Operating expenses	(571,235)	(334,261)	70.9
Impairment losses on assets	(4,774,067)	(2,364,009)	101.9
Segment (loss)/profit before tax	(1,268,223)	2,013,340	(163.0)
Depreciation and amortization	(97,805)	(93,225)	4.9
Capital expenditure	19,926	9,958	100.1

(Expressed in thousands of Renminbi, unless otherwise stated)	As at		Rate of change (%)
	30 June 2021	31 December 2020	
Segment assets	495,456,234	490,177,622	1.1
Segment liabilities	101,699,383	102,233,121	(0.5)

#### 1. Corporate deposits

During the Reporting Period, the Bank actively addressed the challenges brought by interest rate liberalization. Through improving its structure of corporate business and its effectiveness in corporate deposits, the Bank focused on the development of corporate accounts to consolidate the foundation of corporate business. The Bank provided corporate customers with corporate deposits products and services, including corporate demand deposits, corporate time deposits, corporate call deposits, corporate agreement deposits and negotiated deposits, and continued to research and develop new products and new systems, and adhered to the concept of customer-oriented and to address customers' demands to build a comprehensive financial service system based on its business innovation development, so as to enhance the market competitiveness and promote solid and stable growth of its corporate deposit business.

As at the end of the Reporting Period, total corporate deposits of the Bank (excluding interests payable) amounted to RMB100,553,393 thousand, in which, corporate demand deposits amounted to RMB41,193,770 thousand, accounting for 41.0% of total corporate deposits and corporate time deposits amounted to RMB59,359,623 thousand, accounting for 59.0% of total corporate deposits.

**2. Corporate loans and advances**

By adhering to the customer-oriented business strategy, the Bank built a strategic customer service system and accelerated the optimization and adjustment of the credit structure to comprehensively deepen the cooperation between enterprises and institutional customers. The Bank has optimized regional credit resource allocation and actively sought for quality customers to persistently strengthen its capacity to serve the regional economy. Leveraging on continuously promoting the digital and intelligent transformation for its business and enhancing its product innovation capacity and the refined management levels, the Bank strictly abided by the bottom line of compliant operation and achieved an internal high-quality development. As at the end of the Reporting Period, corporate loans and advances of the Bank amounted to RMB488,084,475 thousand, representing an increase of RMB20,696,672 thousand or 4.4% as compared to that as at 31 December 2020.

**3. Discounted bills**

In the light of the national macroeconomic policies and changes in the market and after taking into account the risks and returns, the Bank has optimized the process of the discounted bills business and appropriately developed the discounted bills business, to optimize the asset structure and support the development of micro-, small-and medium-sized enterprises. At the same time, the Bank's interbank market acceptance rate improved and the scale of rediscounting business continued to develop. As at the end of the Reporting Period, discounted bills of the Bank amounted to RMB51,114,348 thousand, representing an increase of RMB31,881,862 thousand as compared to that as at 31 December 2020.

**4. International business**

During the Reporting Period, the Bank had adhered to a customer-centric service philosophy. By combining traditional loan-deposit products with trade finance products and financial derivative instruments, the Bank offered customers with flexible and diverse financial product services, insisted on compliant operations and continuously improved the Bank's integrated financial service capabilities.

During the Reporting Period, the international settlement amount of the Bank amounted to US\$766 million. Agency channel development and inter-bank cooperation, have remained stable and its agency network covered 48 countries and regions, comprising 373 agencies. The Bank catered to customers' needs of settlement and finance.

## (II) Inclusive Financial Business

### 1. Business Overview

During the Reporting Period, adhering to the original intention of returning to the “three services” orientation of urban commercial banks, the Bank continued to focus on business management and service, deeply rooted in the local small and micro enterprise market, and built a featured urban commercial bank with high adaptability and strong competitiveness in inclusive financial business. Focusing on the financing needs of small and micro enterprises, small and micro business owners and individual businesses with a financing need of less than RMB10.00 million (inclusive), the Bank implemented differentiated development strategies based on regional characteristics and core customer groups.

As at the end of the Reporting Period, the balance of loans for small and micro enterprises (including small and micro enterprises, owners of small and micro enterprise and individual industrial and commercial entities) of the Bank (excluding subsidiaries) amounted to RMB205,442,276 thousand with 4,610 small and micro enterprise customers with average interest rate of 7.18%; during the Reporting Period, a total of RMB43,085,287 thousand was lent to small and micro enterprises (including small and micro enterprises, small and micro business owners and individual businesses), and the number of cumulative small and micro enterprise customers (including small and micro enterprises, small and micro business owners and individual businesses) was 1,452. As at the end of the Reporting Period, in addition to the headquarters, the Bank (excluding its subsidiaries) had 218 service points in total, including 15 branches, 195 traditional sub-branches, 6 mini/community sub-branches and 1 specialized institution.

### 2. Development Measures

- (1) **Assumed social responsibilities and actively implemented regulatory requirements.** The Bank has continued to enhance the financial service level for small and micro enterprises according to the assessment requirements of regulators for financial services of small and micro enterprises. It also supported the “six securities” and realized the “six stabilities”, and deferred the repayment of principal and interests for small and micro enterprises affected by the epidemic. The deferral level of “extended as much as possible” is higher than the average deferral level of Jinzhou local corporate financial institutions. In the implementation of policies to support small and medium business loans, the Bank utilized the special funds for the above loans on the basis of “making use of funds in a practicable, sufficient and optimal manner”, to implement differentiated pricing and feasibly reduce financing costs for inclusive customers.
- (2) **Strengthened team building and improved the professional management level.** The Bank has continuously promoted to set up a professional team for the inclusive line, and through operations of special functions and professional assessment, it has effectively controlled risks and enhanced its business efficiency. By improving the mechanism of “dare to lend, willing to lend, able to lend, and will lend”, the Bank has tried to drive a defined and sustainable development for the inclusive business.
- (3) **Innovated the marketing model to support the development of inclusive finance.** The Bank created a marketing model of “1357 synergetic development” (being focus on developing 1 core customer group, accurate marketing to 3 main customer groups, paying close attention to 5 reserve customer groups and deployment of at least 7 featured products for each institution) to make a market plan, define target customer groups and scientifically arrange service strategies and management measures, which combined with the model of “full-staff marketing, professional access” on basis of a “pre-review” mechanism, facilitating the development of inclusive finance business.

**(4) Improved the assessment and evaluation system to enhance the proactivity of provision of inclusive services.**

The Bank has set up a five-in-one assessment and evaluation system for the inclusive finance line and fully mobilized the proactivity of each institution to carry out the inclusive finance service work. The Bank set up a more scientific and reasonable indicator assessment system, strengthened the daily performance assessment according to regulatory requirements, established the annual evaluation mechanism for each institution, improved the “dual incentive” mechanism by resetting the rules of “main product incentive”, and held “Three Ones” competitions to reinforce the assessment and evaluation.

**(5) Strengthened the product and pricing management to reduce financing costs of customers.** Under the “dual-wheel drive” product model, the Bank promoted the development of “increment and expansion” of inclusive finance by updating the “core product list”. Meanwhile, the Bank thoroughly implemented the decision and deployment published by CPC Central Committee to ease the burden of micro and small enterprises, rigorously complied with the regulatory requirements of “Seven Prohibitions” and “Four Disclosures” and resisted indiscriminate charges, not passing costs to customers and charging fees under different pretexts.**(III) Retail Banking Business**

(Expressed in thousands of Renminbi, unless otherwise stated)	For the six months ended 30 June		
	2021	2020	Rate of change (%)
External net interest expenses	(6,885,313)	(5,979,636)	15.1
Internal net interest income	7,236,582	6,333,412	14.3
Net interest income	351,269	353,776	(0.7)
Net fee and commission income	155,259	79,618	95.0
Other net operating income	200	–	–
Operating expenses	(492,425)	(520,460)	(5.4)
Impairment losses on assets	(36,789)	(1,181,356)	(96.9)
Segment loss before tax	(22,486)	(1,268,422)	(98.2)
Depreciation and amortization	(71,850)	(58,048)	23.8
Capital expenditure	14,093	5,607	151.3

(Expressed in thousands of Renminbi, unless otherwise stated)	As at		Rate of change (%)
	30 June 2021	31 December 2020	
Segment assets	59,832,219	8,535,400	601.0
Segment liabilities	362,508,337	336,900,917	7.6

**1. Personal Deposits**

During the Reporting Period, the Bank made full use of tools such as financial products, services, big data and pricing to reinforce the market expansion, making a steady growth in personal deposits. The Bank also facilitated the adjustment of deposit structure and cost reduction, which accelerated the transformation of the retail business and feasibly led an internal high-quality development in the retail business. As at the end of the Reporting Period, the total amount of personal deposit (interests payable not included) of the Bank amounted to RMB353,501,284 thousand, representing an increase of RMB25,663,738 thousand or 7.8% compared with that as at 31 December 2020.

## 2. Personal Loans

During the Reporting Period, the Bank focused on loans in the inclusive finance area, facilitated the development of personal business loans, personal consumption loans, mortgage loans for residential and commercial properties, and integrated online platforms to enhance service quality and efficiency. As at the end of the Reporting Period, total personal loans of the Bank (including, among others, personal business loans, personal consumption loans, residential and commercial property mortgage loans) amounted to RMB10,756,909 thousand, of which personal business loans amounted to RMB7,130,946 thousand, personal consumption loans amounted to RMB279,282 thousand, and residential and commercial property mortgage loans amounted to RMB3,026,973 thousand.

## 3. Bank Cards

The Bank has persistently carried out kinds of marketing events for debit cards to improve its customer loyalty, making a steady growth in our overall debit card business. As at the end of the Reporting Period, the number of debit cards issued by the Bank amounted to 5.56 million.

The Bank also enriched its credit card products to effectively strengthen its capacity of service provision, while optimizing credit card products and launching the customized optional card number function for credit cards to further increase customers' satisfaction. Focusing on "online, virtual and scenario-based businesses", the Bank introduced a type of digital virtual card, namely "UnionPay virtual credit card", and strove to develop the instalment business for each type of credit card scenario, to increase its earnings from the credit card business and promote the overall credit card business to grow in a healthy and orderly manner. As at the end of the Reporting Period, the number of credit cards issued by the Bank amounted to 129,900, with an activation rate of 74.57%; the overdraft balance amounted to RMB319,606 thousand, representing an increase of RMB83,134 thousand or 35.2% as compared to that as at 31 December 2020.

## 4. Wealth Management

During the Reporting Period, the Bank has taken customer demands as the guidance for its retail business. Through proactively optimizing customers and the product structure and improving the customer service value-added system, emphasized on customer experiences, the Bank has taken good advantage of synergy between the corporate and retail business and continuously explored tools to acquire customers in batches, and relying on high-quality and solid customer bases, the number of retail customers grew rapidly. As at the end of the Reporting Period, the number of retail customers amounted to 5.6271 million, representing an increase of 121,800 or 2.2% compared with that as at 31 December 2020. The number of core customers with financial assets value of RMB50,000 or above was 1,019,800, representing an increase of 80,300 or 8.5% compared with that as at 31 December 2020. There were 503,600 VIP customers with financial assets value of RMB200,000 or above, representing an increase of 50,300 or 11.1% compared with that as at 31 December 2020, including 328,500 gold card customers, 153,000 purple gold customers, 20,095 platinum customers and 2,053 black gold customers.

During the Reporting Period, the Bank had total sales of RMB203,725 thousand and 179 registered sales outlets for fund agency business, and the sales of precious metals in kind amounted to RMB3,037 thousand.

**(IV) Capital Business**

(Expressed in thousands of Renminbi, unless otherwise stated)	For the six months ended 30 June		
	2021	2020	Rate of change (%)
External net interest income/(expense)	1,752,829	(85,944)	(2,139.5)
Internal net interest (expense)/income	(387,998)	1,104,562	(135.1)
Net interest income	1,364,831	1,018,618	34.0
Net fee and commission income/(expense)	24,850	(18,179)	(236.7)
Net trading gain	184,338	288,751	(36.2)
Divided income	14,248	–	–
Net gains/(losses) arising from investment securities	8,055	(153)	(5,364.7)
Net foreign exchange gains	9,402	1,790	425.3
Other net operating income	389	–	–
Operating expenses	(371,053)	(432,334)	(14.2)
Impairment losses on assets	472,668	(1,078,462)	(143.8)
Segment profit/(loss) before tax	1,707,728	(219,969)	(876.3)
Depreciation and amortization	(91,906)	(109,466)	(16.0)
Capital expenditure	18,000	12,526	43.7

(Expressed in thousands of Renminbi, unless otherwise stated)	As at	As at	Rate of change (%)
	30 June 2021	31 December 2020	
Segment assets	249,431,384	250,993,313	(0.6)
Segment liabilities	289,993,316	264,318,333	9.7

**1. Currency Market Transactions**

During the Reporting Period, the money market maintained a reasonably abundant liquidity, and the capital interest rate fluctuated slightly near the policy rate. Adhering to the premise of maintaining safe liquidity and combining with historical experience and market conditions, the Bank thoroughly studied and judged the trend of capital interest rates in 2021, flexibly allocated financing structure, and endeavored to reduce financing cost and increase profitability. As at the end of the Reporting Period, financial assets held under resale agreements of the Bank was RMB3.300 billion, and the financial assets sold under repurchase agreements of the Bank was RMB81.027 billion.

**2. Foreign Exchange and Derivatives Trading**

During the Reporting Period, the Bank actively promoted the development of foreign exchange and derivative transactions. The cumulative transaction volume of foreign exchange transactions in the inter-bank market was US\$662 million, of which the transaction volume of derivatives business was US\$480 million.

### 3. Investments in Securities and Other Financial Assets

During the Reporting Period, the economy, as a whole, showed stable recovery of domestic demand, warmed up external demand and steadily rebounded production. The priority of the monetary policy was to “maintain its stability”, which was rational and in place; the fiscal policy successfully played its role and started working. The Bank paid close attention to changes in various factors such as macro fundamentals, capitals, financial regulations, further enhancing the analysis and research for the financial market to timely adjust operation strategies.

#### (1) Securities investment distribution breakdown by business model and holding purpose

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 30 June 2021		As at 31 December 2020	
	Amount	% of total	Amount	% of total
Financial assets at fair value through profit or loss	21,614,657	12.3	23,020,107	12.8
Financial assets at fair value through other comprehensive income	41,313,953	23.5	21,921,180	12.1
Financial assets measured at amortized cost	113,040,320	64.2	135,760,163	75.1
<b>Total</b>	<b>175,968,930</b>	<b>100.0</b>	<b>180,701,450</b>	<b>100.0</b>

#### (2) Securities investment distribution breakdown by residual maturity

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 30 June 2021		As at 31 December 2020	
	Amount	% of total	Amount	% of total
Indefinite	2,935,090	1.7	10,978,791	6.1
Repayable on demand	417,455	0.2	16,502	0.0
Within 3 months	17,228,460	9.8	13,459,688	7.5
3 months to 1 year	20,564,878	11.7	23,028,721	12.7
1 year to 5 years	46,132,458	26.2	47,784,052	26.4
More than 5 years	88,690,589	50.4	85,433,696	47.3
<b>Total</b>	<b>175,968,930</b>	<b>100.0</b>	<b>180,701,450</b>	<b>100.0</b>

**(3) Holding of State Bonds**

As at the end of the Reporting Period, the balance of nominal value of the state bonds held by the Bank amounted to RMB6.200 billion. The table below sets out top ten state bonds with the highest nominal value held by the Bank as at the end of the Reporting Period.

Name of Bonds (Expressed in thousands of Renminbi, unless otherwise stated)	Nominal Value	Interest rate per annum (%)	Maturity Date
12 Coupon-bearing State Bonds 09	1,000,000	3.36	24 May 2022
20 Coupon-bearing State Bonds 02	1,000,000	2.20	13 February 2022
21 Coupon-bearing State Bonds 01	1,000,000	2.43	21 January 2022
20 Coupon-bearing State Bonds 11	700,000	2.64	13 August 2022
19 Coupon-bearing State Bonds 14	600,000	2.69	14 November 2021
18 Coupon-bearing State Bonds 21	500,000	3.17	11 October 2021
17 Coupon-bearing State Bonds 04	440,000	3.40	9 February 2027
06 State Bonds 19	300,000	3.27	15 November 2021
17 Coupon-bearing State Bonds 18	250,000	3.59	3 August 2027
17 Coupon-bearing State Bonds 10	160,000	3.52	4 May 2027

**(4) Holding of financial bonds**

As at the end of the Reporting Period, the balance of nominal value of the financial bonds (mainly financial bonds issued by policy banks) held by the Bank amounted to RMB33.960 billion. The table below showed the top ten financial bonds with the highest nominal value held by the Bank as at the end of the Reporting Period.

Abbreviation of Bonds (Expressed in thousands of Renminbi, unless otherwise stated)	Nominal Value	Interest rate per annum (%)	Maturity Date
20 Jin Chu 15	3,500,000	3.43	23 October 2025
18 Nong Fa 11	3,150,000	4.00	12 November 2025
20 Jin Chu 13	3,000,000	3.34	4 September 2023
21 Guo Kai 06	1,990,000	2.48	19 April 2022
21 Guo Kai 03	1,850,000	3.30	3 March 2026
20 Jin Chu 11	1,700,000	3.74	16 November 2030
20 Jin Chu 03	1,500,000	2.17	7 April 2023
20 Nong Fa 02	1,500,000	2.20	1 April 2023
20 Nong Fa 07	1,500,000	3.06	5 August 2023
21 Jin Chu 05	1,500,000	3.22	14 May 2026

#### 4. Wealth Management Business

During the transition period of the new regulation on asset management, the Bank actively promoted the net-worth transformation of products. At present, all predictive income products have cashed at maturity. The Bank completed the net-worth transformation of all products, completing the transition period arrangement ahead of time. The Bank will continue to optimize system construction and asset allocation, adjust customer structure, improve asset management and actively guide the product marketing and investor education of branches.

As at the end of the Reporting Period, all of the Bank's wealth management products were non-guaranteed net-worth wealth management products with a balance of wealth management products of RMB24,700,380 thousand, among which net-worth products accounted for 100%, representing an increase of RMB1,445,450 thousand or 6.2% as compared with that as at 31 December 2020. The product scale achieved steady growth. As for customer system, the Bank further optimized the structure of its wealth management customers, with the remaining balance of personal wealth management products amounting to RMB24,508,228 thousand, accounting for 99.2% of the balance of wealth management products. The stability of capital continued to increase.

#### 5. Interbank Business

The Bank improved the portfolio of interbank businesses in liabilities and investment in a rational way. As at the end of the Reporting Period, the Bank's deposit with banks and other financial institutions amounted to RMB13,071,616 thousand, and the Bank's deposits from banks and other financial institutions amounted to RMB132,374,147 thousand. As at the end of the Reporting Period, the Bank had 42 interbank certificates of deposit issued and not yet due, with an aggregate amount of RMB41.084 billion (excluding interests payable).

#### 6. Investment Banking Business

During the Reporting Period, in response to the complex economic environment in domestic and overseas, the Bank adhered to the concept of returning to the origin of finance for its investment banking business. Guided by our strategic plans and focused on strategic customers of headquarters and branches, the Bank continuously promoted the transformation of its investment banking business. The Bank mainly carried out investment banking businesses such as structured financing, investment and financing consulting service and merge financing, enriched products of investment banking business and promoted innovation of products such as wealth management direct financing instruments, debt financing plans and asset-backed security, to further meet the diversified financing demands from enterprises. As at the end of the Reporting Period, the original book value of the beneficial interest transfer plans measured at the amortized cost of the Bank was RMB30,468,955 thousand.

**(V) Distribution channels****1. Physical Outlets**

Development of the Bank's institution complied with strategic guidance principle, risk control principle, market-oriented principle and characteristic management principle, with the basic premise of matching cross-regional development speed and self-management and control abilities. The Bank scientifically mastered cross-regional development speed and pace, adhering to the path of healthy development and achieving coordinated development of "scale, quality, benefit". As at the end of the Reporting Period, in addition to the headquarters, the Bank (excluding its subsidiaries) had 218 service points in total, including 15 branches, 195 sub-branches, 6 mini/community sub-branches and 1 specialized institution in total, which were distributed mainly over provinces and cities such as Beijing, Tianjin, Harbin and Liaoning.

**2. Self-service Banking**

As at the end of the Reporting Period, the Bank (excluding its subsidiaries) had a total of 149 self-service banking and self-service zones and 6 self-service banking booths. The Bank (excluding its subsidiaries) had 831 self-service machines, including 524 ATMs, representing a decrease of 31 as compared with that as at 31 December 2020, with accumulated 2.131 million transactions and transaction amount of RMB4.964 billion during the Reporting Period. There were 91 automatic card issuing machines, representing a decrease of 29 machines as compared to that as at 31 December 2020, and with the accumulated transaction number of 11,000 during the Reporting Period. There were 216 smart ATMs, representing an increase of 7 smart ATMs as compared to that as at 31 December 2020, and with the accumulated 535,000 transactions during the Reporting Period.

### 3. Electronic Banking

During the Reporting Period, adhering to the customer-oriented concept and thoroughly implementing the new development concept of “compliance, innovation, coordination and quality”, the Bank accelerated the digital and intelligent application, which continuously improved its general management capacity, business operation capacity and customer serving capacity and significantly enhanced its business innovation level.

#### (1) Online Banking

As at the end of the Reporting Period, the Bank had a total of 409,800 online banking customers, among which there were a total of 363,900 personal online banking customers and 45,900 corporate online banking customers. During the Reporting Period, the transaction amount of online banking amounted to RMB720.478 billion, representing an increase of 25.0% as compared with that for the six months ended 30 June 2020. Among them, the transaction amount of personal online banking amounted to RMB127.210 billion, representing an increase of 0.9% as compared with that for the six months ended 30 June 2020, and the transaction amount of corporate online banking amounted to RMB593.268 billion, representing an increase of 31.8% as compared with that for the six months ended 30 June 2020.

#### (2) Mobile Banking

During the Reporting Period, the Bank proactively implemented the “mobile first” project, bringing in growing innovation capacity and research and development capacity for mobile-based products and significantly enhancing our service capacity. Firstly, the Bank launched an elderly version mobile banking with more concise pages and bigger fonts on common functions to meet the function requirements of elderly customers and enhance visual experiences. Secondly, the Bank continuously updated and optimized mobile banking, launching 21 living service projects such as commercial travelling and payment and 11 functions such as application of virtual credit cards and code scan to access, to further enrich the product system and improve the customer experiences.

As at the end of the Reporting Period, the Bank had a total of 1,759,700 mobile banking customers, representing an increase of 28.9% as compared with that as at 31 December 2020. Among them, there were 1,067,300 mobile banking customers in aggregate, representing an increase of 37.5% as compared with that as at 31 December 2020, and 692,400 WeChat banking customers in aggregate, representing an increase of 17.5% as compared with that as at 31 December 2020. During the Reporting Period, the transaction amount of its mobile banking business amounted to RMB65.729 billion, representing an increase of 73.6% as compared with that for the six months ended 30 June 2020, of which, the transaction amount of mobile banking amounted to RMB64.279 billion, representing an increase of 82.0% as compared with that for the six months ended 30 June 2020.

**(3) Internet Finance**

During the Reporting Period, the Bank focused on scenario construction projects, integrated its financial service capability and combined with the service capability from the third-party industry, formulating a smart financial service solution to further promote network financial scene expansion. Firstly, the Bank made breakthroughs in medical insurance scenario, becoming one of the first batch of regional banks in Liaoning province that was qualified for signing and issuance of medical insurance E-certificate and code scanning. Secondly, smart education scenario was implemented in steady and orderly manner, providing safe and convenient online solutions for works on charging miscellaneous fees in secondary and primary schools. Thirdly, the Bank made breakthroughs in the expansion of QR code scenario and launched services such as merchants' self-service registration through WeChat banking channel and receipt notices in WeChat app, while providing various marketing events support, to comprehensively improve the merchants' experiences.

As at the end of the Reporting Period, the Bank had 36,000 internet collection merchants, representing an increase of 9.4% as compared with that as at 31 December 2020, with a transaction amount of RMB3.212 billion by its online payment during the Reporting Period, representing an increase of 27.9% as compared with that for the six months ended 30 June 2020.

**(VI) Information on subsidiaries****1. Banks in Villages and Towns**

The village and township banks funded and set up by the Bank adhered to the purpose of "basing on urban and rural areas, supporting small and micro enterprises, serving agriculture, rural area and farmers, benefiting the common people", upheld the operating principle of coordinated development of "scale, quality, efficiency", and insisted on orienting at market, centering on customers and taking innovation as a driving force.

As at the end of the Reporting Period, the Bank has seven village and township banks, including 5 branches in Jinzhou City, 1 branch in Chaoyang City and 1 branch in Benxi City, Liaoning Province, the PRC, which are engaged in banking and related financial services. At the end of the Reporting Period, the total assets of such seven village and township banks amounted to RMB8,420,534 thousand, representing a decrease of 3.1% as compared to that as at 31 December 2020; the net amount of loans and advances was RMB2,111,866 thousand, representing a decrease of 13.5% as compared to that as at 31 December 2020. The total deposits amounted to RMB8,430,280 thousand, representing a decrease of 0.5% as compared to that as at 31 December 2020. During the Reporting Period, the net loss amounted to RMB130,619 thousand.

**2. Bank of Jinzhou Financial Leasing Company Limited**

Bank of Jinzhou Financial Leasing Company Limited officially commenced its operation on 1 December 2015 with a registered capital of RMB4.9 billion as at the end of the Reporting Period, which was the only financial leasing company in Liaoning Province. It was incorporated in Shenyang City of Liaoning Province in the PRC and mainly engages in financial leasing business of large equipment in key fields such as equipment manufacturing, aviation, medical treatment, and various financial assets and industrial services such as leasing asset transaction, asset management and economic consultancy. As at the end of the Reporting Period, the total assets of Bank of Jinzhou Financial Leasing Company Limited were RMB4,947,470 thousand, of which the balance of finance lease was RMB4,339,996 thousand; and the net loss for the Reporting Period was RMB261,546 thousand.

**(VII) Information technology**

During the Reporting Period, under the guidance of the strategy of “invigorating the bank through science and technology”, the Bank seized the main contradictions and pain and difficult points that affect the Bank’s survival and development, reform and transformation at this stage gave priority to filling in the shortcomings, strengthened the construction of key work and improved the overall level of financial technology.

**Firstly, to improve the governance system of financial technology to promote the management level of financial technology.**

Giving full play to its guidance role of Financial Technology Development Committee, the Bank has reviewed important technology resolutions, which aimed to reasonably plan the investment of technology resources based on the business innovation plan, and planned for the development of the Bank’s financial technology. The Bank has optimized the arrangement of technology organization structure, rebuilt teams for current organizational structure and spared more efforts to attract talents, to improve the efficiency of technology services and self-developed capacity. The Bank also improved project research and development and quality control, implemented the centralized production, making full use of the support and safeguard functions of technology to enhance its ability to promptly response to business demands.

**Secondly, to establish the bottom line thinking to ensure the smooth operation of the system.**

Leveraging on conducting internet structure analysis for our internet-related business system and disposition of safety protection measures such as safety detection and security vulnerability scanning, the Bank strengthened information safety management, so as to enhance the capacity and level of safety protection of our internet. The Bank also strengthened infrastructure operation and maintenance and promoted the construction of data center projects. The Bank enhanced its construction of production event management mechanism, as a result of which production events were under the closed-loop management in their lifecycles. The Bank carried out special management of data changes and enhanced operation and maintenance management to prevent risks of changes. The Bank made full efforts to support and ensure the safe operation of the front office networks.

**Thirdly, to support business development with technological innovation to facilitate the Bank’s business transformation.**

The Bank deepened the collaboration and integration of technology and business, and improved the efficiency and quality of the research and development. The promotion of product innovation in 8 key business areas, including personal finance and corporate finance has accelerated the pace of product innovation. With construction of the face recognition system and general voting system, the Bank initiated research and project establishment for the API open platform system, bank management performance system, new generation of OA system and centralized certificate system. By way of upgrading and renovating systems such as the core system, electronic channel system, smart teller machine system and bill management system, the Bank completed business requirements such as fast payment and one-click card binding, addition of tax withheld and payment into core system, addition of VIP customer equity platform in mobile banking and automatic processing of electronic commercial draft payment response.

**Fourthly, to research and promote IT structure transformation and design IT structure plan.**

Through measures such as reduction of pipelines and clusters, completion of optimization of OSM backup strategy for the core system and addressing continuous service upgrading to optimize the application structure, the Bank gradually built up a more reasonable application structure system. The Bank initiated the planning and research of information structure, carried out researches for general document transfer platform and same-city disaster recovery through big data platform and established external information platform, so as to access the external information. While strengthening the refining and encapsulation of technology parts, the Bank gradually promoted the construction of an independent basic service platform to enhance our technology service capacity.

## IV. 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, 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.

### (I) 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 procedure 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.

## (II) 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.

### (III) 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.

#### 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 repricing 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:

(Expressed in thousands of Renminbi, unless otherwise stated)	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
<b>Assets</b>						
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 <sup>(1)</sup>	552,589,347	26,970,479	110,394,082	256,958,888	143,109,168	15,156,730
Investments <sup>(2)</sup>	175,968,930	8,281,153	16,370,755	19,620,080	45,254,277	86,442,665
Finance lease receivables <sup>(3)</sup>	2,699,106	–	1,530,357	21,560	1,147,189	–
Others	23,722,727	23,469,745	63,829	189,153	–	–
<b>Total assets</b>	<b>828,883,541</b>	<b>60,088,888</b>	<b>195,343,771</b>	<b>282,340,853</b>	<b>189,510,634</b>	<b>101,599,395</b>
<b>Liabilities</b>						
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
<b>Total liabilities</b>	<b>757,438,893</b>	<b>14,221,839</b>	<b>269,807,874</b>	<b>233,846,746</b>	<b>233,014,039</b>	<b>6,548,395</b>
<b>Asset-liability gap</b>	<b>71,444,648</b>	<b>45,867,049</b>	<b>(74,464,103)</b>	<b>48,494,107</b>	<b>(43,503,405)</b>	<b>95,051,000</b>

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 31 December 2020					
	Total	Non-interest bearing	Less than three months	Between three months and one year	Between one year and five years	More than five years
<b>Assets</b>						
Cash and deposits with the central bank	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 <sup>(1)</sup>	495,464,197	19,147,848	109,286,846	177,630,369	175,756,076	13,643,058
Investments <sup>(2)</sup>	180,701,450	8,124,335	20,619,641	21,561,907	46,325,472	84,070,095
Finance lease receivables <sup>(3)</sup>	3,248,825	—	681,884	477,198	2,089,743	—
Others	27,666,336	27,548,703	4,951	112,682	—	—
<b>Total assets</b>	<b>777,992,324</b>	<b>56,033,510</b>	<b>194,567,777</b>	<b>205,506,593</b>	<b>224,171,291</b>	<b>97,713,153</b>
<b>Liabilities</b>						
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
<b>Total liabilities</b>	<b>706,750,144</b>	<b>14,402,543</b>	<b>259,681,379</b>	<b>184,744,352</b>	<b>241,024,616</b>	<b>6,897,254</b>
<b>Asset-liability gap</b>	<b>71,242,180</b>	<b>41,630,967</b>	<b>(65,113,602)</b>	<b>20,762,241</b>	<b>(16,853,325)</b>	<b>90,815,899</b>

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:

(Expressed in thousands of Renminbi, unless otherwise stated)	For the six months ended 30 June			
	2021	Changes in	2020	Changes in
	Changes in net profit	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

## 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:

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 30 June 2021			Total (RMB equivalent)
	RMB	USD (RMB equivalent)	Others (RMB equivalent)	
<b>Assets</b>				
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
<b>Total assets</b>	<b>823,867,312</b>	<b>4,956,272</b>	<b>59,957</b>	<b>828,883,541</b>
<b>Liabilities</b>				
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
<b>Total liabilities</b>	<b>756,062,015</b>	<b>1,355,304</b>	<b>21,574</b>	<b>757,438,893</b>
<b>Net position</b>	<b>67,805,297</b>	<b>3,600,968</b>	<b>38,383</b>	<b>71,444,648</b>
<b>Off-balance sheet credit commitments</b>	<b>81,462,480</b>	<b>515,115</b>	<b>1,068</b>	<b>81,978,663</b>

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 31 December 2020			
	RMB	USD (RMB equivalent)	Others (RMB equivalent)	Total (RMB equivalent)
<b>Assets</b>				
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
<b>Total assets</b>	<b>772,769,944</b>	<b>5,161,196</b>	<b>61,184</b>	<b>777,992,324</b>
<b>Liabilities</b>				
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
<b>Total liabilities</b>	<b>703,889,457</b>	<b>2,836,755</b>	<b>23,932</b>	<b>706,750,144</b>
<b>Net position</b>	<b>68,880,487</b>	<b>2,324,441</b>	<b>37,252</b>	<b>71,242,180</b>
<b>Off-balance sheet credit commitments</b>	<b>84,712,639</b>	<b>337,075</b>	<b>—</b>	<b>85,049,714</b>

(Expressed in thousands of Renminbi, unless otherwise stated)	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	(1,004,277)	(155,458)	(1,367,546)	(209,589)
<b>Total net foreign exchange exposures</b>	<b>2,635,074</b>	<b>407,900</b>	<b>994,147</b>	<b>152,362</b>

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:

(Expressed in thousands of Renminbi, unless otherwise stated)	Fluctuation of foreign exchange rates	For the six months ended 30 June			
		2021		2020	
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.

#### (IV) 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:

(Expressed in thousands of Renminbi, unless otherwise stated)	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	
<b>Assets</b>								
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
<b>Total assets</b>	<b>81,605,584</b>	<b>18,700,718</b>	<b>44,636,863</b>	<b>83,645,031</b>	<b>293,058,978</b>	<b>197,769,768</b>	<b>109,466,599</b>	<b>828,883,541</b>
<b>Liabilities</b>								
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
<b>Total liabilities</b>	<b>—</b>	<b>70,386,170</b>	<b>110,380,988</b>	<b>94,416,640</b>	<b>238,314,223</b>	<b>237,391,852</b>	<b>6,549,020</b>	<b>757,438,893</b>
<b>Asset-liability gap</b>	<b>81,605,584</b>	<b>(51,685,452)</b>	<b>(65,744,125)</b>	<b>(10,771,609)</b>	<b>54,744,755</b>	<b>(39,622,084)</b>	<b>102,917,579</b>	<b>71,444,648</b>

(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	
<b>Assets</b>								
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
<b>Total assets</b>	<b>91,023,705</b>	<b>17,624,102</b>	<b>45,168,990</b>	<b>80,927,888</b>	<b>211,742,798</b>	<b>227,915,060</b>	<b>103,589,781</b>	<b>777,992,324</b>
<b>Liabilities</b>								
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 payable	—	—	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
<b>Total liabilities</b>	<b>—</b>	<b>85,390,377</b>	<b>69,263,274</b>	<b>110,145,116</b>	<b>189,220,997</b>	<b>245,825,411</b>	<b>6,904,969</b>	<b>706,750,144</b>
<b>Asset-liability gap</b>	<b>91,023,705</b>	<b>(67,766,275)</b>	<b>(24,094,284)</b>	<b>(29,217,228)</b>	<b>22,521,801</b>	<b>(17,910,351)</b>	<b>96,684,812</b>	<b>71,242,180</b>

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

#### **(V) 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.

#### **(VI) 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.

**(VII) 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 involved 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.

**(VIII) 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 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 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.

**(IX) 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.

## V. Internal Control and Internal Audit

### (I) Internal Control

The Bank has established a standardized corporate governance structure and the rules of procedures in accordance with the Commercial Bank Law of the PRC 《中華人民共和國商業銀行法》, the Basic Norms of Corporate Internal Control 《企業內部控制基本規範》 and its supporting guidelines, the Guidelines on Internal Control of Commercial Banks 《商業銀行內部控制指引》 and other related laws and regulations and the Articles of Association, through a standardized internal control organization structure to delineate the duties and permitted authorities in the areas of decision-making, implementation supervision and reporting, so as to form a scientific and effective mechanism for the division of responsibilities and balance of powers.

The Board of Directors of the Bank, as the decision-making body, is responsible to the general meeting and is ultimately accountable for the Bank's internal controls, and the Board of Directors and its Risk Management Committee are accountable to and report to the general meeting for the internal controls; The Board of Supervisors, as the supervisory body, represents the general meeting and supervises the performance of the internal control duties of the Board of Directors and its Risk Management Committee, senior management and the internal control and compliance department under its leadership; The senior management, as the executive body, leads the Internal Control and Compliance Department and implements the decisions of the Board of Directors and its Risk Management Committee regarding the decisions of the Bank's internal controls, and reports to the Board of Directors and its Risk Management Committee; The Internal Control and Compliance Department assumes responsibility for internal control management and works under the leadership of senior management and maintains its independence; On behalf of the Board of Directors, the Internal Audit Department provides oversight of the performance of internal control and compliance duties by the senior managements and the Internal Control and Compliance Department under its direction. The internal control compliance departments of each branch/directly subordinate branch reports to the Head Office of the internal control compliance department and the management at this level in two lines, and the internal control and compliance officers of each unit report to the internal control and compliance department at the same level (or higher level) and the person chiefly in charge of the unit in two lines.

During the Reporting Period, the Bank comprehensively strengthened its internal controls. The Bank continued to improve its internal control system and revised the Measures for Internal Control Appraisal of the Bank of Jinzhou 《錦州銀行內部控制評價辦法》 and other regulations in accordance with the laws and regulations such as the Commercial Bank Law of the PRC 《中華人民共和國商業銀行法》, the Basic Norms of Corporate Internal Control 《企業內部控制基本規範》, as well as the relevant requirements of the Hong Kong Stock Exchange. The Internal Control Manual was also formulated and published bank-wide to build a risk control matrix for all activities of the Bank, basically achieving full coverage of the control process for all business and management activities. The Bank also launched theme activities, such as the "Year of Internal Control and Compliance Management" (內控合規管理建設年), focusing on the core concept of compliance culture of "legal compliance and sound control, everyone is responsible for the unity of knowledge and practice and risk management with high efficiency and stability", implementing the primary responsibilities, consolidating basic management, preventing and controlling key risks, strengthening inspection and evaluation, seriously implementing accountability for rectification, upgrading management tools and solidifying the compliance culture to comprehensively enhance the Bank's compliance management capability and internal control level and provide internal control and compliance guarantee for the Bank's reform and development.

**(II) Internal Audit**

The Bank has established an independent and sound internal audit management structure. The Audit Committee is formed under the Board of Directors to conduct audit and supervision on the progress of internal audit work. The Internal Audit Department is accountable to the Board of Directors and its Audit Committee, and has laid the foundation for carrying out independent and objective internal audit work. The Internal Audit Department of the Bank is authorized by the Board of Directors to conduct internal audits independently, without interference from other departments and individuals, and it will not participate in the operating activities within the scope of duties of other departments. The Bank has established an improved internal audit system by adapting to its own current development conditions and adhering to risk-oriented audit vision. The management effectiveness considerations were explored. Audit projects are conducted seriously according to the audit manual, the scope of audit covers all business lines and branches and sub-branches of the Bank, and the audits are carried out according to the auditing process and reporting system. Opinions and proposals will be provided to tackle deficiencies in internal control discovered in the course of auditing, and the implementation of rectifications will be continuously tracked to facilitate the transformation of audit result to achieve audit value growth.

During the Reporting Period, the Internal Audit Department of the Bank, with enhancing risk management and elevating the standard of internal control as major working objectives, regulatory developments and actual developments of the Bank as the guiding directions, the scope and meticulousness of audit had been increasing. Combined with the actual development of the department in continuously standardizing the basic work flow of auditing, optimizing the management model audit project on key areas in risk business lines and regulatory departments and strictly enforcing discipline in auditing work, a strong guarantee for the development of the audit work was provided. To overcome the impact of the epidemic, the Bank's internal audit department actively innovated audit measures, made full use of various information system platforms, used audit methods such as big data analysis, telephone interviews, questionnaires and remote research, upgraded the audit work platform system and increased off-site audit analysis to provide strong support for the effective implementation of audit work. On the basis of completing the audit tasks with high quality and efficiency, the Bank's internal audit department further sorted out and improved the construction of the internal audit management system in accordance with the regulatory requirements and the Bank's business development, grasped the pulse of regulatory guidance, focused on regulating business conduct, strengthened supervision of the rectification of problems, and effectively prevented financial risks.

**VI. Future 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.

# CHAPTER 4 CHANGES IN ORDINARY SHARES AND PARTICULARS OF SHAREHOLDERS

## I. Changes in Ordinary Shares of the Bank

### (I) Share Capital

During the Reporting Period, there was no change in the share capital of Ordinary Shares. As at the end of the Reporting Period, the issued Ordinary Shares amounted to 13,981,615,684 Shares, comprising of 10,464,295,684 Domestic Shares and 3,517,320,000 H Shares, and the total share capital of the Bank amounted to RMB13,981,615,684.

### (II) Chart on Changes in the Number of Shares

	As at 31 December 2020		Changes during the Reporting Period			As at 30 June 2021	
	Number of Shares	Percentage (%)	Issues of New Shares	Others	Sub-Total	Number of Shares	Percentage (%)
1. Shareholding of Corporate Shareholders of Domestic Shares	10,386,698,558	74.29	-	-	-	10,386,698,558	74.29
Of which: (1) Shareholding of State - owned corporate shareholders	7,883,644,508	56.39	-	63,507,565	63,507,565	7,947,152,073	56.84
(2) Shareholding of Private corporate Shareholders	2,503,054,050	17.90	-	(63,507,565)	(63,507,565)	2,439,546,485	17.45
2. Shareholding of Individual Shareholders of Domestic Shares	77,597,126	0.55	-	-	-	77,597,126	0.55
3. H Shares	3,517,320,000	25.16	-	-	-	3,517,320,000	25.16
<b>Total</b>	<b>13,981,615,684</b>	<b>100.00</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13,981,615,684</b>	<b>100.00</b>

## II. Particulars of Shareholders of Ordinary Shares of the Bank

### (I) Shareholding of Shareholders

As at the end of the Reporting Period, the Bank had issued 13,981,615,684 Ordinary Shares in total, of which 10,464,295,684 were Domestic Shares and 3,517,320,000 were H Shares.

As at the end of the Reporting Period, the total number of holders of Domestic Shares was 2,223.

#### Shareholding of the Top Ten holders of Domestic Shares as at the end of the Reporting Period

No.	Name of Shareholders	Nature of Shareholding	Total Number of Shares held	Percentage of Total Shareholding (%)	Pledged Shares
1	Beijing Chengfang Huida Enterprise Management Co., Ltd. (北京成方匯達企業管理有限公司)	State-owned	5,270,000,000	37.69	–
2	Liaoning Financial Holding Group Co., Ltd. (遼寧金融控股集團有限公司)	State-owned	930,000,000	6.65	–
3	ICBC Financial Asset Investment Co., Limited (工銀金融資產投資有限公司)	State-owned	841,822,258	6.02	–
4	Cinda Investment Co., Ltd. (信達投資有限公司)	State-owned	505,093,350	3.61	–
5	China Greatwall Assets Management Co., Ltd. (中國長城資產管理股份有限公司)	State-owned	400,236,465	2.86	–
6	Yinchuan Baota Refined Chemical Industry Co., Ltd. (銀川寶塔精細化工有限公司)	Private	250,000,000	1.79	250,000,000
7	Greenland Financial Holdings Group Company Limited (綠地金融投資控股集團有限公司)	Private	150,000,000	1.07	–
8	Beijing Urban Construction Investment Development Co., Ltd. (北京城建投資發展股份有限公司)	Private	130,000,000	0.93	–
9	Jinzhou Daxing Construction Group Co., Ltd. (錦州大興建設集團有限公司)	Private	110,000,000	0.79	–
10	Kong Sun Yongtai Investment Holdings Limited (江山永泰投資控股有限公司)	Private	107,500,000	0.78	107,500,000
<b>Total</b>			<b>8,694,652,073</b>	<b>62.19</b>	<b>357,500,000</b>

**Interests and Short Positions of Substantial Shareholders and Other Persons**

As at the end of the Reporting Period, the following persons, other than the Directors, Supervisors and chief executives of the Bank, had interests or short positions in the Shares or underlying Shares of the Bank, pursuant to section 336 of the SFO, which were required to be recorded in the register maintained by the Bank:

Name of Shareholders/Name	Nature of Interests	Class of Shares	Number of Shares held directly or indirectly <sup>(1)</sup> (Share)	Approximate Percentage of the Issued Class of Shares of the Bank <sup>(1)</sup> (%)	Approximate Percentage of the Total Issued Ordinary Shares of the Bank <sup>(1)</sup> (%)
<b>Domestic Shares</b>					
Beijing Chengfang Huida Enterprise Management Co., Ltd. (北京成方匯達企業管理有限公司) <sup>(2)</sup>	Beneficial Owner	Domestic Shares	5,270,000,000 (L)	50.36	37.69
Huida Asset Management Co., Ltd. (匯達資產託管有限責任公司) <sup>(2)</sup>	Interest of Controlled Corporation	Domestic Shares	5,270,000,000 (L)	50.36	37.69
Liaoning Financial Holding Group Co., Ltd. (遼寧金融控股集團有限公司)	Beneficial Owner	Domestic Shares	930,000,000 (L)	8.89	6.65
ICBC Financial Asset Investment Co., Ltd. (工銀金融資產投資有限公司) <sup>(3)</sup>	Beneficial Owner	Domestic Shares	841,822,258 (L)	8.04	6.02
Industrial and Commercial Bank of China Limited (中國工商銀行股份有限公司) <sup>(3)</sup>	Interest of Controlled Corporation	Domestic Shares	841,822,258 (L)	8.04	6.02
Central Huijin Investment Ltd. (中央匯金投資有限責任公司) <sup>(3)</sup>	Interest of Controlled Corporation	Domestic Shares	841,822,258 (L)	8.04	6.02
<b>H Shares</b>					
Wah Li (Hong Kong) Limited <sup>(4)</sup>	Beneficial Owner	H Shares	247,042,000 (L)	7.02	1.77
Chiu Yung <sup>(4)</sup>	Interest of Controlled Corporation	H Shares	247,042,000 (L)	7.02	1.77
Ng Ching <sup>(4)</sup>	Interests of Spouse	H Shares	247,042,000 (L)	7.02	1.77
Grand Fortune Venture Limited <sup>(5)</sup>	Beneficial Owner	H Shares	201,700,000 (L)	5.73	1.44
Xuzhou Zhong'an Mining Services Ltd. (徐州中安礦業服務有限公司) <sup>(5)</sup>	Interest of Controlled Corporation	H Shares	201,700,000 (L)	5.73	1.44
Zhang Yuan (張遠) <sup>(5)</sup>	Interest of Controlled Corporation	H Shares	201,700,000 (L)	5.73	1.44
Beijing Jingyuan Wanlong Investment Management Company Ltd. (北京京元萬隆投資管理有限責任公司) <sup>(6)</sup>	Interest of Controlled Corporation	H Shares	200,000,000 (L)	5.69	1.43
Li Feng (李鳳) <sup>(6)</sup>	Interest of Controlled Corporation	H Shares	200,000,000 (L)	5.69	1.43
Wang Xiaoliang (王曉亮) <sup>(6)</sup>	Interest of Controlled Corporation	H Shares	200,000,000 (L)	5.69	1.43

Notes:

- (1) As at the end of the Reporting Period, the Bank had issued 13,981,615,684 Ordinary Shares in aggregate, among which 10,464,295,684 were Domestic Shares and 3,517,320,000 were H Shares. (L) represents long positions and (S) represents short positions.
- (2) Such Shares are held by Chengfang Huida, which is wholly-owned by Huida Asset Management Co., Ltd. (匯達資產託管有限責任公司, “**Huida Asset Management**”). Under the SFO, Huida Asset Management is deemed to be interested in all the Shares held by Chengfang Huida.
- (3) Such Shares are held by ICBC Financial Asset Investment Co., Ltd. (工銀金融資產投資有限公司, “**ICBC Investment**”), which is wholly-owned by ICBC, which is in turn held by Central Huijin Investment Ltd. (中央匯金投資有限責任公司, “**Central Huijin**”) as to 34.71%. Under the SFO, ICBC and Central Huijin are deemed to be interested in all the Shares held by ICBC Investment.
- (4) Such Shares are held by Wah Li (Hong Kong) Limited (香港華麗有限公司), which is wholly-owned by Chiu Yung, and Ng Ching is the spouse of Chiu Yung. Under the SFO, Chiu Yung and Ng Ching are deemed to be interested in all the Shares held by Wah Li (Hong Kong) Limited.
- (5) Such Shares are held by Grand Fortune Venture Limited, which is wholly-owned by Xuzhou Zhong’an Mining Services Limited (徐州中安礦業服務有限公司, “**Xuzhou Zhong’an**”), which is in turn held by Zhang Yuan (張遠) as to 80%. Under the SFO, Xuzhou Zhong’an and Zhang Yuan are deemed to be interested in all the Shares held by Grand Fortune Venture Limited.
- (6) Such Shares are held by Hong Kong Jingyuan Wanlong Investment Management Co., Limited, which is wholly-owned by Beijing Jingyuan Wanlong Investment Management Co., Ltd. (北京京元萬隆投資管理有限責任公司, “**Jingyuan Wanlong**”), which is in turn held by Li Feng (李鳳) and Wang Xiaoliang (王曉亮) as to 60% and 40%, respectively. Under the SFO, Jingyuan Wanlong, Li Feng and Wang Xiaoliang are deemed to be interested in all the Shares held by Hong Kong Jingyuan Wanlong Investment Management Co., Limited.

Save as disclosed above, the Bank is not aware of any other person, other than the Directors, Supervisors and chief executives of the Bank, who had interests or short positions in the Shares and underlying Shares of the Bank as at the end of the Reporting Period, pursuant to section 336 of the SFO, which were required to be recorded in the register maintained by the Bank.

## (II) Circumstances of Substantial Shareholders Prescribed in Provisional Measures of Equity Management in Commercial Banks

Pursuant to the Interim Measures for the Equity Management of Commercial Banks 《商業銀行股權管理暫行辦法》 issued by the Former CBRC, substantial shareholders of commercial banks refer to shareholders who hold or control more than 5% of the shares or voting rights of a commercial bank, or hold less than 5% of total capital or shares but have a significant impact on the operation and management of a commercial bank. The above-mentioned significant impacts include but are not limited to the appointment of directors, supervisors or senior management of a commercial bank, affecting the financial and operational management decisions of the commercial bank through agreements or other means, and other circumstances identified by the CBIRC or its local offices. At the end of the Reporting Period, Chengfang Huida, Liaoning Financial Holding and ICBC Investment, which directly held 37.69%, 6.65% and 6.02% of the Ordinary Shares of the Bank, respectively, were the substantial shareholders of the Bank. Cinda Investment Co., Ltd. (信達投資有限公司), China Greatwall Assets Management Co., Ltd. (中國長城資產管理股份有限公司), Greenland Financial Holdings Group Company Limited (綠地金融投資控股集團有限公司) and Beijing Urban Construction Investment Development Co., Ltd. (北京城建投資發展股份有限公司), which recommended Directors or Supervisors to the Bank, have significant impact on the Bank, are also the substantial shareholders of the Bank under the Interim Measures for the Equity Management of Commercial Banks 《商業銀行股權管理暫行辦法》.

Chengfang Huida was established on 15 May 2019 with registered capital of RMB1.00 million. Its legal representative is Huang Mudong (黃慕東). Its domicile is at Room 306, 3/F, Zhong Shang Building, No. 5 Sanlihe East Road, Xicheng District, Beijing. Its business scope includes business management, market research, economic and trade consultation (the enterprises shall choose their own business projects and conduct business activities in accordance with the laws; for projects requiring approval in accordance with the laws, the enterprises shall conduct business activities in accordance with the approved scope after approval by the relevant departments; and any enterprise shall not engage in business activities of prohibited and restricted items under the industrial policy of the city). The term of operation is from 15 May 2019 to 14 May 2049. As at the end of the Reporting Period, Chengfang Huida held 5,270,000,000 Shares of the Bank, representing 37.69% of the total share capital of the Ordinary Shares, and pledged no Shares of the Bank. Pursuant to the information submitted by Chengfang Huida, its controlling shareholder, de facto controller and ultimate beneficiary is Huida Asset Management and there is no person acting in concert with it.

Liaoning Financial Holding was established on 18 December 2019 with registered capital of RMB20.0 billion. Its legal representative is Liu Bo (劉波). Its domicile is at 1503, No. 75-1 Jinfeng Street, Shenfu New District, Liaoning Province. Its business scope includes investment and capital management, capital investment services, non-public offering of securities investment funds, holding company services, financial information services. (The enterprises shall choose their own business projects and conduct business activities in accordance with the laws.) (For projects requiring approval in accordance with the laws, the enterprises shall conduct business activities after approval by the relevant departments). The term of operation is from 18 December 2019 to long-term. As at the end of the Reporting Period, Liaoning Financial Holding held 930,000,000 Shares of the Bank, representing 6.65% of the total share capital of the Ordinary Shares, and pledged no Shares of the Bank. Pursuant to the information submitted by Liaoning Financial Holding, its controlling shareholder, de facto controller and ultimate beneficiary is the Finance Department of Liaoning Province without a party acting in concert.

ICBC Investment was established on 26 September 2017 with a registered capital of RMB27.0 billion. The legal representative is Feng Junfu (馮軍伏). The domicile is 19-20/F, Building B, Phase I, Yangzi Science and Innovation Center, Jiangbei New District, 211 Pubin Road, Nanjing City, Jiangsu Province. Its business scope includes acquisition of the debt equity held by banks in enterprises for the purpose of debt-to-equity swap, and conversion of debt equity into equity interests for further management; restructuring, transferring and disposing of debt equity failed to be converted into equity interests; investment in equity interests of enterprises for the purpose of debt-to-equity swap, enabling invested enterprises to discharge their existing debt obligations with the equity investment funds; private placement of asset management products to qualified investors to finance the implementation of the debt-to-equity swap according to laws and regulations; offering of financial bonds; financing by means of bond repurchase, inter-bank lending and borrowing and inter-bank loans; necessary investment management of proprietary funds and raised funds, where the proprietary funds can be used to conduct business such as inter-bank deposits and placements, purchase of treasury bonds or other fixed-income securities and the raised funds shall be utilized in accordance with the agreed usage; financial advisory and consulting business on debt-to-equity swap; and other business as approved by the banking regulatory authorities of the State Council (the operation of items subject to approval under laws shall be carried out with the approval of relevant authorities). The term of operation is from 26 September 2017 to an indefinite period. As at the end of the Reporting Period, ICBC Investment held 841,822,258 Shares of the Bank, representing 6.02% of the total share capital of the Ordinary Shares, and no Shares of the Bank were pledged. During the Reporting Period, Mr. Zhao Chuanxin (趙傳新), a non-executive Director of the Bank, was the deputy general manager of the assets and liabilities management department of ICBC (ICBC Investment is a wholly-owned subsidiary of ICBC). Ms. Ning Jie (寧潔), a non-executive Director, was the deputy general manager of credit and investment management department of ICBC. Ms. Gu Jihong (顧繼紅), a non-executive Director, was an expert and special assigned director of strategic management and investor relationships department of ICBC. Pursuant to the information submitted by ICBC Investment, its controlling shareholder, the de facto controller and the ultimate beneficial owner are ICBC, which was listed on Shanghai Stock Exchange (stock code: 601398) and on the Hong Kong Stock Exchange (stock code: 1398), and there is no person acting in concert.

Cinda Investment Co., Ltd. was established on 1 August 2000 with a registered capital of RMB2.0 billion; the legal representative is Zhang Jushan (張巨山). The domicile is Building 1, No. 9 Yard, Naoshikou Street, Xicheng District, Beijing. The business scope includes foreign investment; commercial real estate management, hotel management, property management, assets management; assets restructuring; investment consulting; and investment advising. (Market entities shall choose their own business projects and conduct business activities in accordance with the laws; for projects requiring approval in accordance with the laws, the entities shall conduct business activities in accordance with the approved scope after approval by the relevant departments; and any entity shall not engage in business activities of prohibited and restricted items under the industrial policy of the country and the city.) The term of operation is from 1 August 2000 to 31 July 2050. As at the end of the Reporting Period, Cinda Investment Co., Ltd. held 505,093,350 Shares of the Bank, representing 3.61% of the total share capital of the Ordinary Shares, and no Shares of the Bank were pledged. During the Reporting Period, Mr. Lyu Fei (呂飛), a non-executive Director of the Bank, was the director of the office to the board of directors of Cinda Investment Co., Ltd. Pursuant to the information submitted by Cinda Investment Co., Ltd., its controlling shareholder is China Cinda Asset Management Co., Ltd., which is listed on the Hong Kong Stock Exchange (stock code: 01359), whose de facto controller and the ultimate beneficial owner is the Ministry of Finance of the People's Republic of China, and there is no person acting in concert.

China Greatwall Assets Management Co., Ltd. was established on 2 November 1999 with a registered capital of RMB51,233,609,796; the legal representative is Shen Xiaoming (沈曉明). The domicile is No. 2 Yuetan North Street, Xicheng District, Beijing. The principal business includes acquisition of and being entrusted to manage the non-performing assets of the financial institutions, and management, investment and dispose of the non-performing assets. The term of operation is from 2 November 1999 for an indefinite period. As at the end of the Reporting Period, China Greatwall Assets Management Co., Ltd. held 400,236,465 Shares of the Bank, representing 2.86% of the total share capital of the Ordinary Shares, and no Shares of the Bank were pledged. During the Reporting Period, Mr. Luo Nan (羅楠), a non-executive Director of the Bank, was a party committee member, the head of risk management and secretary of discipline inspection commission of Liaoning subsidiary of this company. Pursuant to the information submitted by China Great Wall Asset Management Co., Ltd. (中國長城資產管理股份有限公司), its controlling shareholder, de facto controller and ultimate beneficial owner is the Ministry of Finance of the People's Republic of China, and there is no person acting in concert.

Greenland Financial Holdings Group Company Limited was established on 18 April 2011 with registered capital of RMB9.0 billion. Its legal representative is Geng Jing (耿靖). Its domicile is at Room 888, No. 2 Building, No. 1800 Panyuan Road, Chongming, Shanghai (Shanghai Taihe Economic Development Zone). Its business scope includes financial asset investment, asset management, investment management, business consultation and services. (For projects requiring approval in accordance with the laws, the enterprises shall conduct business activities after approval by the relevant departments). The term of operation is from 18 April 2011 for an indefinite period. As at the end of the Reporting Period, Greenland Financial Holdings Group Company Limited held 150,000,000 Shares of the Bank, representing 1.07% of the total share capital of the Ordinary Shares, and no Shares of the Bank were pledged. During the Reporting Period, Mr. Wu Zhengkui (吳正奎), a shareholder representative Supervisor of the Bank, was an executive director of Greenland Hong Kong Holdings Limited, which is listed on the Hong Kong Stock Exchange (stock code: 337). Pursuant to the information submitted by Greenland Financial Holdings Group Company Limited, its controlling shareholder is Greenland Digital Technology Company Limited (綠地數字科技有限公 司), and its de facto controller and ultimate beneficial owner is Greenland Holdings Group Company Limited, which is listed on Shanghai Stock Exchange (stock code: 600606), and there is no person acting in concert.

Beijing Urban Construction Investment Development Co., Ltd. (北京城建投資發展股份有限公司), listed on the Shanghai Stock Exchange (stock code: 600266), was established on 30 December 1998 with a registered capital of RMB2,256.5376 million; the legal representative is Chen Daihua (陳代華). The domicile is the 19/F of Building 2, Daliushu Fuhai Center, Haidian District, Beijing, the PRC. The business scope includes real estate development, sales of commercial property; investment and investment management; sales of metal materials, timber, building materials, machinery and electrical equipment; information consulting (excluding intermediary services); environmental technology development and technical services. (Market entities shall choose their own business projects and conduct business activities in accordance with the laws; for projects requiring approval in accordance with the laws, the entities shall conduct business activities in accordance with the approved scope after approval by the relevant departments; and any entity shall not engage in business activities of prohibited and restricted items under the industrial policy of the country and the city.) The term of operation is from 30 December 1998 for an indefinite period. As at the end of the Reporting Period, Beijing Urban Construction Investment Development Co., Ltd. held 130,000,000 Shares of the Bank, representing 0.93% of the total share capital of the Ordinary Shares, and no Shares of the Bank were pledged. As at the end of the Reporting Period, Ms. Tang Fang (唐芳), a shareholder representative Supervisor of the Bank, was the deputy director of the directors and supervisors affairs department of this company. Pursuant to the information submitted by Beijing Urban Construction Investment Development Co., Ltd., its controlling shareholder is Beijing Urban Construction Group Co., Ltd. (北京城建集團有限責任公司) and its de facto controller is Beijing State-owned Assets Supervision and Administration Commission, and there is no person acting in concert.

**(III) Shareholders holding more than 5% of the Total Ordinary Share Capital**

As at the end of the Reporting Period, Chengfang Huida held 5,270,000,000 Domestic Shares of the Bank, representing a shareholding of 37.69% of the total share capital of the Ordinary Shares of the Bank; Liaoning Financial Holding held 930,000,000 Domestic Shares of the Bank, representing a shareholding of 6.65% of the total share capital of the Ordinary Shares of the Bank; and ICBC Investment held 841,822,258 Domestic Shares of the Bank, representing a shareholding of 6.02% of the total share capital of the Ordinary Shares of the Bank. Save for the above Shareholders, no Shareholders hold more than 5% of Ordinary Shares of the Bank as at the end of the Reporting Period.

**(IV) Particulars of Controlling Shareholders and Actual Controller**

The Bank has no controlling Shareholder or actual controller pursuant to the Interim Measures for the Equity Management of Commercial Banks 《商業銀行股權管理暫行辦法》.

As at the end of the Reporting Period, Chengfang Huida held 5,270,000,000 Domestic Shares of the Bank, representing a shareholding of 37.69% of the total share capital of the Ordinary Shares of the Bank; Liaoning Financial Holding held 930,000,000 Domestic Shares of the Bank, representing a shareholding of 6.65% of the total share capital of the Ordinary Shares of the Bank; and ICBC Investment held 841,822,258 Domestic Shares of the Bank, representing a shareholding of 6.02% of the total share capital of the Ordinary Shares of the Bank.

**(V) Performance of Undertakings by the Bank and Shareholders holding more than 5% of the Shares**

As at the end of the Reporting Period, there was no undertakings by the Bank and the Shareholders holding more than 5% of Ordinary Shares.

**(VI) Pledging and Freezing of Shares in respect of Ordinary Shares of the Bank**

As at the end of the Reporting Period, there was no pledging and freezing of Ordinary Shares in respect of Shareholders holdings more than 5% (inclusive) of the total share capital of Ordinary Shares of the Bank.

As at the end of the Reporting Period, to the knowledge of the Bank, 988,865,582 Domestic Shares were pledged, representing 7.07% of the total issued Ordinary Shares; 419,112,322 Domestic Shares were frozen, representing 3.00% of the total issued Ordinary Shares.

According to Article 73 of the Bank's Articles of Association, when the number of shareholders' pledges of the Bank's shares reaches or exceeds 50% of their shareholdings in the Bank, restrictions shall be placed on their voting rights at general meetings and on the voting rights of directors nominated by them at the meetings of the Board of Directors. During the Reporting Period, the Bank has imposed restrictions on voting rights for relevant shares at the 2020 annual general meeting.

# CHAPTER 5 PARTICULARS OF OFFSHORE PREFERENCE SHARES

## I. Issuance and Listing of Offshore Preference Shares for the Past Three Years as of the End of the Reporting Period

For the past three years as of the end of the Reporting Period, the Bank did not issue any new offshore Preference Shares.

Pursuant to the approval of the former CBRC Liaoning Regulatory Bureau (Liaoyinjianfu [2017] No. 133) and the CSRC (CSRC [2017] No. 1833), on 27 October 2017, the Bank issued non-accumulative perpetual Offshore Preference Shares of US\$1.496 billion (stock short name of offshore preference share: BOJZ 17USDPRF, stock code: 4615) over the counter. The Offshore Preference Shares were listed on the Hong Kong Stock Exchange on 30 October 2017. The par value of the Offshore Preference Shares was RMB100 each at an issue price of US\$20 per share. The Offshore Preference Shares issued amounted to 74,800,000 shares, all of which were fully paid in US dollars.

According to the RMB exchange rate announced by the China Foreign Exchange Trading Center on 27 October 2017, the total amount of proceeds raised from the issue of Offshore Preference Shares was approximately RMB9.944 billion. After deducting relevant commissions and expenses for issuance, the proceeds raised from the issuance of Offshore Preference Shares have been used to supplement other tier-one capital of the Bank in accordance with the applicable laws and regulations and the approval of the relevant regulatory authorities such as the former CBRC Liaoning Regulatory Bureau and the CSRC.

Please refer to the announcements issued by the Bank on the website of the Hong Kong Stock Exchange and website of the Bank for the terms of the issuance of Offshore Preference Shares.

## II. Number of Offshore Preference Shareholders and Their Shareholdings

As at the end of the Reporting Period and as at the Latest Practicable Date, the Bank has one offshore preference shareholder.

As at the end of the Reporting Period, the shareholdings of the top 10 offshore preference shareholders (or proxies) of the Bank were as follows:

Name of shareholder	Nature of shareholder	Class of shares	Change during the Reporting Period	Proportion of shareholding (%)	Total number of shares held	Number of shares held with restrictive conditions	Number of shares pledged or frozen
The Bank of New York Depository (Nominees) Limited	Offshore legal person	Offshore Preference Shares	-	100.0	74,800,000	-	Unknown

Notes:

1. The shareholdings of offshore preference shareholders of the Bank are based on the information listed in the register of holders of the Offshore Preference Shares of the Bank.
2. Since such Offshore Preference Share issuance is non-public and offshore, those appears on the register of offshore preference shareholders are the proxy information of the allocated investor.
3. The Bank is not aware of whether there is any connected relationship between the above-mentioned offshore preference shareholders of the Bank and the top 10 ordinary Shareholders, or if they are acting in concert under the Codes on Takeovers and Mergers and Share Buybacks (《公司收購、合併及股份回購守則》).

### III. Changes in Offshore Preference Shares

Class of preference shares	Number of issued Offshore Preference Shares held as at 31 December 2020	Change during the Reporting Period	Number of issued Offshore Preference Shares held as at 30 June 2021
US dollar Offshore Preference Shares	74,800,000	–	74,800,000

### IV. Profit Distribution of Offshore Preference Shares

During the Reporting Period, there was no dividend distribution for Offshore Preference Shares in the Bank.

### V. Repurchase or Conversion of Offshore Preference Shares

During the Reporting Period, there was no repurchase or conversion of Offshore Preference Shares in the Bank.

### VI. Dilution Impact on the Shares in the Event that all Outstanding Offshore Preference Shares were Converted as at 30 June 2021

As at the end of the Reporting Period, the outstanding principal amount of all 74,800,000 Offshore Preference Shares was US\$1.496 billion. Assuming that the conditions of mandatory conversion were activated and that the conversion price was the initial mandatory conversion price, i.e. HK\$9.09 per H Share, a maximum number of 1,278,084,312 H Shares (as converted into HK dollars at the conversion exchange rate of US\$1.00 to HK\$7.7659) would be issued upon conversion of all outstanding Offshore Preference Shares, representing approximately 9.14% of the then existing issued share capital of the Bank and approximately 8.38% of the issued share capital of the Bank as enlarged by the issue of the H Shares as at 30 June 2021 upon the conversion of all the outstanding Offshore Preference Shares. Based on the net profit attributable to equity shareholders of the parent company for the six months ended 30 June 2021 which amounted to approximately RMB430 million, the basic and diluted earnings per share would be diluted to approximately RMB0.03 assuming occurrence of such conversion.

Conversion price of the Offshore Preference Shares will be subject to adjustment for distributing bonus shares with respect to the H Shares, making capitalization issues, issuing H Shares below the market price of the H Shares (excluding any increase in the share capital as a result of conversion of certain financial instruments issued by the Bank that are convertible into Ordinary Shares) or making any rights issues, as the case may be, which may have impacts on the rights of the holders of the Offshore Preference Shares. Under the premise of obtaining the approval of the CBIRC and conditions of redemption, the Bank has right to redeem all or some of Offshore Preference Shares on first call date and any subsequent dividend payment date. The first redemption date is set at five years after issuance, i.e. 27 October 2022. Additional information of the main clauses of the Offshore Preference Shares is set out in the note 39 to the financial statements in this interim report.

## VII. Resumption of Offshore Preference Shares Voting Rights in Reporting Period

During the Reporting Period, there was no resumption of Offshore Preference Shares voting rights in the Bank.

## VIII. Accounting Policies and Reasoning Adopted by Offshore Preference Shares

According to the “Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments”, “Accounting Standards for Business Enterprises No. 37 – Reporting of Financial Instruments”, “Differentiation of Financial Liabilities and Equity Instruments and Relevant Accounting Regulations” issued by the Ministry of Finance and the “International Financial Reporting Standards No. 9 – Financial Instruments” and “International Accounting Standards No. 32 – Financial Instruments: Disclosure and Presentation” issued by International Accounting Standards Board as well as the key terms of the Offshore Preference Shares, the Offshore Preference Shares issued by the Bank met the requirements for accounting as an equity instrument. Therefore, the Offshore Preference Shares issued by the Bank were accounted for as equity instruments.

# CHAPTER 6 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, EMPLOYEES AND ORGANIZATIONS

## I. Information on Directors, Supervisors and Senior Management

As at the Latest Practicable Date, the basic information on the Directors, Supervisors and senior managements of the Bank was as follows:

Name	Gender	Age	Position	Since <sup>(1)</sup>
WEI XUEKUN	Male	58	Chairman	12 December 2019
			Executive Director	30 October 2019
GUO Wenfeng	Male	49	Vice Chairman	12 December 2019
			Executive Director	30 October 2019
			President	2 August 2019
KANG Jun	Male	52	Executive Director	30 October 2019
			Vice President	2 August 2019
YANG Weihua	Male	53	Executive Director	30 October 2019
			Vice President	2 August 2019
YU Jun	Male	51	Executive Director	30 October 2019
			Secretary to the Board	1 April 2021
			Chief Financial Officer	2 August 2019
ZHAO Chuanxin	Male	56	Non-executive Director	14 November 2019
NING Jie	Female	50	Non-executive Director	14 November 2019
GU Jihong	Female	50	Non-executive Director	30 October 2019
LYU Fei	Male	55	Non-executive Director	30 October 2019
LUO Nan	Male	56	Non-executive Director	30 October 2019
WU Jun	Male	67	Independent non-executive Director	30 October 2019
XIE Taifeng	Male	63	Independent non-executive Director	30 October 2019
XIAO Geng	Male	58	Independent non-executive Director	21 January 2020
WANG Xiongyuan	Male	49	Independent non-executive Director	30 October 2019
SU Mingzheng	Male	41	Independent non-executive Director	30 October 2019
WANG Zunzhou	Male	44	Chairman of Board of Supervisors	10 March 2021
			Employee Representative Supervisor	5 March 2021
LIU Liguo	Male	42	Employee Representative Supervisor	18 October 2019
WU Hai'ou	Female	41	Employee Representative Supervisor	18 October 2019
WU Zhengkui	Male	46	Shareholder Representative Supervisor	18 October 2019
TANG Fang	Female	43	Shareholder Representative Supervisor	18 October 2019
MENG Xuefeng	Male	43	External Supervisor	18 October 2019
GUO Limao	Male	37	External Supervisor	18 October 2019
HU Guojie	Male	56	External Supervisor	18 October 2019
SONG Guohui	Male	53	Vice President	1 April 2021
GENG Chuandong	Male	47	Vice President	1 April 2021
CHEN Zhixiang	Male	45	Chief Information Officer	1 April 2021
ZHANG Yongchao	Male	44	Chief Risk Officer	1 April 2021
ZHOU Bo	Male	41	Chief Legal Officer	1 April 2021

Note:

- (1) The effective date of appointment is the date when the relevant qualification is approved by the regulatory authorities, if applicable.

## II. Changes in Directors, Supervisors and Senior Management

### (I) Changes in Directors

During the Reporting Period, there is no change in Directors of the Bank.

### (II) Changes in Supervisors

On 5 January 2021, Mr. Zhang Tao resigned as an employee representative Supervisor of the Bank and chairman of Board of Supervisors due to work adjustments. His resignation has been effective from the date when the new Supervisor succeeding to him officially performed his duties, being 5 March 2021.

On 5 March 2021, Mr. Wang Zunzhou was elected as the employee representative Supervisor of the sixth session of the Board of Supervisors of the Bank at the meeting of employee representatives of the Bank. His terms of service commenced from 5 March 2021 to the expiration of the term of the sixth session of the Board of Supervisors. On 10 March 2021, as considered and approved at the tenth meeting of the sixth session of the Board of Supervisors of the Bank, Mr. Wang Zunzhou was elected as the chairman of the sixth session of the Board of Supervisors of the Bank for the period from 10 March 2021 to the expiration of the term of the sixth session of the Board of Supervisors.

### (III) Changes in Senior Management

On 13 December 2019, upon consideration and approval at the second meeting of the sixth session of the Board, Mr. Yu Jun was appointed as the secretary to the Board. On 1 April 2021, the Bank has received the approval from CBIRC Liaoning Regulatory Bureau in respect of his qualification to serve as the secretary to the Board of the Bank. His term of office commenced from 1 April 2021 until the expiration of the term of the sixth session of the Board.

On 19 May 2020, upon consideration and approval at the fifth meeting of the sixth session of the Board, Mr. Chen Zhixiang was appointed as the chief information officer, Mr. Zhang Yongchao was appointed as the chief risk officer, and Mr. Zhou Bo was appointed as the chief legal officer. On 1 April 2021, the Bank has received the approval from CBIRC Liaoning Regulatory Bureau in respect of the qualifications of Mr. Chen Zhixiang, Mr. Zhang Yongchao and Mr. Zhou Bo to serve as the chief information officer, the chief risk officer and the chief legal officer of the Bank, respectively. Their terms of office commenced from 1 April 2021 until expiration of the term of the sixth session of the Board.

On 24 November 2020, upon consideration and approval at the tenth meeting of the sixth session of the Board, Mr. Song Guohui and Mr. Geng Chuandong were appointed as vice presidents. On 1 April 2021, the Bank has received the approval from CBIRC Liaoning Regulatory Bureau in respect of the qualifications of Mr. Song Guohui and Mr. Geng Chuandong to serve as vice presidents, respectively. Their terms of office commenced from 1 April 2021 until expiration of the term of the sixth session of the Board.

**(IV) Changes in Information of Directors and Supervisors**

Mr. Yu Jun, an executive Director, has been elected as the director of Bank of Jinzhou Financial Leasing Co., Ltd. (錦銀金融租賃有限責任公司) since 30 December 2020, and received the approval from the CBIRC Liaoning Regulatory Bureau regarding the his qualification as the Director on 2 April 2021.

Mr. Xie Taifeng, an independent non-executive Director, has ceased to serve as an independent non-executive director of Bank of Zhengzhou Co., Ltd. (鄭州銀行股份有限公司) (which is listed on the Hong Kong Stock Exchange (stock code: 6196) and also listed on the Shenzhen Stock Exchange (stock code: 002936)) since 17 June 2021. His resignation will take effect on the day that the approval of the qualification of the new independent non-executive director of Bank of Zhengzhou Co., Ltd. to formally perform his duties obtained from Henan Regulatory Bureau of the CBIRC.

Mr. Xiao Geng, an independent non-executive Director, has ceased to serve as a professor of practice in finance at HSBC Business School, Peking University (北京大學匯豐商學院) since July 2021, and has served as the director of the Institute of Policy and Practice of Finance Institute, the Chinese University of Hong Kong (Shenzhen) (香港中文大學(深圳)高等金融研究院政策與實踐研究所) since August 2021.

Mr. Liu Liguu, a Supervisor, has served as the director of the office of the Bank, the director of the party committee office since 26 June 2021, and no longer served as the deputy director (chairing the work) of the office and the deputy director (chairing the work) of the party committee office of the Bank. He has also been elected as the chairman of the supervisory board of Bank of Jinzhou Financial Leasing Co., Ltd. (錦銀金融租賃有限責任公司) since 29 June 2021.

**III. 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 by 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.

#### IV. Interests and Short Positions of Directors, Supervisors and Chief Executive in Shares, Underlying Shares and Debentures of the Bank and its Associated Corporations

As at the end of the Reporting Period, the interests or short positions of the Directors, the Supervisors and the chief executive of the Bank in the shares, underlying shares and debentures of the Bank or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Bank under Section 352 of the SFO or as otherwise notified to the Bank and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules are as follows:

Name	Position in the Bank	Class of Shares	Nature of interest	Number of Shares <sup>(1)</sup>	Approximate Percentage of Domestic Shares issued of the Bank <sup>(1)</sup> (%)	Approximate Percentage of the total number of Ordinary Shares issued of the Bank <sup>(1)</sup> (%)
Liu Liguo	Employee Representative Supervisor	Domestic Shares	Beneficial owner	10,000 (L)	0.00010	0.00007
Wu Hai'ou	Employee Representative Supervisor	Domestic Shares	Beneficial owner	10,000 (L)	0.00010	0.00007

Note:

- (1) As at the end of the Reporting Period, the Bank issued 13,981,615,684 Ordinary Shares, including 10,464,295,684 domestic Shares and 3,517,320,000 H Shares. (L) represents long position.

Save as disclosed above, none of the Directors, the Supervisors and the chief executive held any interests or short positions in the Shares, underlying Shares and debentures of the Bank or its associated corporations as at the end of the Reporting Period.

#### V. Employees, Employee Compensation Policy and Employee Training Program

##### (I) Employee Composition

As at the end of the Reporting Period, the Bank (excluding its subsidiaries) had 4,989 full-time employees with the average age of 37.77, of which 3,724 employees or 74.6% had bachelor degrees or above.

In addition to full-time employees, as at the end of the Reporting Period, the Bank also had 1,029 contractors from third-party human resources agencies. These contractors are not the Bank's employees and enter into employment contracts with third party human resources agencies.

## (II) Employee Training Program

The Bank strives to build a comprehensive study-type bank, values the improvement of employee's overall qualities and skills and sets up scientific training system that combines comprehensive coverage with focused training. Our annual training program thoroughly considered the Bank's strategic deployment and the improvement on staff's ability, the integration of business support and job competence, the combined use of external experts and internal training teachers, and the comprehensive use of online and offline multi-dimensional training tools to achieve the purposes of improving our team, enhancing our abilities and driving the sustainable development of the Bank. The Bank reserved talents for all levels by carrying out the "535" talent project to build up a scientific talent team during the Reporting Period; nine lecture sessions on training for offline business at the head office level to meet the targeted training needs of different business lines; and create a new model of online and offline one-stop empowerment to achieve excellent internal knowledge accumulation and iteration.

## (III) Employee Incentive Policies

The Bank has always been committed to the research and formulation of employee incentive policies. By applying the advanced management tool, the Bank provides better mechanism and measures for the selection, appointment, cultivation and retention of talents, to ensure that the business development of Bank is supported by reliable human resources. Incentive policies of the Bank combined performance management system, employee career development system, new employee cultivation system and based on employee career development. It is a comprehensive management system based on professional sequence management, covering performance evaluation, ability evaluation, service improvement and cultivation plan. The professional sequence management system developed by the Bank broke the career development bottleneck of employees, expanded promotion spaces of employees, and satisfied their diversified career development requirements, which fully encouraged employees to realize their values.

## (IV) Remuneration Policies for Employees

Our remuneration policies are in line with the implementation of our strategic goals, the enhancement of our competitiveness, talent cultivation and risk control. These policies are developed based on the principles that satisfy our corporate governance requirements, give consideration to both the competitiveness and sustainability of the Bank, and are in line with our operating results adapted to risk cost. Remuneration of our employees comprises of fixed salary, variable compensation and allowance. Deferred payment and fixed term of payment are applied to senior management and key personnel to strengthen risk control. During the Reporting Period, our staff costs was RMB795,980 thousand.

## (V) Retirement and Benefits

According to applicable laws in China, the Bank's male employees, cadre female employees and non-cadre female employees reaching the age of 60, 55 and 50, respectively, shall retire. The salary of retired employees will be suspended and paid by the social insurance fund agency to their basic pension on a monthly basis starting from the second month after retiring procedures are completed. With respect to benefits, the headquarters and the branches shall make timely and full contribution to basic old-age pension, unemployment insurance, basic medical insurance, work-related injury insurance, maternity insurance, and housing provident fund for all in-service employees pursuant to applicable laws and regulations in China.

## VI. BRANCHES AND SUBSIDIARIES

Name of Branches/Subsidiaries	Location of Business	Remarks
Headquarter	No. 68 Keji Road, Jinzhou, Liaoning Province, the PRC	
Bank of Jinzhou Co., Ltd., Beijing Branch	No. 5 Jianguomenbei Avenue, Dongcheng District, Beijing, the PRC	With 6 sub-branches
Bank of Jinzhou Co., Ltd., Tianjin Branch	No. 236 Nanjing Road, Heping District, Tianjin, the PRC	With 7 sub-branches
Bank of Jinzhou Co., Ltd., Shenyang Branch	No. 18 Beizhan Road, Shenhe District, Shenyang, Liaoning Province, the PRC	With 13 sub-branches
Bank of Jinzhou Co., Ltd., Dalian Branch	No. 23 Renmin Road, Zhongshan District, Dalian, Liaoning Province, the PRC	With 6 sub-branches
Bank of Jinzhou Co., Ltd., Harbin Branch	No. 381 Youyi Road, Daoli District, Harbin, Heilongjiang Province, the PRC	With 8 sub-branches
Bank of Jinzhou Co., Ltd., Dandong Branch	No. 111 Jinshan Avenue, Yuanbao District, Dandong, Liaoning Province, the PRC	With 19 sub-branches
Bank of Jinzhou Co., Ltd., Fushun Branch	No. 13 Xinhua Avenue, Shuncheng District, Fushun, Liaoning Province, the PRC	With 18 sub-branches
Bank of Jinzhou Co., Ltd., Anshan Branch	No. 15- S1, S2, S3, S4, S5, Shenglinan Road Tiedong District, Anshan, Liaoning Province, the PRC	With 5 sub-branches
Bank of Jinzhou Co., Ltd., Chaoyang Branch	No. 5 Xinhua Road (Section 2), Shuangta District, Chaoyang, Liaoning Province, the PRC	With 6 sub-branches
Bank of Jinzhou Co., Ltd., Fuxin Branch	No. 75 Zhonghua Road, Xihe District, Fuxin, Liaoning Province, the PRC	With 2 sub-branches
Bank of Jinzhou Co., Ltd., Liaoyang Branch	No. 366-1 Xinhua Road, Baita District, Liaoyang, Liaoning Province, the PRC	With 2 sub-branches
Bank of Jinzhou Co., Ltd., Huludao Branch	1C Lanhua Plaza, Xinhua Avenue, Lianshan District, Huludao, Liaoning Province, the PRC	With 1 sub-branch
Bank of Jinzhou Co., Ltd., Benxi Branch	No. 8 Renmin Road, Pingshan District, Benxi, Liaoning Province, the PRC	With 1 sub-branch
Bank of Jinzhou Co., Ltd., Yingkou Branch	No. 12-A1, East Bohai Avenue, Zhanqian District, Yingkou City, Liaoning Province, China	With 1 sub-branch
Bank of Jinzhou Co., Ltd., Jinzhou Branch	No. 69 Shifu Road, Jinzhou, Liaoning Province, the PRC	With 106 sub-branches
Bank of Jinzhou Co., Ltd., Small Enterprise Financial Service Center	No. 25-1, 2 Zhongyang Avenue (Section 2), Linghe District, Jinzhou, Liaoning Province, the PRC	
Jinzhou Taihe Jinyin Village and Township Bank Co., Ltd.	No. 29-86, Jixiang Xinjiayuan, Taihe District, Jinzhou City, Liaoning Province, the PRC	With 6 sub-branches
Liaoning Yixian Jinyin Village and Township Bank Co., Ltd.	No. 38-21, Yingbin Road, Yizhou Town, Yixian, Jinzhou City, Liaoning Province, the PRC	With 4 sub-branches
Liaoning Beizhen Jinyin Village and Township Bank Co., Ltd.	No. 1-1-121, Lvshan Road, Beizhen City, Liaoning Province, the PRC	With 3 sub-branches
Liaoning Heishan Jinyin Village and Township Bank Co., Ltd.	House No. 9-14 (Level 1-3), City East, South Side, Diwang Fudi, No. 194, Zhongda Central Road, Heishan Town First Street, Heishan County, Liaoning Province, the PRC	With 2 sub-branches
Liaoning Kazuo Jinyin Village and Township Bank Co., Ltd.	No. 01011, Building 10, Lidu Shuian Community, Binhe North Road, Dachengzi Town, Kazuo County, Chaoyang, Liaoning Province, the PRC	With 1 sub-branch
Liaoning Linghai Jinyin Village and Township Bank Co., Ltd.	Outlet No. 57-60, Block 1, Ziguanghaoyuan, No. 5 Zhongxing Avenue, Linghai, Jinzhou, Liaoning Province, the PRC	
Liaoning Huanren Jinyin Village and Township Bank Co., Ltd.	No. 2, Unit 0, Building 1, Block 1 Xinshi Street, Huanren Town, Huanren Manchu Autonomous County, Benxi, Liaoning Province, the PRC	
Bank of Jinzhou Financial Leasing Co., Ltd.	No. 18, Beizhan Road, Shenhe District, Shenyang, Liaoning Province, the PRC	

# CHAPTER 7 IMPORTANT EVENTS

## I. Corporate Governance Overview

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, and established a corporate governance system accordingly. In accordance with relevant requirements, the Bank has set up dedicated and independent Board of Directors, Board of Supervisors and senior management. All members of Board of Directors and Board of Supervisors (excluding employee representative Supervisors) of the Bank were 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 all 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.

## II. Profits and Dividends

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 interim report.

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

## III. Issuance of Debt Securities

### (I) Tier-two Capital Issued

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.

### (II) Interbank Certificates of Deposit Issued

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).

**(III) Proposed Issuance of Debt Securities**

1. The Board has resolved, and the Shareholders have approved at the 2015 annual general meeting of the Bank held on 29 June 2016 that, subject to the approvals from regulatory authorities having been obtained, the Bank will issue the following debt securities:

Financial bonds for small and micro enterprises in an aggregate principal amount of up to RMB10.0 billion (inclusive) will be issued to members of the inter-bank bond market in China, for a term of maturity of less than five years (inclusive) at a fixed interest rate to be determined by the Bank and the lead underwriter according to the market environment at the time of issuance. The proceeds from the issuance of such bonds will be used for loans to small and micro enterprises. Upon consideration and approval at 2018 first extraordinary general meeting of the Bank held on 21 September 2018, the Bank extends term of validity of the bonds specialized for small and micro enterprises and the relevant authorization matters for 24 months, i.e. from 29 June 2018 to 28 June 2020. Upon consideration and approval at the 2019 annual general meeting of the Bank held on 11 September 2020, the Bank extends term of validity of the bonds specialized for small and micro enterprises and the relevant authorization matters for 24 months, i.e. from 29 June 2020 to 28 June 2022. Other than the extension of the term of validity of financial bonds specialized for small and micro enterprises and the relevant authorization matters, the other details on bonds specialized for small and micro enterprises disclosed in the circular of the Bank dated 13 May 2016 remain unchanged and will continue to be effective.

The Bank has received the Letter of Decision for the Grant of Administrative Authorization from PBOC (Yin Shi Chang Xu Zhun Yu Zi [2020] No. 81) and the Approval of CBIRC Liaoning Regulatory Bureau (Liao Yin Bao Jian Fu [2020] No. 168), respectively, in respect of the issue of the financial bonds specialized for small and micro enterprises. For details, please refer to the announcement of the Bank dated 28 June 2020. The Bank will issue the bonds in accordance with the actual situation and business development.

2. The Board has resolved, and the Shareholders have approved at the 2019 annual general meeting of the Bank held on 11 September 2020 that, subject to obtaining necessary approvals from regulatory authorities, the Bank will issue the following debt securities:

The Bank shall issue the financial bonds with nominal value of no more than RMB14.0 billion in one or more tranches for a term of no more than five years to the members in the national interbank bond market (excluding the subscribers as prohibited by the China's laws and regulations), at a coupon rate determined through the book building method for centralized placement or in accordance with the results of public tendering on the bonds issuance system of the PBOC according to the market conditions before the issuance. The raising funds shall be utilized in line with the laws and regulation, the approval from the regulatory authorities and bond types.

3. Subsequent to the Reporting Period, upon a resolution of the Board on 29 July 2021, subject to obtaining approvals of the general meeting to be held and relevant regulatory authorities, the Bank will issue the following bonds:

The Bank shall issue undated capital bonds and/or tier-two capital bonds in one or several tranches in due course of not more than RMB18.0 billion (inclusive) in aggregate, and may be issued in one or several tranches provided that the accumulated issue size may not exceed RMB18.0 billion within the validity period of the resolution, and it is preliminarily expected that the undated capital bonds will not exceed RMB10.0 billion and the tier-two capital bonds will not exceed RMB8.0 billion. The term of the undated capital bonds is consistent with the duration of the ongoing operation of the Bank. The term of tier-two capital bonds is not less than five years (inclusive). The interest rate is to be determined with reference to the market interest rate. The proceeds will be used to replenish the other tier-one capital and/or tier-two capital bonds of the Bank in accordance with the applicable laws and regulations and subject to the approval of the regulatory authorities.

#### **IV. Purchase, Sale and Redemption of Listed Securities or Redeemable Securities of the Bank**

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

#### **V. Related-party Transactions**

No material related-party transactions that had an adverse impact on the Bank's business results and financial position occurred during the Reporting Period.

#### **VI. Material Litigation and Arbitration**

As at the Latest Practicable Date, the Bank had not acted as a defendant in any material litigation or arbitration that adversely affected business activities.

#### **VII. Penalties Imposed on the Bank and its Directors, Supervisors and Senior Management Members**

During the Reporting Period, none of the Bank, the Directors, Supervisors and senior management members of the Bank had been subject to inspections, administrative penalties and circulating criticisms by CSRC or public censures by the Hong Kong Stock Exchange, or penalties by relevant regulatory bodies that caused a significant impact on the Bank's operation.

#### **VIII. Material Contracts and Their Performance**

During the Reporting Period, the Bank had no material contracts and performance.

## **IX. Implementation of New Accounting Standards**

The Bank has adopted relevant new accounting standards since 1 January 2021. For details and reasons, please refer to note 2 to the interim financial statements of this interim report.

## **X. Engagement and Dismissal of Auditors**

Upon the consideration and approval at the 2019 annual general meeting, the Bank has re-appointed Crowe (HK) CPA Limited as the auditor of the Bank for 2020. Upon the consideration and approval at the 2020 annual general meeting, the Bank has re-appointed Crowe (HK) CPA Limited as the auditor of the Bank for 2021.

## **XI. Material Acquisition and Disposal of Assets of Subsidiaries and Associates and Business Combinations**

During the Reporting Period, the Bank had no material acquisition and disposal of assets of subsidiaries and associates and business combinations.

## **XII. Share Option Scheme**

During the Reporting Period, the Bank did not adopt any share option scheme.

## **XIII. Review of Interim Report**

Financial statements disclosed in this interim report are unaudited. The interim financial statements for the six months ended 30 June 2021 of the Bank were prepared in accordance with the International Accounting Standards 34 issued by the International Accounting Standards Board and reviewed by Crowe (HK) CPA Limited in accordance with International Standard on Review Engagements 2410.

This interim report has been passed by the Board and the audit committee under it.

## **XIV. Publication of Interim Report**

This interim report is prepared in both English and Chinese versions. In the event of any discrepancies in interpretation between the English version and Chinese version, the Chinese version shall prevail.

## **XV. Subsequent Events**

For details of subsequent events, please refer to note 54 to the financial statements as set out in this interim report.

# CHAPTER 8 INDEPENDENT AUDITOR'S REPORT ON REVIEW



國富浩華（香港）會計師事務所有限公司  
**Crowe (HK) CPA Limited**  
香港 銅鑼灣 禮頓道77號 禮頓中心9樓  
9/F Leighton Centre,  
77 Leighton Road,  
Causeway Bay, Hong Kong

## REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

### TO THE BOARD OF DIRECTORS OF BANK OF JINZHOU CO., LTD.

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

## Introduction

We have reviewed the accompanying interim financial information set out on pages 95 to 191, which comprises the condensed consolidated statement of financial position of Bank of Jinzhou Co., Ltd. (the "Bank") and its subsidiaries (the "Group") as at 30 June 2021 and the condensed consolidated income statement, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards Board.

The directors are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## Scope of review

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

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with IAS 34.

### Crowe (HK) CPA Limited

Certified Public Accountants

Hong Kong, 20 August 2021

Chan Wai Dune, Charles

Practising Certificate Number P00712

# CHAPTER 9 UNAUDITED INTERIM FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, unless otherwise stated)

## CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2021

	Notes	For the six months ended 30 June	
		2021 Unaudited	2020 Unaudited
Interest income		19,124,154	20,940,446
Interest expense		(13,443,550)	(14,887,830)
<b>Net Interest Income</b>	4	<b>5,680,604</b>	6,052,616
Fee and commission income		313,699	118,491
Fee and commission expense		(22,129)	(25,682)
<b>Net fee and commission income</b>	5	<b>291,570</b>	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	8	1,951	8,655
<b>Operating income</b>		<b>6,190,168</b>	6,444,468
<b>Operating expenses</b>	9	<b>(1,435,592)</b>	(1,511,117)
<b>Operating profit before impairment</b>		<b>4,754,576</b>	4,933,351
Impairment losses on assets	10	(4,373,611)	(4,428,740)
<b>Profit before tax</b>		<b>380,965</b>	504,611
Income tax expense	11	(194,922)	(91,349)
<b>Profit for the period</b>		<b>186,043</b>	413,262
<b>Attributable to:</b>			
Equity shareholders of the Bank		429,890	406,644
Non-controlling interests		(243,847)	6,618
<b>Profit for the period</b>		<b>186,043</b>	413,262
<b>Basic and diluted earnings per share (in RMB)</b>	12	<b>0.03</b>	0.05

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

(Expressed in thousands of Renminbi, unless otherwise stated)

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

For the six months ended 30 June 2021

	For the six months ended 30 June	
	2021 Unaudited	2020 Unaudited
<b>Profit for the period</b>	<b>186,043</b>	<b>413,262</b>
<b>Other comprehensive income for the period:</b>		
Items that will be reclassified subsequently to profit or loss:		
– Debt instruments measured 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	14,781	(2,467)
<b>Other comprehensive income for the period</b>	<b>16,425</b>	<b>7,397</b>
<b>Total comprehensive income for the period</b>	<b>202,468</b>	<b>420,659</b>
<b>Attributable to:</b>		
Equity shareholders of the Bank	446,315	414,041
Non-controlling interests	(243,847)	6,618
<b>Total comprehensive income for the period</b>	<b>202,468</b>	<b>420,659</b>

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

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

As at 30 June 2021

	Notes	At 30 June 2021 Unaudited	At 31 December 2020 Audited
<b>Assets</b>			
Cash and deposits with the central bank	13	51,455,903	55,826,576
Deposits with banks and other financial institutions	14	13,071,616	4,748,291
Placements with banks and other financial institutions	15	6,075,912	6,062,898
Positive fair value of derivatives	16	252,982	117,633
Financial assets held under resale agreements	17	3,300,000	4,273,751
Loans and advances to customers	18	552,589,347	495,464,197
Financial assets at fair value through profit or loss	19	21,614,657	23,020,107
Financial assets at fair value through other comprehensive income	20	41,313,953	21,921,180
Financial assets measured at amortized cost	21	113,040,320	135,760,163
Finance lease receivables	22	2,699,106	3,248,825
Property and equipment	24	6,533,131	6,684,729
Deferred tax assets	25	11,596,173	11,743,169
Other assets	26	5,340,441	9,120,805
<b>Total assets</b>		<b>828,883,541</b>	<b>777,992,324</b>
<b>Liabilities and equity</b>			
<b>Liabilities</b>			
Borrowing from the central bank	28	487,120	105,816
Deposits from banks and other financial institutions	29	132,374,147	135,044,341
Placements from banks and other financial institutions	30	28,255,872	22,645,854
Financial liabilities at fair value through profit or loss		–	7,822
Negative fair value of derivatives	16	163,597	164,764
Financial assets sold under repurchase agreements	31	81,026,747	35,102,853
Deposits from customers	32	464,320,582	439,223,670
Accrued staff costs	33	374,456	369,510
Income tax payable	34	32,777	31,719
Other taxes payable	34	495,476	677,273
Debt securities payable	35	47,686,621	71,270,006
Provisions	36	393,429	410,284
Other liabilities	37	1,828,069	1,696,232
<b>Total liabilities</b>		<b>757,438,893</b>	<b>706,750,144</b>

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

(Expressed in thousands of Renminbi, unless otherwise stated)

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION** *(continued)*

As at 30 June 2021

	Notes	At 30 June 2021 Unaudited	At 31 December 2020 Audited
<b>Equity</b>			
Share capital	38	13,981,616	13,981,616
Other equity instruments			
Including: offshore preference shares	39	9,897,363	9,897,363
Capital reserve	40	26,449,020	26,493,374
Surplus reserve	41	3,056,744	3,056,744
General reserve	42	11,800,217	11,800,217
Retained earnings	43	2,920,546	2,429,877
Total equity attributable to equity shareholders of the Bank		68,105,506	67,659,191
Non-controlling interests		3,339,142	3,582,989
<b>Total equity</b>		<b>71,444,648</b>	<b>71,242,180</b>
<b>Total liabilities and equity</b>		<b>828,883,541</b>	<b>777,992,324</b>

Approved and authorized for issue by the board of directors on 20 August 2021.

Wei Xuekun  
ChairmanGuo Wenfeng  
PresidentYu Jun  
Chief Financial Officer

Company chop

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

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

For the six months ended 30 June 2021

	Notes	Unaudited Attributable to shareholders of the Bank							Non- controlling interests	Total equity
		Share capital	Other equity instruments	Capital reserve	Surplus reserve	General reserve	Retained earnings	Subtotal		
<b>Balance at 1 January 2021</b>		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
<b>Changes in equity for the period:</b>										
Profit for the period		-	-	-	-	-	429,890	429,890	(243,847)	186,043
Other comprehensive income	40	-	-	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	40	-	-	(60,779)	-	-	60,779	-	-	-
<b>Balance at 30 June 2021</b>		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
<b>Balance at 1 January 2020</b>		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
<b>Changes in equity for the period:</b>										
Profit for the period		-	-	-	-	-	406,644	406,644	6,618	413,262
Other comprehensive income	40	-	-	7,397	-	-	-	7,397	-	7,397
Total comprehensive income		-	-	7,397	-	-	406,644	414,041	6,618	420,659
<b>Balance at 30 June 2020</b>		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

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

(Expressed in thousands of Renminbi, unless otherwise stated)

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

For the six months ended 30 June 2021

	For the six months ended 30 June	
	2021 Unaudited	2020 Unaudited
<b>Cash flows from operating activities</b>		
Profit for the period	186,043	413,262
<i>Adjustments for:</i>		
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 disposal of 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
<b>Subtotal</b>	<b>5,839,910</b>	<b>7,743,605</b>
<i>Changes in operating assets</i>		
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)
<b>Subtotal</b>	<b>(52,162,262)</b>	<b>(27,098,707)</b>
<i>Changes in operating liabilities</i>		
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)
<b>Subtotal</b>	<b>74,311,473</b>	<b>(34,272,085)</b>
<b>Net cash flows generated from/(used in) operating activities</b>	<b>27,989,121</b>	<b>(53,627,187)</b>

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

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS** *(continued)*

For the six months ended 30 June 2021

	For the six months ended 30 June	
	2021 Unaudited	2020 Unaudited
<b>Cash flows from investing activities</b>		
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)
<b>Net cash flows (used in)/generated from investing activities</b>	<b>(2,337,008)</b>	<b>14,445,197</b>
<b>Cash flows from financing activities</b>		
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)
Payment of lease liabilities	(51,653)	(33,046)
<b>Net cash flows (used in)/generated from financing activities</b>	<b>(24,647,938)</b>	<b>16,950,595</b>
<b>Effect of foreign exchange rate changes on cash and cash equivalents</b>	<b>(7,997)</b>	<b>(31,735)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>996,178</b>	<b>(22,263,130)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>18,841,770</b>	<b>67,534,887</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>19,837,948</b>	<b>45,271,757</b>

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

# CHAPTER 10 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. As of 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 under the International Financial Reporting Standards and should be read in conjunction with the Group’s annual consolidated financial statements as at 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 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 the year 2020.

### 4. Net Interest Income

	For the six months ended 30 June	
	2021 Unaudited	2020 Unaudited
<b>Interest income arising from</b>		
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
<b>Subtotal</b>	<b>19,124,154</b>	<b>20,940,446</b>
<b>Interest expense arising from</b>		
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
Debts securities issued	1,012,900	2,835,650
<b>Subtotal</b>	<b>13,443,550</b>	<b>14,887,830</b>
<b>Net interest income</b>	<b>5,680,604</b>	<b>6,052,616</b>

(Expressed in thousands of Renminbi, unless otherwise stated)

**5. Net fee and commission income**

	For the six months ended 30 June	
	2021 Unaudited	2020 Unaudited
<b>Fee and commission income</b>		
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
Subtotal	313,699	118,491
<b>Fee and commission expenses</b>		
Settlement and clearing fees	11,290	11,736
Others	10,839	13,946
Subtotal	22,129	25,682
<b>Net fee and commission income</b>	<b>291,570</b>	<b>92,809</b>

## 6. Net trading gains

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

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 Unaudited	2020 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
Total	8,055	(153)

(Expressed in thousands of Renminbi, unless otherwise stated)

**8. Other net operating income**

	For the six months ended 30 June	
	2021 Unaudited	2020 Unaudited
Government grants	16	595
Rental income	5,582	5,316
Others	(3,647)	2,744
<b>Total</b>	<b>1,951</b>	<b>8,655</b>

**9. Operating expenses**

	For the six months ended 30 June	
	2021 Unaudited	2020 Unaudited
Staff costs		
– Salaries, bonuses and allowance	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
<b>Subtotal</b>	<b>795,980</b>	<b>741,656</b>
Premises and equipment expenses		
– Depreciation and amortization	264,583	288,063
– Rental and property management expenses	293	624
<b>Subtotal</b>	<b>264,876</b>	<b>288,687</b>
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
<b>Total</b>	<b>1,435,592</b>	<b>1,511,117</b>

(Expressed in thousands of Renminbi, unless otherwise stated)

**10. Impairment losses on assets**

	For the six months ended 30 June	
	2021 Unaudited	2020 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	2,592,326	1,517,191
<b>Subtotal</b>	<b>4,353,228</b>	<b>3,506,706</b>
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	50,030	(140)
<b>Total</b>	<b>4,373,611</b>	<b>4,428,740</b>

**11. Income tax expense****(a) Income tax expense:**

	Note	For the six months ended 30 June	
		2021 Unaudited	2020 Unaudited
Current income tax		33,145	1,358,620
Deferred income tax	25	161,777	(1,267,271)
<b>Total</b>		<b>194,922</b>	<b>91,349</b>

(Expressed in thousands of Renminbi, unless otherwise stated)

**11. Income tax expense (continued)****(b) Reconciliation between income tax expenses and accounting profit are as follows:**

	For the six months ended 30 June	
	2021 Unaudited	2020 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
<b>Subtotal</b>	<b>114,555</b>	<b>65,007</b>
Non-taxable income		
– Interest income from the PRC government bonds	(10,417)	(10,312)
– Others	(16,230)	(9,826)
Impact of deductible temporary differences or deductible losses on unrecognized deferred tax assets	11,767	4,830
Effect of income taxes in respect of previous periods	6	(84,503)
<b>Total</b>	<b>194,922</b>	<b>91,349</b>

## 12. Basic and diluted earnings per share

	For the six months ended 30 June	
	2021 Unaudited	2020 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)	0.03	0.05

The Bank issued non-cumulative preference shares on 27 October 2017 under the terms and conditions as detailed in Note 39. 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.

## 13. Cash and deposits with the central bank

	Notes	At 30 June	At 31 December
		2021 Unaudited	2020 Audited
Cash on hand		693,959	737,286
Deposits with the central bank			
– Statutory deposit reserves	(a)	47,776,590	44,518,714
– Surplus deposit reserves	(b)	2,801,688	10,374,142
– Fiscal deposits		162,283	174,505
Subtotal		50,740,561	55,067,361
Interests receivable		21,383	21,929
Total		51,455,903	55,826,576

Notes:

- (a) The Group places statutory deposit reserve with the PBOC in accordance with relevant regulations. The statutory deposit reserves are not available for the Group's daily business. At 30 June 2021 and 31 December 2020, the statutory deposit reserve ratios of the branches and subsidiaries of the Bank in respect of customer deposits denominated in RMB and foreign currencies were consistent with the requirement of the PBOC.
- (b) The surplus deposit reserves are maintained with the PBOC for the purpose of clearing.

(Expressed in thousands of Renminbi, unless otherwise stated)

**14. Deposits with banks and other financial institutions**

	At 30 June 2021 Unaudited	At 31 December 2020 Audited
Deposits in Mainland China		
– Banks	12,855,549	4,535,096
– Other financial institutions	4,841	4,411
Subtotal	12,860,390	4,539,507
Deposits outside Mainland China		
– Banks	417,041	415,463
Interests receivable	101,986	89,581
Provision for impairment losses	(307,801)	(296,260)
Total	13,071,616	4,748,291

At 30 June 2021, all the deposits of the Group with banks and other financial institutions were in Stage 1.

## 15. Placements with banks and other financial institutions

	At 30 June 2021 Unaudited	At 31 December 2020 Audited
Placements in Mainland China – Other financial institutions	5,700,000	5,700,000
Interests receivable	549,940	363,661
Provision for impairment losses	(174,028)	(763)
<b>Total</b>	<b>6,075,912</b>	<b>6,062,898</b>

At 30 June 2021, all the placements of the Group with banks and other financial institutions were in Stage 1.

## 16. Derivatives

Derivative financial instruments include option trading and foreign exchange swap. The Group uses derivative financial instruments in the management of its own asset and liability portfolios and structural positions.

The following tables provide an analysis of the notional amounts of derivative financial instruments of the Group and the corresponding fair values at the end the reporting period. The notional amounts of the derivatives indicate the volume of transactions outstanding at the end of the reporting period, they do not represent amounts at risk.

	At 30 June 2021			At 31 December 2020		
	Notional amount Unaudited	Fair value		Notional amount Audited	Fair value	
		Assets Unaudited	Liabilities Unaudited		Assets Audited	Liabilities Audited
Derivatives						
– Option trading	8,328,971	129,355	(129,355)	2,008,244	27,827	(27,827)
– Foreign exchange swap	6,136,044	123,627	(34,242)	5,290,275	89,806	(136,937)
<b>Total</b>	<b>14,465,015</b>	<b>252,982</b>	<b>(163,597)</b>	<b>7,298,519</b>	<b>117,633</b>	<b>(164,764)</b>

(Expressed in thousands of Renminbi, unless otherwise stated)

**17. Financial assets held under resale agreements****(a) Analyzed by type and location of counterparty**

	At 30 June 2021 Unaudited	At 31 December 2020 Audited
In Mainland China		
– Banks	3,299,757	1,075,000
– Other financial institutions	–	3,198,584
Interests receivable	243	167
<b>Total</b>	<b>3,300,000</b>	<b>4,273,751</b>

**(b) Analyzed by type of security held**

	At 30 June 2021 Unaudited	At 31 December 2020 Audited
Debt securities		
– Financial bonds	–	475,000
– Government bonds	–	600,000
Negotiable certificates of deposit	–	3,198,584
Bank acceptances notes	3,299,757	–
<b>Subtotal</b>	<b>3,299,757</b>	<b>4,273,584</b>
Interests receivable	243	167
<b>Total</b>	<b>3,300,000</b>	<b>4,273,751</b>

## 18. Loans and advances to customers

### (a) Analyzed by nature

	At 30 June 2021 Unaudited	At 31 December 2020 Audited
Measured at amortized cost:		
Corporate loans and advances	488,084,475	467,387,803
Personal loans		
– Personal business loans	7,131,088	7,461,706
– Residential and commercial properties mortgage loans	3,001,465	2,085,147
– Personal consumption loans	304,648	345,922
– Credit card overdrafts	319,606	236,472
– Others	102	212
Subtotal	10,756,909	10,129,459
Gross loans and advances to customers measured at amortized cost	498,841,384	477,517,262
Measured at fair value through other comprehensive income:		
– Discounted bills	51,114,348	19,232,486
Gross loans and advances to customers	549,955,732	496,749,748
Add: Interests receivable	26,970,479	19,147,848
Less: Provision for impairment losses		
– Loans and advances to customers measured at amortized cost	(24,336,864)	(20,433,399)
Net loans and advances to customers	552,589,347	495,464,197
Provision for impairment losses on loans and advances to customers measured at fair value through other comprehensive income	(34,884)	(6,071)

At 30 June 2021, part of discounted bills of the loans and advances to customers was pledged for repurchase agreements (Note 27(a)).

(Expressed in thousands of Renminbi, unless otherwise stated)

**18. Loans and advances to customers (continued)****(b) Analyzed by industry sector**

	At 30 June 2021		Loans and advances secured by collaterals Unaudited
	Amount Unaudited	Percentage Unaudited	
Wholesale and retail trade	187,117,801	34.03%	68,101,040
Manufacturing	157,901,510	28.71%	38,575,462
Leasing and commercial services	34,637,351	6.30%	20,360,148
Real estate	30,592,946	5.56%	28,326,289
Scientific research and technical services	10,638,614	1.94%	3,985,394
Construction	9,681,415	1.76%	3,826,374
Education	6,463,582	1.18%	1,493,633
Transportation, storage and postal services	6,044,025	1.10%	2,754,436
Water, environment and public utility management	4,401,670	0.80%	2,734,870
Electricity, gas and water production and supply	4,307,188	0.78%	1,811,706
Mining	2,061,392	0.37%	300,092
Agriculture, forestry, animal husbandry and fishery	740,702	0.13%	644,838
Public management and social organization	190,499	0.03%	34,700
Others	33,305,780	6.06%	11,401,382
Total of corporate loans and advances	488,084,475	88.75%	184,350,364
Personal loans	10,756,909	1.96%	8,990,923
Discounted bills	51,114,348	9.29%	–
Gross loans and advances to customers	549,955,732	100.00%	193,341,287
Add: Interests receivable	26,970,479		
Less: Provision for impairment losses			
– Loans and advances to customers measured at amortized cost	(24,336,864)		
Net loans and advances to customers	552,589,347		
Provision for impairment losses on loans and advances to customers measured at fair value through other comprehensive income	(34,884)		

**18. Loans and advances to customers (continued)****(b) Analyzed by industry sector (continued)**

	At 31 December 2020		
	Amount	Percentage	Loans and advances secured by
	Audited	Audited	collaterals Audited
Wholesale and retail trade	226,013,818	45.50%	76,412,283
Manufacturing	102,602,634	20.65%	40,753,082
Leasing and commercial services	35,403,695	7.13%	19,811,817
Real estate	28,161,856	5.67%	25,989,899
Transportation, storage and postal services	10,487,171	2.11%	2,793,284
Construction	8,466,842	1.70%	4,193,117
Education	6,492,654	1.31%	1,450,930
Electricity, gas and water production and supply	5,153,481	1.04%	2,120,049
Water, environment and public utility management	4,300,240	0.87%	2,600,440
Public management and social organization	4,019,490	0.81%	35,000
Scientific research and technical services	3,541,040	0.71%	3,228,040
Mining	1,946,980	0.39%	286,680
Agriculture, forestry, animal husbandry and fishery	1,040,773	0.21%	938,039
Others	29,757,129	5.99%	10,177,485
Total of corporate loans and advances	467,387,803	94.09%	190,790,145
Personal loans	10,129,459	2.04%	8,353,427
Discounted bills	19,232,486	3.87%	–
Gross loans and advances to customers	496,749,748	100.00%	199,143,572
Add: Interests receivable	19,147,848		
Less: Provision for impairment losses			
– Loans and advances to customers measured at amortized cost	(20,433,399)		
Net loans and advances to customers	495,464,197		
Provision for impairment losses on loans and advances to customers measured at fair value through other comprehensive income	(6,071)		

(Expressed in thousands of Renminbi, unless otherwise stated)

**18. Loans and advances to customers (continued)****(c) Analysis on loans and advances and provision for impairment losses**

At 30 June 2021, detailed information of loans and advances to customers and provision for impairment losses is as follows:

	At 30 June 2021			Total Unaudited
	ECL over the next 12 months Unaudited	Lifetime ECL-not credit-impaired Unaudited	Lifetime ECL-credit- impaired Unaudited	
Gross loans and advances to customers	479,866,603	56,174,097	13,915,032	549,955,732
Add: Interests receivable	26,970,479	–	–	26,970,479
Less: Provision for impairment losses				
– Loans and advances to customers measured at amortized cost	(10,351,138)	(5,839,409)	(8,146,317)	(24,336,864)
Net loans and advances to customers	496,485,944	50,334,688	5,768,715	552,589,347

At 31 December 2020, detailed information of loans and advances to customers and provision for impairment losses is as follows:

	At 31 December 2020			Total Audited
	ECL over the next 12 months Audited	Lifetime ECL-not credit-impaired Audited	Lifetime ECL-credit- impaired Audited	
Gross loans and advances to customers	434,956,302	50,635,430	11,158,016	496,749,748
Add: Interests receivable	19,147,848	–	–	19,147,848
Less: Provision for impairment losses				
– Loans and advances to customers measured at amortized cost	(11,873,361)	(3,157,902)	(5,402,136)	(20,433,399)
Net loans and advances to customers	442,230,789	47,477,528	5,755,880	495,464,197

**18. Loans and advances to customers (continued)****(d) Movements of provision for impairment losses****(i) Movements of provision for impairment losses of loans and advances to customers measured at amortized cost:**

	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	(11,873,361)	(3,157,902)	(5,402,136)	(20,433,399)
Transferred				
– to ECL over the next 12 months	(717,050)	716,940	110	–
– to lifetime ECL – not credit-impaired	540,136	(545,418)	5,282	–
– to lifetime ECL – credit-impaired	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
Balance at 30 June 2021	(10,351,138)	(5,839,409)	(8,146,317)	(24,336,864)

	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	(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	676,165	(865,055)	188,890	–
– to lifetime ECL – credit-impaired	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
Balance at 31 December 2020	(11,873,361)	(3,157,902)	(5,402,136)	(20,433,399)

(Expressed in thousands of Renminbi, unless otherwise stated)

**18. Loans and advances to customers (continued)****(d) Movements of provision for impairment losses (continued)****(i) Movements of provision for impairment losses of loans and advances to customers measured at amortized cost: (continued)**

Notes:

- (a) During the six months ended 30 June 2021, the Group adjusted the five-tier classification and customer rating of loans and advance to customers, and the loan principal of lifetime ECL-not credit-impaired and lifetime ECL-credit-impaired transferred to ECL over the next 12 months were RMB16,594 million. The loan principal from ECL over the next 12 months and lifetime ECL-credit-impaired transferred to lifetime ECL-not credit-impaired were RMB15,755 million. The principal of the loan transferred from ECL over the next 12 months and lifetime ECL-not credit-impaired to lifetime ECL-credit-impaired were RMB1,532 million.

In the year of 2020, the Group adjusted the five-tier classification and customer rating of loans and advance to customers, and the loan principal of lifetime ECL-not credit-impaired and lifetime ECL-credit-impaired transferred to ECL over the next 12 months were RMB1,074 million. The loan principal from ECL over the next 12 months and lifetime ECL-credit-impaired transferred to lifetime ECL-not credit-impaired were RMB22,060 million. The principal of the loan transferred from ECL over the next 12 months and lifetime ECL-not credit-impaired to lifetime ECL-credit-impaired were RMB4,159 million.

- (b) The ECL movement was caused by origination or purchase as well as changes in probability of default (“PD”), loss given default (“LGD”) and exposure at default (“EAD”) and stages as a result of regular update of parameters.

**(ii) Movements of provision for impairment losses of loans and advances to customers measured at fair value through other comprehensive income are set out 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	(6,071)	–	–	(6,071)
Net charge for the period	(28,813)	–	–	(28,813)
Balance at 30 June 2021	(34,884)	–	–	(34,884)

	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	(5,134)	–	–	(5,134)
Net charge for the year	(937)	–	–	(937)
Balance at 31 December 2020	(6,071)	–	–	(6,071)

## 19. Financial assets at fair value through profit or loss

	Notes	At 30 June 2021 Unaudited	At 31 December 2020 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		203,664	200,226
Subtotal		21,614,657	23,012,083
Financial assets designated at fair value through profit or loss	(c)	–	8,024
Total		21,614,657	23,020,107

Notes:

### (a) Debt instruments held for trading

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

At the end of the period/year, some of the debt instruments held for trading are used for the pledge of the repurchase agreements (Note 27(a)).

### (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 measured 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).

(Expressed in thousands of Renminbi, unless otherwise stated)

**20. Financial assets at fair value through other comprehensive income**

	At 30 June 2021 Unaudited	At 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	653,631	773,419
Subtotal	38,795,448	19,867,016
Certificates of deposit	485,586	487,638
Equity investments		
– Listed	136,706	171,762
– Unlisted	1,245,833	1,150,418
Add: Interests receivable	650,380	244,346
Total	41,313,953	21,921,180

At the end of the period/year, some of the debt investments issued by Governments, banks and other institutions in Mainland China and certificates of deposit are used for the pledge of repurchase agreements (Note 27(a)).

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	(2,903)	(101,145)	–	(104,048)
Balance as at 31 December 2020 and 30 June 2021	(4,669)	(101,571)	–	(106,240)

Notes:

- (a) Provision for impairment of financial assets 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. As of 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 recognized by the Group for the Reporting Period 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).

**21. Financial assets measured at amortized cost**

	At 30 June 2021 Unaudited	At 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	76,555,450	75,280,626
<b>Subtotal</b>	<b>79,036,448</b>	<b>77,762,416</b>
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: Interests receivable	6,248,234	6,557,809
Less: Provision for impairment losses	(4,328,342)	(4,985,931)
<b>Total</b>	<b>113,040,320</b>	<b>135,760,163</b>

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 (Note 27(a)).

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
<b>Balance at 30 June 2021</b>	<b>(422,330)</b>	<b>(354,812)</b>	<b>(3,551,200)</b>	<b>(4,328,342)</b>

(Expressed in thousands of Renminbi, unless otherwise stated)

**21. Financial assets measured at amortized cost (continued)**

	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	(839,479)	(219,852)	(3,926,600)	(4,985,931)

## 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.

## 22. Finance lease receivables

	At 30 June 2021 Unaudited	At 31 December 2020 Audited
Minimum finance lease receivables	5,071,720	5,033,333
Less: Unearned finance lease income	(731,724)	(572,432)
Present value of finance lease receivables	4,339,996	4,460,901
Less: Provision for impairment losses	(1,640,890)	(1,212,076)
Net balance	2,699,106	3,248,825

As of 30 June 2021, the finance lease receivables and impairment details are as follows:

	At 30 June 2021			
	ECL over the next 12 months Unaudited	Lifetime ECL- not credit- impaired Unaudited	Lifetime ECL- credit-impaired Unaudited	Total Unaudited
Total finance lease receivables	1,101,515	332,520	2,905,961	4,339,996
Less: Provision for impairment losses	(28,625)	(62,810)	(1,549,455)	(1,640,890)
Finance lease receivables, net	1,072,890	269,710	1,356,506	2,699,106

As of 31 December 2020, the finance lease receivables and impairment details are as follows:

	At 31 December 2020			
	ECL over the next 12 months Audited	Lifetime ECL- not credit- impaired Audited	Lifetime ECL- credit-impaired Audited	Total Audited
Total finance lease receivables	1,458,813	1,553,753	1,448,335	4,460,901
Less: Provision for impairment losses	(44,761)	(413,893)	(753,422)	(1,212,076)
Finance lease receivables, net	1,414,052	1,139,860	694,913	3,248,825

(Expressed in thousands of Renminbi, unless otherwise stated)

**22. Finance lease receivables (continued)**

Finance lease receivables, unearned finance lease income and minimum finance lease receivables analyzed by remaining period are listed as follows:

	At 30 June 2021			At 31 December 2020		
	Minimum	Unearned	Present value	Minimum	Unearned	Present value
	finance lease	finance lease	of finance	finance lease	finance lease	of finance
	receivables	income	lease	receivables	income	lease
	Unaudited	Unaudited	Unaudited	Audited	Audited	Audited
Less than 1 year	998,082	(263,938)	734,144	1,324,307	(117,290)	1,207,017
1 year to 2 years	948,575	(187,394)	761,181	490,010	(180,354)	309,656
2 years to 3 years	1,153,888	(96,359)	1,057,529	955,517	(80,297)	875,220
3 years to 4 years	494,862	(94,396)	400,466	1,045,835	(96,244)	949,591
4 years to 5 years	156,254	(35,075)	121,179	251,079	(40,942)	210,137
Indefinite*	1,320,059	(54,562)	1,265,497	966,585	(57,305)	909,280
<b>Total</b>	<b>5,071,720</b>	<b>(731,724)</b>	<b>4,339,996</b>	<b>5,033,333</b>	<b>(572,432)</b>	<b>4,460,901</b>

\* Indefinite period amount represents the balance which is overdue.

**23. Investments in subsidiaries**

	Notes	At 30 June	At 31 December
		2021	2020
		Unaudited	Audited
Jinzhou Taihe Jinyin Village Bank Co., Ltd. (“錦州太和錦銀村鎮銀行股份有限公司”)	(a)	60,450	60,450
Liaoning Yixian Jinyin Village Bank Co., Ltd. (“遼寧義縣錦銀村鎮銀行股份有限公司”)	(b)	63,240	63,240
Liaoning Beizhen Jinyin Village Bank Co., Ltd. (“遼寧北鎮錦銀村鎮銀行股份有限公司”)	(c)	49,290	49,290
Liaoning Heishan Jinyin Village Bank Co., Ltd. (“遼寧黑山錦銀村鎮銀行股份有限公司”)	(d)	57,750	57,750
Liaoning Kazuo Jinyin Village Bank Co., Ltd. (“遼寧喀左錦銀村鎮銀行股份有限公司”)	(e)	49,900	49,900
Liaoning Linghai Jinyin Village Bank Co., Ltd. (“遼寧凌海錦銀村鎮銀行股份有限公司”)	(f)	49,900	49,900
Liaoning Huanren Jinyin Village Bank Co., Ltd. (“遼寧桓仁錦銀村鎮銀行股份有限公司”)	(g)	49,000	49,000
Bank of Jinzhou Financial Leasing Co., Ltd. (“錦銀金融租賃有限責任公司”)	(h)	1,500,000	1,500,000
<b>Total</b>		<b>1,879,530</b>	<b>1,879,530</b>

## 23. Investments in subsidiaries (continued)

Notes:

- (a) Jinzhou Taihe Jinyin Village Bank Co., Ltd. ("Taihe Jinyin") was incorporated on 27 January 2010 at Jinzhou, Liaoning Province, with registered capital of RMB103.21 million. The principal activities of Taihe Jinyin are the provision of corporate and retail banking services. The Bank holds 58.57% of equity interest and 58.57% of voting rights of Taihe Jinyin.
- (b) Liaoning Yixian Jinyin Village Bank Co., Ltd. ("Yixian Jinyin") was incorporated on 8 November 2010 at Jinzhou, Liaoning Province, with registered capital of RMB128.49 million. The principal activities of Yixian Jinyin are the provision of corporate and retail banking services. The Bank holds 49.22% of equity interest and 61.67% of voting rights of Yixian Jinyin.
- (c) Liaoning Beizhen Jinyin Village Bank Co., Ltd. ("Beizhen Jinyin") was incorporated on 2 March 2011 at Jinzhou, Liaoning Province, with registered capital of RMB103.25 million. The principal activities of Beizhen Jinyin are the provision of corporate and retail banking services. The Bank holds 47.74% of equity interest and 93.55% voting rights of Beizhen Jinyin.
- (d) Liaoning Heishan Jinyin Village Bank Co., Ltd. ("Heishan Jinyin") was incorporated on 28 January 2014 at Jinzhou, Liaoning Province, with registered capital of RMB119.00 million. The principal activities of Heishan Jinyin are the provision of corporate and retail banking services. The Bank holds 48.53% of equity interest and 100.00% of voting rights of Heishan Jinyin.
- (e) Liaoning Kazuo Jinyin Village Bank Co., Ltd. ("Kazuo Jinyin") was incorporated on 27 November 2015 at Chaoyang, Liaoning Province, with registered capital of RMB100.00 million. The principal activities of Kazuo Jinyin are the provision of corporate and retail banking services. The Bank holds 49.90% of equity interest and 64.90% of voting rights of Kazuo Jinyin.
- (f) Liaoning Linghai Jinyin Village Bank Co., Ltd. ("Linghai Jinyin") was incorporated on 16 December 2016 at Jinzhou, Liaoning Province, with registered capital of RMB100.47 million. The principal activities of Linghai Jinyin are the provision of corporate and retail banking services. The Bank holds 49.67% of equity interest and 59.62% of voting rights of Linghai Jinyin.
- (g) Liaoning Huanren Jinyin Village Bank Co., Ltd. ("Huanren Jinyin") was incorporated on 20 December 2016 at Benxi, Liaoning Province, with registered capital of RMB100.00 million. The principal activities of Huanren Jinyin are the provision of corporate and retail banking services. The Bank holds 49.00% of equity interest and 100.00% of voting rights of Huanren Jinyin.
- (h) Bank of Jinzhou Financial Leasing Co., Ltd. ("Jinyin Leasing") was incorporated on 1 December 2015 at Shenyang, Liaoning Province, with the original registered capital of RMB1.00 billion. The principal activities of Jinyin Leasing are the provision of financial leasing services. In March 2016, the registered capital increased from RMB1.00 billion to RMB4.90 billion and the Bank subscribed RMB900.00 million. The Bank holds 30.61% of equity interest and 100.00% voting rights of Jinyin Leasing.

(Expressed in thousands of Renminbi, unless otherwise stated)

**24. Property and equipment**

	Premises	Construction in progress	Motor vehicles	Leasehold improvements	Others	Total
<b>Cost</b>						
At 1 January 2020 (Audited)	8,270,831	37,168	80,793	234,786	869,807	9,493,385
Additions for the year	11,282	41,611	2,006	6,676	25,592	87,167
Transfers in/(out) of construction in progress	7,481	(7,481)	–	–	–	–
Transfers out to other assets	–	(47,195)	–	–	–	(47,195)
Disposals for the year	–	(417)	(4,693)	(895)	(12,957)	(18,962)
At 31 December 2020 (Audited)	8,289,594	23,686	78,106	240,567	882,442	9,514,395
At 1 January 2021 (Audited)	8,289,594	23,686	78,106	240,567	882,442	9,514,395
Additions for the period	15,809	15,061	218	85	3,094	34,267
Transfers in/(out) of construction in progress	2,398	(2,398)	–	–	–	–
Transfers out to other assets	–	(7,458)	–	–	–	(7,458)
Disposals for the period	–	(323)	(2,622)	(9,870)	(35,344)	(48,159)
At 30 June 2021 (Unaudited)	8,307,801	28,568	75,702	230,782	850,192	9,493,045
<b>Accumulated Depreciation</b>						
At 1 January 2020 (Audited)	(1,654,653)	–	(68,058)	(134,164)	(620,935)	(2,477,810)
Charge for the year	(270,105)	–	(3,174)	(29,074)	(59,993)	(362,346)
Disposals for the year	–	–	4,043	895	5,552	10,490
At 31 December 2020 (Audited)	(1,924,758)	–	(67,189)	(162,343)	(675,376)	(2,829,666)
At 1 January 2021 (Audited)	(1,924,758)	–	(67,189)	(162,343)	(675,376)	(2,829,666)
Charge for the period	(131,140)	–	(1,523)	(1,340)	(32,122)	(166,125)
Disposals for the period	–	–	2,490	–	33,387	35,877
At 30 June 2021 (Unaudited)	(2,055,898)	–	(66,222)	(163,683)	(674,111)	(2,959,914)
<b>Carrying amount</b>						
At 31 December 2020 (Audited)	6,364,836	23,686	10,917	78,224	207,066	6,684,729
At 30 June 2021 (Unaudited)	6,251,903	28,568	9,480	67,099	176,081	6,533,131

At 30 June 2021, title deeds were not yet finalized for the premises with a carrying amount of RMB1,141 million (31 December 2020: RMB1,282 million). Among them, the carrying amount of premises that the Group has obtained housing property title certificates issued by the authorities but no land use certificates was RMB941 million (31 December 2020: RMB984 million).

## 24. Property and equipment (continued)

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

	At 30 June 2021 Unaudited	At 31 December 2020 Audited
Held in Mainland China		
– Long-term leases (over 50 years)	140,016	82,342
– Medium-term leases (10 – 50 years)	5,964,560	6,131,359
– Short-term leases (less than 10 years)	147,327	151,135
<b>Total</b>	<b>6,251,903</b>	<b>6,364,836</b>

## 25. Deferred income tax assets

	Provision for impairment losses Note (i)	Staff cost payable	Gains/ (losses) from fair value changes of financial instruments Note (ii)	Others	Net balance of deferred income tax assets
1 January 2020 (Audited)	12,317,798	80,090	(524,015)	(32,288)	11,841,585
Recognized in profit or loss	(6,681,455)	9,353	553,137	6,026,997	(91,968)
Recognized in other comprehensive income	(26,246)	–	19,798	–	(6,448)
<b>31 December 2020 (Audited)</b>	<b>5,610,097</b>	<b>89,443</b>	<b>48,920</b>	<b>5,994,709</b>	<b>11,743,169</b>
Recognized in profit or loss	887,933	252	(2,909)	(1,047,053)	(161,777)
Recognized in other comprehensive income	(7,203)	–	21,984	–	14,781
<b>30 June 2021 (Unaudited)</b>	<b>6,490,827</b>	<b>89,695</b>	<b>67,995</b>	<b>4,947,656</b>	<b>11,596,173</b>

Notes:

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

(Expressed in thousands of Renminbi, unless otherwise stated)

**26. Other assets**

	Notes	At 30 June 2021 Unaudited	At 31 December 2020 Audited
Interests receivable	(a)	362,341	879,899
Reposessed assets	(b)	1,380,033	1,335,519
Intangible assets		240,330	258,890
Long-term deferred expense		4,236	5,526
Deferred expense		94,746	30,470
Value-added tax		42,202	118,471
Other receivables		170,876	249,539
Right-of-use assets	(c)	378,484	439,461
Transfer of assets receivable	(d)	–	2,888,255
Other assets	(e)	2,667,193	2,914,775
<b>Total</b>		<b>5,340,441</b>	<b>9,120,805</b>

Notes:

## (a) Interests receivable

As at 30 June 2021 and 31 December 2020, all of the interest receivable are classified as stage 1 under the ECL model and there was no transfer to/from the other stages.

## (b) Reposessed assets

	At 30 June 2021 Unaudited	At 31 December 2020 Audited
Commercial properties	1,356,304	1,313,549
Residential properties	7,698	5,939
Others	16,031	16,031
<b>Total</b>	<b>1,380,033</b>	<b>1,335,519</b>

The total book value of reposessed assets disposed of during the six months ended 30 June 2021 amounted to RMB32 million (for the six months ended 30 June 2020: Nil). The Group plans to dispose of the reposessed assets held at 30 June 2021 by auction, bidding or transfer.

**26. Other assets (continued)**

Notes: (continued)

## (c) Right-of-use assets

	Leased properties and buildings
<b>Cost</b>	
As at 1 January 2020 (Audited)	672,250
Additions for the year	58,951
Decrease for the year	(73,339)
As at 31 December 2020 (Audited)	657,862
<hr/>	
As at 1 January 2021 (Audited)	657,862
Additions for the period	653
Decrease for the period	(80,749)
As at 30 June 2021 (Unaudited)	577,766
<hr/>	
<b>Accumulated Depreciation</b>	
As at 1 January 2020 (Audited)	(147,701)
Charge for the year	(143,651)
Decrease for the year	72,951
As at 31 December 2020 (Audited)	(218,401)
<hr/>	
As at 1 January 2021 (Audited)	(218,401)
Charge for the period	(60,994)
Decrease for the period	80,113
As at 30 June 2021 (Unaudited)	(199,282)
<hr/>	
<b>Carrying amount</b>	
As at 30 June 2021 (Unaudited)	378,484
As at 31 December 2020 (Audited)	439,461

(d) The balance of the asset transfer receivable as at 31 December 2020 represents receivables from the Group's disposal of non-performing assets, which have been fully recovered during the current reporting period.

(e) Other assets mainly represented advance payments.

(Expressed in thousands of Renminbi, unless otherwise stated)

## 27. Collateral information

### (a) Assets pledged as collateral

	Notes	At 30 June 2021 Unaudited	At 31 December 2020 Audited
For repurchase agreements:			
– Discounted bills	18(a)	44,920,505	18,787,785
– Financial assets at fair value through profit or loss	19	2,450,000	1,066,000
– Financial assets at fair value through other comprehensive income	20	33,794,300	14,902,000
– Financial assets measured at amortized cost	21	1,805,800	1,469,800
<b>Total</b>		<b>82,970,605</b>	<b>36,225,585</b>

### (b) Received collateral

The Group conducts resale agreements under the usual and customary terms of placements, and holds collaterals for these transactions. At the end of the period/year, the Group did not hold any resale agreement under which collaterals were permitted to be sold or repledged in the absence of the counterparty's default.

## 28. Borrowing from the central bank

	At 30 June 2021 Unaudited	At 31 December 2020 Audited
Borrowing	486,631	105,550
Interests payable	489	266
<b>Total</b>	<b>487,120</b>	<b>105,816</b>

## 29. Deposits from banks and other financial institutions

### Analyzed by type and location of counterparty

	At 30 June 2021 Unaudited	At 31 December 2020 Audited
Deposits in Mainland China		
– Banks	11,992,322	14,206,220
– Other financial institutions	119,267,716	119,438,149
Interests payable	1,114,109	1,399,972
<b>Total</b>	<b>132,374,147</b>	<b>135,044,341</b>

## 30. Placements from banks and other financial institutions

### Analyzed by type and location of counterparty

	At 30 June 2021 Unaudited	At 31 December 2020 Audited
Deposits in Mainland China		
– Banks	27,980,000	22,500,000
Deposits outside Mainland China		
– Banks	87,211	3,262
Interests payable	188,661	142,592
<b>Total</b>	<b>28,255,872</b>	<b>22,645,854</b>

(Expressed in thousands of Renminbi, unless otherwise stated)

**31. Financial assets sold under repurchase agreements****(a) Analyzed by type and location of counterparty**

	At 30 June 2021 Unaudited	At 31 December 2020 Audited
In Mainland China		
– Banks	53,113,888	21,470,576
– Other financial institutions	27,836,406	13,544,110
Interests payable	76,453	88,167
<b>Total</b>	<b>81,026,747</b>	<b>35,102,853</b>

**(b) Analyzed by collateral**

	At 30 June 2021 Unaudited	At 31 December 2020 Audited
Debt securities	35,695,609	15,901,750
Discounted bills	44,794,685	18,657,936
Interbank certificates of deposit	460,000	455,000
Interests payable	76,453	88,167
<b>Total</b>	<b>81,026,747</b>	<b>35,102,853</b>

**32. Deposits from customers**

	At 30 June 2021 Unaudited	At 31 December 2020 Audited
Demand deposits		
– Corporate customers	37,928,883	41,430,983
– Individual customers	21,350,991	25,422,058
Subtotal	59,279,874	66,853,041
Time deposits		
– Corporate customers	10,501,101	16,438,991
– Individual customers	317,847,826	287,421,313
Subtotal	328,348,927	303,860,304
Pledged deposits		
– Acceptances	48,896,681	42,183,696
– Letters of guarantees	171,283	174,160
– Letters of credit	2,943,856	804,716
– Others	5,515	12,860
Subtotal	52,017,335	43,175,432
Inward and outward remittances	106,074	190,094
Structured deposits		
– Individual customers	14,302,467	14,994,175
Subtotal	14,302,467	14,994,175
Interests payable	10,265,905	10,150,624
Total	464,320,582	439,223,670

(Expressed in thousands of Renminbi, unless otherwise stated)

**33. Accrued staff costs**

	At 30 June 2021 Unaudited	At 31 December 2020 Audited
Salary and welfare payable	192,125	182,744
Basic pension payable	29,769	28,853
Supplementary retirement benefits payable	63,453	61,338
Other long-term staff welfare payable	89,109	96,575
<b>Total</b>	<b>374,456</b>	<b>369,510</b>

**34. Taxes payable**

	At 30 June 2021 Unaudited	At 31 December 2020 Audited
Income tax payable	32,777	31,719
Value-added tax and surcharge payable	455,048	631,508
Others	40,428	45,765
<b>Total</b>	<b>528,253</b>	<b>708,992</b>

### 35. Debt securities payable

	Notes	At 30 June 2021 Unaudited	At 31 December 2020 Audited
Tier two capital bonds issued	(a)	6,495,807	6,495,245
Negotiable certificates of deposit issued	(b)	41,084,240	64,623,225
Interests payable		106,574	151,536
<b>Total</b>		<b>47,686,621</b>	<b>71,270,006</b>

As approved by the PBOC and the CBIRC, the Group issued the tier two capital bonds through the open market. These bonds were traded in the interbank bond market. The bonds could be redeemed by the Bank at the nominal amount at the end of the fifth year. The Group did not have any defaults of principal or interest or other financial bonds issued during the six months ended 30 June 2021. The relevant information on these financial bonds is set out below:

#### (a) Tier two capital bonds issued

	Notes	At 30 June 2021 Unaudited	At 31 December 2020 Audited
Fixed rate tier two capital bonds maturing in December 2026	(i)	2,499,634	2,499,072
Fixed rate tier two capital bonds maturing in March 2028	(ii)	3,996,173	3,996,173
<b>Total</b>		<b>6,495,807</b>	<b>6,495,245</b>

Notes:

- (i) Fixed rate tier two capital bonds of RMB2,500 million with a term of ten years was issued on 26 December 2016. The coupon rate is 4.30%. The Group has an option to redeem the bonds on 27 December 2021 at the nominal amount.
- (ii) Fixed rate tier two capital bonds of RMB4,000 million with a term of ten years was issued on 26 March 2018. The coupon rate is 4.90%. The Group has an option to redeem the bonds on 28 March 2023 at the nominal amount.

At 30 June 2021, the fair value of the tier two capital bonds issued amounts to RMB6,560 million (31 December 2020: RMB6,468 million).

#### (b) Negotiable certificates of deposit issued

At 30 June 2021, 42 (31 December 2020: 56) negotiable certificates of deposit were issued by the Group at a total cost of RMB41,084 million (31 December 2020: RMB64,623 million). The fair value of the negotiable certificates of deposit mentioned above approximates to RMB40,918 million (31 December 2020: RMB63,922 million).

(Expressed in thousands of Renminbi, unless otherwise stated)

**36. Provisions**

	Note	At 30 June 2021 Unaudited	At 31 December 2020 Audited
Expected credit loss of credit commitments	(a)	393,402	408,009
Litigation provisions		27	2,275
<b>Total</b>		<b>393,429</b>	<b>410,284</b>

Note:

**(a) Expected credit loss of credit commitments**

	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	408,009	–	–	408,009
Release for the period	(14,607)	–	–	(14,607)
<b>Balance at 30 June</b>	<b>393,402</b>	<b>–</b>	<b>–</b>	<b>393,402</b>

	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	611,038	–	–	611,038
Release for the year	(203,029)	–	–	(203,029)
<b>Balance at 31 December</b>	<b>408,009</b>	<b>–</b>	<b>–</b>	<b>408,009</b>

**37. Other liabilities**

	Note	At 30 June 2021 Unaudited	At 31 December 2020 Audited
Asset backed security payable		6	27,400
Payment and collection clearance accounts		34,652	189,814
Dividend payable		334,392	334,392
Deferred income		12,011	12,314
China Value-added tax payable		492,663	379,385
Other payable		693,070	445,303
Lease liabilities	(a)	261,275	307,624
<b>Total</b>		<b>1,828,069</b>	<b>1,696,232</b>

Note:

**(a) Lease liabilities**

	At 30 June 2021 Unaudited	At 31 December 2020 Audited
Within one year	119,008	85,339
One to two years	47,002	73,850
Two to three years	53,154	47,032
Three to five years	33,114	70,990
More than five years	65,450	79,511
<b>Total undiscounted lease liabilities</b>	<b>317,728</b>	<b>356,722</b>
<b>Balance of lease liabilities</b>	<b>261,275</b>	<b>307,624</b>

(Expressed in thousands of Renminbi, unless otherwise stated)

## 38. Share capital

Share capital of the Group at 30 June 2021 and 31 December 2020 represented share capital of the Bank, which is fully paid. Share capital of the Group at the end of the period are as follows:

	At 30 June 2021 Unaudited	At 31 December 2020 Audited
Number of shares authorized, issued and fully paid at par value of RMB1 per share (in thousands)	13,981,616	13,981,616

## 39. Offshore preference shares

### (a) Preference shares outstanding at the end of the period

Financial instrument outstanding	Issue date	Accounting classification	Initial dividend rate	Issue price	Number (thousand shares)	In original currency (thousand)	In RMB (thousand)	Maturity	Conversion condition	Conversion
US dollar offshore Preference shares										
USD	27/10/2017	Equity	5.50%	USD20/Share	74,800	1,496,000	9,944,360	None	Mandatory	No
Total							9,944,360			
Less: Issue fees							(46,997)			
Book value							9,897,363			

### (b) Main clauses

#### (i) Dividend

The same dividend rate shall be adopted within 5 years (including 5 years) after the issuance of offshore preference shares. Dividend rate reset every 5 years thereafter to the sum of the benchmark rate and a fixed spread of 3.486% per annum. The fixed spread will remain unchanged throughout the term of the preference shares. The dividend rate shall not at any time exceed 27.44% per annum. Dividend will be paid annually.

#### (ii) Conditions to distribution of dividend

The Group could pay dividend while the Group still has distributable after-tax profit (which is the undistributed profit as shown in the financial statements of the parent company prepared in accordance with the PRC GAAP or IFRS, whichever amount is lower), after making up previous years' losses, contributing to the statutory reserve and making general reserves, and the Group's capital adequacy ratio meets regulatory requirements, and the Board having passed a resolution to declare such dividend in accordance with the Articles of Association. Preference shareholders of the Group are senior to the ordinary shareholders on the right to dividend. The Group may elect to cancel all or part of the dividend, but such cancellation will require a shareholder's resolution to be passed.

## 39. Offshore preference shares *(continued)*

### (b) Main clauses *(continued)*

#### (iii) Dividend stopper

If the resolution for the Group to cancel all or part of the dividend for offshore preference shares is passed at a Shareholders' general meeting, the Group undertakes that any resolution passed at a Shareholders' general meeting that cancels a dividend (in whole or in part) on the Offshore Preference Shares will be a Parity Obligation Dividend Cancellation Resolution, and shall not make any dividend distribution to ordinary shareholders before the Group pays the dividend for the current dividend period to the Preference Shareholders in full.

#### (iv) Order of distribution and liquidation method

The USD Preference Shareholders will rank equally for payment. The Preference Shareholders will be subordinated to holders of all liabilities of the Bank including subordinated liabilities and obligations issued or guaranteed by the Bank that rank, or are expressed to rank, but will be senior to the ordinary shareholders.

#### (v) Mandatory conversion trigger events

Upon the occurrence of an additional tier-one capital trigger event (namely, the core tier-one capital adequacy ratio of the Bank falling to 5.125% or below), the Bank shall have the right to convert, obtained the approval of the CBIRC but without the need for the consent of the preference shareholders, all or part of the offshore preference shares then issued and outstanding into H Shares based on the aggregate value of such offshore preference shares in order to restore the core tier-one capital adequacy ratio of the Bank to above 5.125%. Upon conversion of the offshore preference shares into H Shares, such H Shares will not be converted back to preference shares under any circumstances.

Upon the occurrence of a tier two capital trigger event, the Bank shall have the right to convert, without the consent of the preference shareholders, all of the offshore preference shares then issued and outstanding into H Shares based on the aggregate value of such offshore preference shares. Upon conversion of the offshore preference shares into H Shares, such H Shares will not be converted back to preference shares under any circumstances. A tier two capital trigger event means the earlier of the following events: (1) the CBIRC having concluded that without a conversion or write-off of the Bank's capital, the Bank would become non-viable, (2) the relevant authorities having concluded that without a public sector injection of capital or equivalent support, the Bank would become non-viable.

#### (vi) Redemption

Under the premise of obtaining the approval of the CBIRC and conditions of redemption, the Group has right to redeem all or some of overseas preference shares in first call date and subsequent any dividend payment date. The redemption price for each Offshore Preference Share so redeemed shall be the aggregate of an amount equal to its Liquidation Preference plus any declared but unpaid Dividend in respect of the period from (and including) the immediately preceding Dividend Payment Date to (but excluding) the date scheduled for redemption. The First Redemption Date of the USD Preference Shares is five years after issuance, 27 October 2022.

#### (vii) Dividend setting mechanism

Non-cumulative dividend is a dividend on preference shares which does not cumulate upon omission of payment so as to require payment of a passed or omitted dividend of one year out of earnings of a following year. After receiving dividend at agreed dividend rate, offshore preference shareholders will not participate the distribution of residual profits with ordinary shareholders.

(Expressed in thousands of Renminbi, unless otherwise stated)

**40. Capital reserve**

	At 30 June 2021 Unaudited	At 31 December 2020 Audited
Share premium	26,374,617	26,374,617
Other comprehensive income:		
– Fair value changes on financial assets at fair value through other comprehensive income	(30,466)	35,487
– Impairment of financial assets at fair value through other comprehensive income	105,843	84,233
– Changes on remeasurement of defined benefit liabilities	(9,123)	(9,112)
Others	8,149	8,149
<b>Total</b>	<b>26,449,020</b>	<b>26,493,374</b>

Accumulated amount of other comprehensive income attributable to the equity shareholders of the Bank in the condensed consolidated statement of financial position:

	Net gains on financial assets measured at fair value through other comprehensive income	Changes on remeasurement of defined benefit liabilities	Total
1 January 2020 (Audited)	100,375	(9,820)	90,555
Changes in amount for the previous year:	19,345	708	20,053
– Other comprehensive income for the previous year	104,230	708	104,938
– Other comprehensive income transferred to retained earnings	(84,885)	–	(84,885)
<b>31 December 2020 and 1 January 2021 (Audited)</b>	<b>119,720</b>	<b>(9,112)</b>	<b>110,608</b>
Changes in amount for the period	(44,343)	(11)	(44,354)
– Other comprehensive income for the period	16,436	(11)	16,425
– Other comprehensive income transferred to retained earnings	(60,779)	–	(60,779)
<b>30 June 2021 (Unaudited)</b>	<b>75,377</b>	<b>(9,123)</b>	<b>66,254</b>

**40. Capital reserve (continued)**

Other comprehensive income:

	For the six months ended 30 June	
	2021 Unaudited	2020 Unaudited
<b>Items that will be reclassified subsequently to profit or loss:</b>		
Debt instruments measured 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 the profit or loss upon disposal	(5,195)	1,250
Subtotal	(41,745)	(8,511)
<b>Items that will not be reclassified subsequently to profit or loss:</b>		
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
Subtotal	43,389	18,375
Related income tax effect	14,781	(2,467)
Total	16,425	7,397

(Expressed in thousands of Renminbi, unless otherwise stated)

## 41. Surplus reserve

	Statutory surplus reserve	Discretionary surplus reserve	Total
At 1 January 2020 (Audited)	2,982,653	12,026	2,994,679
Appropriation during the year	62,065	–	62,065
At 31 December 2020 and 1 January 2021 (Audited)	3,044,718	12,026	3,056,744
Appropriation during the period	–	–	–
At 30 June 2021 (Unaudited)	3,044,718	12,026	3,056,744

The Bank is required to appropriate 10% of its net profit, after making good prior year's accumulated loss, to statutory surplus reserve fund until the reserve fund balance reaches 50% of its registered capital. Subject to the approval of the shareholders, the statutory surplus reserve may be used to offset accumulated losses of the Bank, if any, and may also be converted into capital of the Bank, provided that the balance of the statutory surplus reserve after this capitalization is not less than 25% of the registered capital immediately before capitalization.

After making the appropriation to the statutory surplus reserve, the Bank may also appropriate its profit for the year determined under PRC GAAP to the discretionary surplus reserve upon approval by the shareholders in general meetings. Subject to the approval by the shareholders, the discretionary surplus reserve may be used to offset accumulated losses of the Bank, if any, and may be converted into capital.

## 42. General reserve

	At 30 June 2021 Unaudited	At 31 December 2020 Audited
Balance at the beginning and end of the period/year	11,800,217	11,800,217

With effect from 1 July 2012, pursuant to the "Administrative Measures on Accrual of Provisions by Financial Institutions" issued by the MOF in March 2012, the Group is required, in principle, to set aside a general reserve not lower than 1.5% of the balance of its gross risk-bearing assets at each year end.

### 43. Retained earnings

	At 30 June 2021 Unaudited	At 31 December 2020 Audited
Retained earnings at the beginning of the period/year	2,429,877	2,614,222
Net profit for the period/year attributable to the Bank	429,890	404,569
Net of:		
– Appropriation to surplus reserve	–	(62,065)
– Appropriation to shareholders	–	(611,734)
Other comprehensive income transferred to retained earnings	60,779	84,885
Balance at the end of the period/year	2,920,546	2,429,877

### 44. Involvement with unconsolidated structured entities

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

The Group holds interests in certain structured entities sponsored by third party institutions through investments in the units issued by these structured entities. Such structured entities include entities set up for wealth management products and beneficial interest transfer plans. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of third-party investors. These vehicles are financed through the issue of units to investors.

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

	At 30 June 2021		
	Financial assets at fair value through profit or loss (Unaudited)	Financial assets measured at amortized cost (Unaudited)	Maximum exposure (Unaudited)
Asset management plans	14,744,103	11,137,581	25,881,684
Investment management products under trust scheme	–	18,818,074	18,818,074
Wealth management products issued by financial institutions	203,664	–	203,664
Total	14,947,767	29,955,655	44,903,422

(Expressed in thousands of Renminbi, unless otherwise stated)

**44. Involvement with unconsolidated structured entities (continued)****(a) Structured entities sponsored by third party institutions in which the Group holds an interest (continued)**

	At 31 December 2020		
	Financial assets at fair value through profit or loss (Audited)	Financial assets measured at amortized cost (Audited)	Maximum exposure (Audited)
Asset management plans	16,256,498	18,082,462	34,338,960
Investment management products under trust scheme	8,024	33,781,825	33,789,849
Wealth management products issued by financial institutions	200,226	–	200,226
<b>Total</b>	<b>16,464,748</b>	<b>51,864,287</b>	<b>68,329,035</b>

The maximum exposures in the above investment and wealth management products are the carrying amounts of the assets held by the Group at the end of the reporting period in accordance with the line items of these assets recognized in the statement of financial position.

**(b) Structured entities sponsored by the Group which the Group does not consolidate but holds an interest in**

The types of unconsolidated structured entities sponsored by the Group include non-principal guaranteed wealth management products. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors. These structured entities are financed through the issue of units to investors. Interest held by the Group includes investments in units issued by these structured entities and fees charged by providing management services.

At 30 June 2021, the amount of assets held by the unconsolidated non-principal guaranteed wealth management products, which are sponsored by the Group, is RMB24,616 million (31 December 2020: RMB23,255 million).

## 45. Capital management

The Group's objectives on capital management are:

- to safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders;
- to support the Group's stability and growth;
- to allocate capital using an efficient and risk-based approach to optimize the risk adjusted return to the shareholders; and
- to maintain an adequate capital base to support the development of its business.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Group may adjust its profit distribution policy, issue or redeem own shares, long-term subordinated bonds, etc.

Capital adequacy ratios and the use of regulatory capital are monitored regularly by the Group's management based on regulations issued by the CBIRC. The required information is filed with the CBIRC by the Group and the Bank semi-annually and quarterly.

The capital adequacy ratios and related components of the Group are computed in accordance with the statutory financial statements of the Group prepared under PRC GAAP. The requirements pursuant to these regulations may have significant differences comparing to those applicable in Hong Kong and other countries.

(Expressed in thousands of Renminbi, unless otherwise stated)

**45. Capital management (continued)**

Since 1 January 2013, the Group has begun to disclose the capital adequacy ratio in accordance with the “Capital Rules for Commercial Banks (Provisional)” and will continue to promote the content of this disclosure. The regulatory requirements request a commercial bank to maintain its core tier-one capital adequacy ratio above 7.5%, the tier-one capital adequacy ratio above 8.5% and the capital adequacy ratio above 10.5%.

	At 30 June 2021 Unaudited	At 31 December 2020 Audited
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 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	8.20%	8.23%
Tier-one capital adequacy ratio	9.62%	9.65%
Capital adequacy ratio	11.74%	11.76%

## 46. Supplementary data for consolidated statement of cash flow

Cash and cash equivalents:

	At 30 June 2021 Unaudited	At 31 December 2020 Audited
Cash on hand	693,959	737,286
Deposits with the central bank	2,801,688	10,374,142
Deposits with banks and other financial institutions	13,042,544	3,456,758
Financial assets held under resale agreements	3,299,757	4,273,584
<b>Total</b>	<b>19,837,948</b>	<b>18,841,770</b>

## 47. Related party disclosures

### (1) Related party relationships

#### (a) Substantial Shareholders

- (i) *Major shareholders include those who hold 5% or more of the shares of the Bank or those who have appointed directors or supervisors in the Bank.*

Shareholding percentage of the Bank:

	At 30 June 2021	At 31 December 2020
Beijing Chengfang Huida Enterprise Management Co., Ltd. ("Chengfang Huida") (Note)	37.69%	37.69%
Huida Asset Management Co., Ltd. (Note)	37.69%	37.69%
Liaoning Financial Holding Group Co., Ltd.	6.65%	6.65%
ICBC Financial Asset Investment Co, Ltd.	6.02%	6.02%
Cinda Investment Co., Ltd.	3.61%	3.61%
China Greatwall Assets Management Co., Ltd	2.86%	2.41%
Greenland Financial Holding Group Co., Ltd.	1.07%	1.07%
Beijing Urban Construction Investment Development Co., Ltd.	0.93%	0.93%

Note: These shares are held by Chengfang Huida, which is wholly owned by Huida Asset Management Co., Ltd. ("**Huida Asset Management**"). By virtue of the SFO, Huida Asset Management is deemed to be interested in all the shares held by Chengfang Huida.

(Expressed in thousands of Renminbi, unless otherwise stated)

**47. Related party disclosures (continued)****(1) Related party relationships (continued)****(a) Substantial Shareholders (continued)****(ii) Circumstances of Substantial Shareholders:**

Name of Company	Place of Registration	Principal Business	Nature or Type of Economy	Legal Representative
Beijing Chengfang Huida Enterprise Management Co., Ltd.	Beijing	Corporate Management; Market Research	Limited Liability Company	Huang Mudong
Huida Asset Management Co., Ltd.	Beijing	Specialized in receiving and managing and disposing of assets left over previously from the PBOC	Limited Liability Company	Huang Mudong
Liaoning Financial Holding Group Corporation limited	Shenyang	Investment and capital management; capital investment services	Limited Liability Company	Liu Bo
ICBC Financial Asset Investment Co., Limited	Nanjing	The debt equity held by banks in enterprises for the purpose of debt-to-equity swap	Limited Liability Company	Feng Junfu
Cinda Investment Co., Ltd.	Beijing	Foreign investment; Assets management; Assets restructuring	Limited Liability Company	Zhang Jushan
China Greatwall Assets Management Co., Ltd.	Beijing	Acquisition of and being entrusted to manage the non-performing assets of the financial institutions	Joint Stock Company Limited	Shen Xiaoming
Greenland Financial Holding Group Co., Ltd.	Shanghai	Financial asset investment, asset management	Limited Liability Company	Geng Jing
Beijing Urban Construction Investment Development Co., Ltd.	Beijing	Property development; sale of commodity housing	Joint-Stock Limited Company	Chen Daihua

**(iii) Registered capital of substantial shareholders and its changes:**

Name of Company	Currency	30 June 2021	31 December 2020
Beijing Chengfang Huida Enterprise Management Co., Ltd.	RMB	1,000	1,000
Huida Asset Management Co., Ltd.	RMB	100,000	100,000
Liaoning Financial Holding Group Corporation limited	RMB	20,000,000	20,000,000
ICBC Financial Asset Investment Co., Limited	RMB	27,000,000	12,000,000
Cinda Investment Co., Ltd.	RMB	2,000,000	2,000,000
China Greatwall Assets Management Co., Ltd.	RMB	51,233,610	51,233,610
Greenland Financial Holding Group Co., Ltd.	RMB	9,000,000	1,290,000
Beijing Urban Construction Investment Development Co., Ltd.	RMB	2,256,538	2,256,538

**47. Related party disclosures (continued)****(1) Related party relationships (continued)****(a) Substantial Shareholders (continued)****(iv) Connected transactions with major shareholders**

Company Name	Balance at end of the period/year	At 30 June	At 31 December
		2021 Unaudited	2020 Audited
Beijing Chengfang Huida Enterprise Management Co., Ltd.	Deposits from customers	–	9,748
Huida Asset Management Co., Ltd.	Deposits from interbank and other financial institutions	–	2,929,904
Beijing Urban Construction Investment Development Co., Ltd.	Deposits from customers	43	42

**(b) Subsidiaries of the Bank**

Detailed information on the subsidiaries of the Bank is set out in Note 23.

**(c) Other related parties**

Other related parties with whom the Group had related transactions during the relevant reporting period include:

***Enterprises directly or indirectly controlled by the same major shareholders of the Group***

Shenyang Chenyu Construction Group Co., Ltd. (瀋陽辰宇建設集團有限責任公司)

Beijing Zhuzong Science and Trade Holding Group Limited (北京住總科貿控股集團有限公司)

Greenland Guomao Harbin Property Development Co., Ltd. (綠地國貿哈爾濱房地產開發有限公司)

(Expressed in thousands of Renminbi, unless otherwise stated)

**47. Related party disclosures (continued)****(2) Transactions with related parties other than key management personnel****(a) Transactions between the Bank and subsidiaries**

The subsidiaries of the Bank are its related parties. The transactions between the Bank and its subsidiaries and among the subsidiaries are eliminated on consolidation and therefore are not disclosed in this note.

**(b) Transactions between the Group and other related parties**

	For the six months ended 30 June	
	2021 Unaudited	2020 Unaudited
Transactions during the period:		
Interest income	15,164	–
Interest expense	30	4
	At 30 June	At 31 December
	2021 Unaudited	2020 Audited
Balance at end of the period/year:		
Loans and advances	585,389	522,421
Deposits from customers	39,816	93,902

The balances are unsecured and on terms similar to those offered to the major customers of the Group.

**47. Related party disclosures (continued)****(3) Key management personnel**

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

**(a) Transactions between the Group and key management personnel**

	For the six months ended 30 June	
	2021	2020
	Unaudited	Unaudited
Transactions during the period:		
Interest income	177	116
Interest expense	839	2,979

	At 30 June	At 31 December
	2021	2020
	Unaudited	Audited
Balances at the end of the period/year:		
Loans and advances to customers	8,951	695
Deposits from customers	54,244	28,277
Principal guaranteed wealth management products	2,430	–
Non-principal-guaranteed wealth management products	19,128	3,469

The balances are unsecured and on terms similar to those offered to the major customers of the Group.

**(b) Key management personnel compensation**

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

	For the six months ended 30 June	
	2021	2020
	Unaudited	Unaudited
Short-term staff benefits	34,647	3,402
Retirement benefits		
– Basic pension insurance	4,669	99

(Expressed in thousands of Renminbi, unless otherwise stated)

## 48. 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 deposits, 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 People’s Bank of China. 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.

**48. Segment reporting (continued)****(a) Operating 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
<b>For the six months ended 30 June 2021</b>					
Operating income					
External net interest income/(expense)	10,813,088	(6,885,313)	1,752,829	–	5,680,604
Internal net interest (expense)/income	(6,848,584)	7,236,582	(387,998)	–	–
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	1,114	200	389	248	1,951
Total operating income	4,077,079	506,728	1,606,113	248	6,190,168
Operating expenses	(571,235)	(492,425)	(371,053)	(879)	(1,435,592)
Operating profit/(loss) before impairment	3,505,844	14,303	1,235,060	(631)	4,754,576
Impairment losses on assets	(4,774,067)	(36,789)	472,668	(35,423)	(4,373,611)
Segment profit/(loss) before tax	(1,268,223)	(22,486)	1,707,728	(36,054)	380,965
Other segment information					
– Depreciation and amortization	(97,805)	(71,850)	(91,906)	(3,022)	(264,583)
– Capital expenditure	19,926	14,093	18,000	516	52,535
<b>At 30 June 2021</b>					
Segment assets	495,456,234	59,832,219	249,431,384	12,567,531	817,287,368
Deferred income tax assets					11,596,173
Total assets					828,883,541
Segment liabilities	101,699,383	362,508,337	289,993,316	2,903,465	757,104,501
Dividend payable	–	–	–	334,392	334,392
Total liabilities	101,699,383	362,508,337	289,993,316	3,237,857	757,438,893

(Expressed in thousands of Renminbi, unless otherwise stated)

**48. Segment reporting (continued)****(a) Operating segment profit/(loss), assets and liabilities (continued)**

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

**48. Segment reporting (continued)****(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
<b>Total</b>	<b>6,190,168</b>	<b>6,444,468</b>

	Non-current assets	
	At 30 June 2021	At 31 December 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
<b>Total</b>	<b>7,151,945</b>	<b>7,383,080</b>

## 49. Risk management

### (a) Credit risk

#### (i) Credit risk measurement

##### *Measurement of ECL*

The ECL is a weighted average of credit losses on financial instruments weighted at the risk of default. Credit loss is the difference between all receivable contractual cash flows according to the contract and all cash flows expected to be received by the Group discounted to present value at the original effective interest rate, i.e. the present value of all cash shortfalls.

According to the changes of credit risk of financial instruments since the initial recognition, the Group calculates the ECL by three stages:

- Stage I: The financial instruments without significant increases in credit risk after initial recognition are included in Stage I to calculate their impairment allowance at an amount equivalent to the ECL of the financial instrument for the next 12 months;
- Stage II: Financial instruments that have had a significant increase in credit risk since initial recognition but are not considered credit-impaired are included in Stage II, with their impairment allowance measured at an amount equivalent to the ECL over the lifetime of the financial instruments; and
- Stage III: Financial assets that are considered credit-impaired at the end of the reporting period are included in Stage III, with their impairment allowance measured at the amount equivalent to the ECL for the lifetime of the financial instruments.

The Group shall measure ECL of a financial instrument in a way that reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic condition.

When measuring ECL, an entity need not necessarily identify every possible scenario. However, the Group shall consider the risk or probability that a credit loss occurs by reflecting the possibility that a credit loss occurs and the possibility that no credit loss occurs, even if the possibility of a credit loss occurring is very low.

## 49. Risk management *(continued)*

### (a) Credit risk *(continued)*

#### (i) Credit risk measurement *(continued)*

##### ***Measurement of ECL (continued)***

The Group conducted an assessment of ECL according to forward-looking information and used complex models and assumptions in its expected measurement of credit losses. These models and assumptions relate to the future macroeconomic conditions and borrower's creditworthiness (e.g., the likelihood of default by customers and the corresponding losses). The Group adopts judgment, assumptions and estimation techniques in order to measure ECL according to the requirements of accounting standards such as:

- Criteria for judging significant increases in credit risk
- Definition of default and credit-impaired financial asset
- Parameters for measuring ECL
- Forward-looking information
- Modification of contractual cash flows

##### ***Criteria for judging significant increases in credit risk***

The Group assesses whether or not the credit risk of the relevant financial instruments has increased significantly since the initial recognition at the end of each of the reporting period. While determining whether the credit risk has significantly increased since initial recognition or not, the Group takes into account the reasonable and substantiated information that is accessible without exerting unnecessary cost or effort, including qualitative and quantitative analysis based on the historical data of the Group, external credit risk rating, and forward-looking information. Based on the single financial instrument or the combination of financial instruments with similar characteristics of credit risk, the Group compares the risk of default of financial instruments at the end of the reporting period with that on the initial recognition date in order to figure out the changes of default risk in the expected lifetime of financial instruments.

The Group considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative, qualitative or baseline criteria have been met:

##### ***Quantitative criteria***

- At the reporting date, the rating or the probability of default (PD) of the financial instruments reaches a certain extent, comparing with the one at initial recognition.

## 49. Risk management *(continued)*

### (a) Credit risk *(continued)*

#### (i) Credit risk measurement *(continued)*

##### **Qualitative criteria**

- The credit risk event of the debtor which is highly likely to lead to significant adverse effects;
- The debtor meets problems of cash flow or liquidity, i.e. overdue loans;
- The debtor is unwilling to repay the debt, i.e. debt dodge, fraud;
- The debtor defaults on loans outside the Group, resulting in non-performing assets in PBOC credit system;
- Credit spread increases significantly; and
- For collateralized and pledged loans, change of the value of collateral might incur a rise in credit risk.

##### **Baseline criteria**

- Be classified into Special-Mention category.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

##### **Definition of default and credit-impaired financial asset**

The standard adopted by the Group to determine whether a credit impairment occurs under IFRS 9 is consistent with the internal credit risk management objectives of the relevant financial instrument, taking into account quantitative and qualitative criteria. When the Group assesses whether the credit impairment of debtor occurred, the following factors are mainly considered:

- The debtor is more than 90 days past due on its contractual payments;
- Significant financial difficulty of the issuer or the debtor;
- Debtors are in breach of contract, such as defaulting on interest or becoming overdue on interest or principal payments overdue;

## 49. Risk management (continued)

### (a) Credit risk (continued)

#### (i) Credit risk measurement (continued)

##### *Definition of default and credit-impaired financial asset (continued)*

- The creditor of the debtor, for economic or contractual reasons relating to the debtor's financial difficulty, having granted to the debtor a concession that the creditor would not otherwise consider;
- It is becoming probable that the debtor will enter bankruptcy or other financial restructuring;
- The disappearance of an active market for that financial asset because of financial difficulties;
- The purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses;

The credit impairment on a financial asset may be caused by the combined effect of multiple events and may not be necessarily due to a single event.

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

##### *Parameters of ECL measurement*

According to whether there is a significant increase in credit risk and whether there is an impairment of assets, the Group measures the impairment loss for different assets with ECL of 12 months or the entire lifetime respectively. The key measuring parameters of ECL include PD, LGD and EAD. Based on the current New Basel Capital Accord used in risk management and the requirements of IFRS 9, the Group takes into account the quantitative analysis of historical statistics (such as ratings of counterparties, manners of guarantees and types of collaterals, repayments, etc.) and forward-looking information in order to establish the model of PD, LGD and EAD.

Relative definitions are listed as follows:

- PD refers to the possibility that the debtor will not be able to fulfil its obligations of repayment over the next 12 months or throughout the entire remaining lifetime. The Group's PD is adjusted based on the results of the Internal Rating-Based Approach under the New Basel Capital Accord, taking into account the forward-looking information and deducting the prudential adjustment to reflect the debtor's point-in-time (PIT) PD under the current macroeconomic environment;
- LGD refers to the Group's expectation of the extent of the loss resulting from the default exposure. Depending on the type of counterparty, the method and priority of the recourse, and the type of collaterals, the LGD varies. The LGD is the percentage of loss on risk exposure at the time of default, calculated over the next 12 months or over the entire remaining lifetime;
- EAD is the amount that the Group should be reimbursed at the time of the default in the next 12 months or throughout the entire remaining lifetime. As to the off-balance sheet credit commitments, the parameter of EAD is calculated using the current exposure method, and obtained from multiplying the nominal amount of the off-balance sheet items at the end of the reporting period by the credit conversion factor.

## 49. Risk management *(continued)*

### (a) Credit risk *(continued)*

#### (i) Credit risk measurement *(continued)*

##### ***Forward-looking information***

The assessment of a significant increase in credit risk and the calculation of ECL both involve forward-looking information. Through the analysis of historical data, the Group identifies the key economic indicators that affect the credit risk and ECL of various business types.

The impact of these economic indicators on the PD and the LGD varies according to different types of business. In this process, the Group mainly applies external data and supplements the internal experts' judgment. The Group determines the impact of these economic indicators on the PD and the LGD by conducting regression analysis.

In addition to providing a baseline economic scenario, internal experts of the Group determine the weight of other possible scenarios based on the baseline economic scenario. The Group measures the weighted average ECL of 12 months (stage I) or life time (stage II and stage III). The weighted average credit loss above is calculated by multiplying the ECL for each scenario by the weight of the corresponding scenario.

#### (ii) Maximum credit risk exposure

The maximum exposure to credit risk is represented by the net carrying amount of each type of financial assets at the end of the reporting period.

**49. Risk management (continued)****(a) Credit risk (continued)****(iii) Risk concentrations*****By industry distribution***

The credit risk exposures of the Group mainly comprise loans and advances to customers, finance lease receivables and investments in debt instruments. Details of the composition of the Group's investments in debt instruments are set out in note 49(a) to the interim financial information. The composition of the Group's gross loans and advances to customers by industry is analyzed as follows:

	At 30 June 2021 Unaudited	At 31 December 2020 Audited
Wholesale and retail trade	187,117,801	226,013,818
Manufacturing	157,901,510	102,602,634
Leasing and commercial services	34,637,351	35,403,695
Real estate	30,592,946	28,161,856
Scientific research and technical services	10,638,614	3,541,040
Construction	9,681,415	8,466,842
Education	6,463,582	6,492,654
Transportation, storage and postal services	6,044,025	10,487,171
Water, environment and public utility management	4,401,670	4,300,240
Electricity, gas and water production and supply	4,307,188	5,153,481
Mining	2,061,392	1,946,980
Agriculture, forestry, animal husbandry and fishery	740,702	1,040,773
Public management and social organizations	190,499	4,019,490
Others	33,305,780	29,757,129
Subtotal for corporate loans and advances	488,084,475	467,387,803
Personal loans	10,756,909	10,129,459
Discounted bills	51,114,348	19,232,486
Total	549,955,732	496,749,748

(Expressed in thousands of Renminbi, unless otherwise stated)

**49. Risk management (continued)****(a) Credit risk (continued)****(iv) Loans and advances to customers**

The total credit risk exposures of loans and advances to customers are summarized as follows:

	At 30 June 2021 Unaudited	At 31 December 2020 Audited
Neither overdue nor impaired	534,067,772	480,310,522
Overdue but not impaired	1,972,928	5,281,210
Impaired	13,915,032	11,158,016
<b>Total loans and advances to customers</b>	<b>549,955,732</b>	<b>496,749,748</b>
Add: Interests receivable	26,970,479	19,147,848
Less: Provision for impairment losses	(24,336,864)	(20,433,399)
<b>Net loans and advances to customers</b>	<b>552,589,347</b>	<b>495,464,197</b>

## 49. Risk management (continued)

### (a) Credit risk (continued)

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

##### *Neither overdue nor impaired*

The management of the Group considers that these loans are exposed to normal business risk and there was no identifiable objective evidence of impairment for these loans which may incur losses to the Group at the end of the reporting period.

The following table presents the types of loans and advances to customers which are neither overdue nor impaired at the end of the reporting period:

	At 30 June 2021		Total Unaudited
	Normal Unaudited	Special mention Unaudited	
Unsecured loans	101,860,490	99,463	101,959,953
Guaranteed loans	208,397,618	39,409,053	247,806,671
Collateralized loans	107,089,476	12,064,053	119,153,529
Pledged loans	62,519,019	2,628,600	65,147,619
<b>Total</b>	<b>479,866,603</b>	<b>54,201,169</b>	<b>534,067,772</b>

	At 31 December 2020		Total Audited
	Normal Audited	Special mention Audited	
Unsecured loans	49,795,688	97,472	49,893,160
Guaranteed loans	214,270,613	26,570,218	240,840,831
Collateralized loans	108,533,958	6,751,889	115,285,847
Pledged loans	62,387,462	11,903,222	74,290,684
<b>Total</b>	<b>434,987,721</b>	<b>45,322,801</b>	<b>480,310,522</b>

(Expressed in thousands of Renminbi, unless otherwise stated)

**49. Risk management (continued)****(a) Credit risk (continued)****(iv) Loans and advances to customers (continued)****Overdue but not impaired**

The following tables present the ageing analysis of loans and advances to customers of the Group that are subject to credit risk which are past due but not impaired as at the end of the reporting period:

	At 30 June 2021 Unaudited	At 31 December 2020 Audited
Overdue for:		
Less than three months	1,972,928	5,281,210
Three to six months	-	-
Over six months	-	-
<b>Total</b>	<b>1,972,928</b>	<b>5,281,210</b>

**Impaired**

Impaired loans and advances are defined as loans and advances which have objective evidence of impairment as a result of one or more events that occurred after initial recognition and that event has an impact on the estimated future cash flows of loans and advances that can be reliably estimated.

The fair value of related collateral held by the Group as security is as follows:

	At 30 June 2021 Unaudited	At 31 December 2020 Audited
Fair value of collateral held against credit-impaired loans	22,069,486	22,977,436

The above collaterals mainly include real estate, land use rights and machinery and equipment etc. The fair value of collaterals was estimated by the Group based on the latest valuations available, adjusted in light of disposal experience and current market conditions.

**49. Risk management (continued)****(a) Credit risk (continued)****(iv) Loans and advances to customers (continued)****Impaired (Continued)**

Loans and advances to customers analyzed by the five-tier loan classification and the three stage of the ECL as follows:

	At 30 June 2021			Total Unaudited
	Stage I (ECL over the next 12 months ) Unaudited	Stage II (Lifetime ECL- not credit- impaired) Unaudited	Stage III (Lifetime ECL credit- impaired) Unaudited	
Normal	479,866,603	–	68,700	479,935,303
Special-mention	–	56,174,097	1,249,139	57,423,236
Substandard	–	–	6,386,409	6,386,409
Doubtful	–	–	5,934,929	5,934,929
Loss	–	–	275,855	275,855
<b>Total loans and advances to customers</b>	<b>479,866,603</b>	<b>56,174,097</b>	<b>13,915,032</b>	<b>549,955,732</b>
Add: Interests receivable	26,970,479	–	–	26,970,479
Less: Provision for impairment losses	(10,351,138)	(5,839,409)	(8,146,317)	(24,336,864)
<b>Net loans and advances to customers</b>	<b>496,485,944</b>	<b>50,334,688</b>	<b>5,768,715</b>	<b>552,589,347</b>

(Expressed in thousands of Renminbi, unless otherwise stated)

**49. Risk management (continued)****(a) Credit risk (continued)****(iv) Loans and advances to customers (continued)****Impaired (Continued)**

	At 31 December 2020			Total Audited
	Stage I	Stage II	Stage III	
	(ECL over the next 12 months) Audited	(Lifetime ECL- not credit- impaired) Audited	(Lifetime ECL credit- impaired) Audited	
Normal	434,956,302	–	220,125	435,176,427
Special-mention	–	50,635,430	649,990	51,285,420
Substandard	–	–	7,896,270	7,896,270
Doubtful	–	–	2,165,296	2,165,296
Loss	–	–	226,335	226,335
<b>Total loans and advances to customers</b>	<b>434,956,302</b>	<b>50,635,430</b>	<b>11,158,016</b>	<b>496,749,748</b>
Add: Interests receivable	19,147,848	–	–	19,147,848
Less: Provision for impairment losses	(11,873,361)	(3,157,902)	(5,402,136)	(20,433,399)
<b>Net loans and advances to customers</b>	<b>442,230,789</b>	<b>47,477,528</b>	<b>5,755,880</b>	<b>495,464,197</b>

**49. Risk management (continued)****(a) Credit risk (continued)****(v) Finance lease receivables**

	At 30 June 2021 Unaudited	At 31 December 2020 Audited
The lease amount		
Neither overdue nor impaired	1,101,515	2,626,983
Overdue but not impaired	332,520	385,583
Impaired	2,905,961	1,448,335
Subtotal	4,339,996	4,460,901
Less: Provision for impairment losses	(1,640,890)	(1,212,076)
Net balance	2,699,106	3,248,825

	At 30 June 2021			Total Unaudited
	Stage I (ECL over the next 12 months) Unaudited	Stage II (Lifetime ECL- not credit- impaired) Unaudited	Stage III (Lifetime ECL credit- impaired) Unaudited	
Normal	1,101,515	-	-	1,101,515
Special-mention	-	332,520	-	332,520
Substandard	-	-	2,019,049	2,019,049
Doubtful	-	-	886,912	886,912
Subtotal	1,101,515	332,520	2,905,961	4,339,996
Less: Provision for impairment losses	(28,625)	(62,810)	(1,549,455)	(1,640,890)
Net balance	1,072,890	269,710	1,356,506	2,699,106

(Expressed in thousands of Renminbi, unless otherwise stated)

**49. Risk management (continued)****(a) Credit risk (continued)****(v) Finance lease receivables (Continued)**

	At 31 December 2020			Total Audited
	Stage I (ECL over the next 12 months) Audited	Stage II (Lifetime ECL- not credit- impaired) Audited	Stage III (Lifetime ECL credit- impaired) Audited	
Normal	1,458,813	–	–	1,458,813
Special-mention	–	1,553,753	–	1,553,753
Substandard	–	–	1,046,406	1,046,406
Doubtful	–	–	401,929	401,929
Subtotal	1,458,813	1,553,753	1,448,335	4,460,901
Less: Provision for impairment losses	(44,761)	(413,893)	(753,422)	(1,212,076)
Net balance	1,414,052	1,139,860	694,913	3,248,825

**49. Risk management (continued)****(a) Credit risk (continued)****(vi) Debt instruments**

Financial assets at amortized cost by five-tier loan classification and three-staging analyzed as follows:

	At 30 June 2021			
	Stage I	Stage II	Stage III	Total
	(ECL over the next 12 months) Unaudited	(Lifetime ECL- not credit- impaired) Unaudited	(Lifetime ECL credit- impaired) Unaudited	
Normal	100,315,153	–	–	100,315,153
Special-mention	–	5,217,275	–	5,217,275
Substandard	–	–	2,298,000	2,298,000
Doubtful	–	–	3,290,000	3,290,000
<b>Subtotal</b>	<b>100,315,153</b>	<b>5,217,275</b>	<b>5,588,000</b>	<b>111,120,428</b>
Add: Interests receivable	6,248,234	–	–	6,248,234
Less: Provision for impairment losses	(422,330)	(354,812)	(3,551,200)	(4,328,342)
<b>Net balance</b>	<b>106,141,057</b>	<b>4,862,463</b>	<b>2,036,800</b>	<b>113,040,320</b>

	At 31 December 2020			
	Stage I	Stage II	Stage III	Total
	(ECL over the next 12 months) Audited	(Lifetime ECL- not credit- impaired) Audited	(Lifetime ECL credit- impaired) Audited	
Normal	121,053,510	–	–	121,053,510
Special-mention	–	3,318,275	–	3,318,275
Substandard	–	–	9,816,500	9,816,500
<b>Subtotal</b>	<b>121,053,510</b>	<b>3,318,275</b>	<b>9,816,500</b>	<b>134,188,285</b>
Add: Interests receivable	6,557,809	–	–	6,557,809
Less: Provision for impairment losses	(839,479)	(219,852)	(3,926,600)	(4,985,931)
<b>Net balance</b>	<b>126,771,840</b>	<b>3,098,423</b>	<b>5,889,900</b>	<b>135,760,163</b>

(Expressed in thousands of Renminbi, unless otherwise stated)

**49. Risk management (continued)****(a) Credit risk (continued)****(vi) Debt instruments (continued)**

Debt instruments at fair value through other comprehensive income by five-tier loan classification and three-staging analyzed as follows:

	At 30 June 2021			
	Stage I	Stage II	Stage III	Total
	(ECL over the next 12 months) Unaudited	(Lifetime ECL-not credit-impaired) Unaudited	(Lifetime ECL credit-impaired) Unaudited	
Normal	39,060,964	–	–	39,060,964
Special-mention	–	220,070	–	220,070
Subtotal	39,060,964	220,070	–	39,281,034
Add: Interests receivable	650,380	–	–	650,380
Net balance	39,711,344	220,070	–	39,931,414
Provision for impairment losses	(4,669)	(101,571)	–	(106,240)

	At 31 December 2020			
	Stage I	Stage II	Stage III	Total
	(ECL over the next 12 months) Audited	(Lifetime ECL-not credit-impaired) Audited	(Lifetime ECL credit-impaired) Audited	
Normal	20,252,465	–	–	20,252,465
Special-mention	–	102,189	–	102,189
Subtotal	20,252,465	102,189	–	20,354,654
Add: Interests receivable	244,346	–	–	244,346
Net balance	20,496,811	102,189	–	20,599,000
Provision for impairment losses	(4,669)	(101,571)	–	(106,240)

## 49. Risk management *(continued)*

### (b) Market risk

Market risk is the risk of potential loss, in respect of the Group's on-balance sheet/off-balance sheet operations, arising from adverse movements in market rates including interest rates, foreign exchange rates, commodity prices, stock prices and other prices.

The Group's market risk mainly includes interest rate risk and exchange rate risk. The Group aims to implement effective market risk management to control market risks within the limits that the Group can bear and to ensure that the market risks to be borne are commensurate with the Group's business objectives and development rules. The credit and risk management department is responsible for the continuous monitoring and evaluation of the adequacy and effectiveness of the Group's market risk management system. The asset and liability management department, financial markets department, asset management department and interbank business department are responsible for interest rate risk and exchange rate risk in their respective business areas.

Sensitivity analysis is a technique which assesses the sensitivity of the overall risk profile and risk profile for each period with reference to the interest rate risks for different maturities.

Scenario analysis is a multi-factor analysis method which assesses the impact of multiple factors interacting simultaneously, taking into consideration of the probabilities of various scenarios.

Foreign currency gap analysis is a technique which estimates the impact of foreign exchange rate movements on the current profit or loss. The foreign currency gap mainly arises from the currency mismatch in the on/off-balance sheet items.

Sensitivity gap analysis is a technique which estimates the impact of interest rate movements on the current profit or loss. It is used to work out the gap between future cash inflows and outflows by categorizing each of the interest-earning assets and interest-bearing liabilities into different periods based on repricing dates.

The results of stress testing are assessed against a set of forward-looking scenarios using stress moves in market variables. The results are used to estimate the impact on profit or loss.

Effective duration analysis is a technique which estimates the impact of interest rate movements by giving a weight to each period's exposure according to its sensitivity, calculating the weighted exposure, and summarising all periods' weighted exposures to estimate the non-linear impact of a change in interest rates on the Group's economic value.

## 49. Risk management *(continued)*

### (b) Market risk *(continued)*

#### (i) Interest rate risk

Interest rate risk is the risk of a loss of the Group's overall revenue and economic value resulting from an adverse change in the interest rate level, term structure and other elements of the Group's various interest-earning assets and interest-bearing liabilities. The Group distinguishes between bank books and trading books, and identifies, measures, monitors and controls the corresponding market risk based on the different nature and characteristics of bank books and trading books. The trading books includes investments that the Group intends to sell in the short term, to profit from actual or expected short-term price fluctuations or to lock in exposure. The banking book includes the operations other than the trading book. The interest rate risk management is mainly aimed to reduce the potential negative impact of changes in interest rates on net interest income and economic value. The Group mainly analyzes the interest rate risk of the bank books.

Interest rate risk is included in the comprehensive risk management system and the Group's asset and liability management department is specifically responsible for interest rate risk management of the bank books.

#### ***Repricing risk***

Repricing risk, which is also known as "maturity mismatch risk", is the most common form of interest rate risk. It is caused by the differences in timing between the maturities (related to fixed interest instruments) or repricing (related to floating interest instruments) of assets, liabilities and off-balance sheet items. The mismatch of repricing timing causes the Group's income or its inherent economic value to vary with the movement in interest rates.

## 49. Risk management (continued)

### (b) Market risk (continued)

#### (i) Interest rate risk (continued)

##### Trading interest rate risk

Trading interest rate risk mainly arises from the treasury's investment portfolios. Interest rate risk is monitored using the effective duration analysis method. In addition, the Group employs other supplementary methods to measure its interest rate sensitivity, which is expressed as changes in the investment portfolios' fair value given a 100 basis points (1%) movement in the interest rates.

The following tables indicate the assets and liabilities at the end of each of the reporting periods by the expected next reset dates or by maturity dates, depending on which is earlier:

	At 30 June 2021					
	Total Unaudited	Non-interest bearing Unaudited	Less than three months Unaudited	Between three months and one year Unaudited	Between one year and five years Unaudited	More than five years Unaudited
<b>Assets</b>						
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 (Note i)	552,589,347	26,970,479	110,394,082	256,958,888	143,109,168	15,156,730
Investments (Note ii)	175,968,930	8,281,153	16,370,755	19,620,080	45,254,277	86,442,665
Finance lease receivables (Note iii)	2,699,106	-	1,530,357	21,560	1,147,189	-
Others	23,722,727	23,469,745	63,829	189,153	-	-
<b>Total assets</b>	<b>828,883,541</b>	<b>60,088,888</b>	<b>195,343,771</b>	<b>282,340,853</b>	<b>189,510,634</b>	<b>101,599,395</b>
<b>Liabilities</b>						
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 payable	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
<b>Total liabilities</b>	<b>757,438,893</b>	<b>14,221,839</b>	<b>269,807,874</b>	<b>233,846,746</b>	<b>233,014,039</b>	<b>6,548,395</b>
<b>Asset-liability gap</b>	<b>71,444,648</b>	<b>45,867,049</b>	<b>(74,464,103)</b>	<b>48,494,109</b>	<b>(43,503,405)</b>	<b>95,051,000</b>

(Expressed in thousands of Renminbi, unless otherwise stated)

**49. Risk management (continued)****(b) Market risk (continued)****(i) Interest rate risk (continued)****Trading interest rate risk (continued)**

The following tables indicate the assets and liabilities at the end of each of the reporting periods by the expected next reset dates or by maturity dates, depending on which is earlier: (continued)

	At 31 December 2020					
	Total Audited	Non-interest bearing Audited	Less than three months Audited	Between three months and one year Audited	Between one year and five years Audited	More than five years Audited
<b>Assets</b>						
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 (Note i)	495,464,197	19,147,848	109,286,846	177,630,369	175,756,076	13,643,058
Investments (Note ii)	180,701,450	8,124,335	20,619,641	21,561,907	46,325,472	84,070,095
Finance lease receivables (Note iii)	3,248,825	–	681,884	477,198	2,089,743	–
Others	27,666,336	27,548,703	4,951	112,682	–	–
<b>Total assets</b>	<b>777,992,324</b>	<b>56,033,510</b>	<b>194,567,777</b>	<b>205,506,593</b>	<b>224,171,291</b>	<b>97,713,153</b>
<b>Liabilities</b>						
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
<b>Total liabilities</b>	<b>706,750,144</b>	<b>14,402,543</b>	<b>259,681,379</b>	<b>184,744,352</b>	<b>241,024,616</b>	<b>6,897,254</b>
<b>Asset-liability gap</b>	<b>71,242,180</b>	<b>41,630,967</b>	<b>(65,113,602)</b>	<b>20,762,241</b>	<b>(16,853,325)</b>	<b>90,815,899</b>

Notes:

- (i) At 30 June 2021, 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 (31 December 2020: RMB6,734 million).
- (ii) Investments include financial assets at fair value through profit or loss, at fair value through other comprehensive income and at amortized cost. At 30 June 2021, for investments, the category “Less than three months” includes overdue amounts (net of provision for impairment losses) of RMB2,037 million (31 December 2020: RMB8,583 million).
- (iii) At 30 June 2021, for finance lease receivables, the category “Less than three months” includes overdue amounts (net of provision for impairment losses) of RMB1,530 million (31 December 2020: RMB682 million).

## 49. Risk management (continued)

### (b) Market risk (continued)

#### (i) Interest rate risk (continued)

##### **Interest rate sensitivity analysis**

The Group uses sensitivity analysis to measure the impact of changes in interest rate on the Group's net profit or loss and equity. As at 30 June 2021, assuming other variables remain unchanged, an increase in estimated interest rate of 100 basis points will cause the Group's net profit to increase RMB921 million (31 December 2020: net profit to increase RMB1,156 million), and the Group's equity to increase RMB1,803 million (31 December 2020: increase RMB1,711 million); a decrease in estimated interest rate of 100 basis points will cause the Group's net profit to decrease RMB930 million (31 December 2020: net profit to decrease RMB1,159 million), and the Group's equity to decrease RMB1,867 million (31 December 2020: decrease RMB1,749 million).

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

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

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

(Expressed in thousands of Renminbi, unless otherwise stated)

**49. Risk management (continued)****(b) Market risk (continued)****(ii) Foreign currency risk**

Exchange rate risk refers to the risk of loss in foreign exchange exposure arising from unbalanced currency structure of the foreign exchange assets and liabilities due to adverse movements in exchange rates. The objective of exchange rate risk management is to ensure the impact of exchange rate changes on the Group financial position and shareholders' equity is kept within an acceptable range.

Foreign exchange rate risk is incorporated into the comprehensive risk management system and the Group's asset and liability management department is specifically responsible for foreign exchange rate risk management.

The currency exposures at the end of each of the reporting periods are as follows:

	At 30 June 2021			Total Unaudited
	RMB Unaudited	USD (RMB Equivalent) Unaudited	Others (RMB Equivalent) Unaudited	
<b>Assets</b>				
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
<b>Total assets</b>	<b>823,867,312</b>	<b>4,956,272</b>	<b>59,957</b>	<b>828,883,541</b>
<b>Liabilities</b>				
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
<b>Total liabilities</b>	<b>756,062,015</b>	<b>1,355,304</b>	<b>21,574</b>	<b>757,438,893</b>
<b>Net position</b>	<b>67,805,297</b>	<b>3,600,968</b>	<b>38,383</b>	<b>71,444,648</b>
<b>Off-balance sheet credit commitments</b>	<b>81,462,480</b>	<b>515,115</b>	<b>1,068</b>	<b>81,978,663</b>

**49. Risk management (continued)****(b) Market risk (continued)****(ii) Foreign currency risk (continued)**

	At 31 December 2020			Total Audited
	RMB Audited	USD (RMB Equivalent) Audited	Others (RMB Equivalent) Audited	
<b>Assets</b>				
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
<b>Total assets</b>	<b>772,769,944</b>	<b>5,161,196</b>	<b>61,184</b>	<b>777,992,324</b>
<b>Liabilities</b>				
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
<b>Total liabilities</b>	<b>703,889,457</b>	<b>2,836,755</b>	<b>23,932</b>	<b>706,750,144</b>
<b>Net position</b>	<b>68,880,487</b>	<b>2,324,441</b>	<b>37,252</b>	<b>71,242,180</b>
<b>Off-balance sheet credit commitments</b>	<b>84,712,639</b>	<b>337,075</b>	<b>–</b>	<b>85,049,714</b>

## 49. Risk management *(continued)*

### (b) Market risk *(continued)*

#### (ii) Foreign currency risk *(continued)*

The Group uses sensitivity analysis to measure the potential effect of changes in the exchange rates on the Group's net profit or loss and equity. At 30 June 2021, assuming other variables remain unchanged, an appreciation of 1% in the US dollar against the RMB would increase the Group's net profit and increase the Group's equity by RMB19.76 million (31 December 2020: increase the Group's net profit and increase the Group's equity by RMB7.46 million); a depreciation of 1% in the US dollar against the RMB would decrease the Group's net profit and decrease the Group's equity by RMB19.76 million (31 December 2020: decrease the Group's net profit and decrease the Group's equity by RMB7.46 million).

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

- The foreign exchange sensitivity is the gain and loss recognized as a result of 1% fluctuation in the foreign currency exchange rates against RMB;
- The fluctuation of exchange rates by 1% is based on the assumption of exchange rates movement over the next 12 months;
- Due to the immaterial proportion of the Group's total assets and liabilities denominated in currencies other than US dollars, other foreign currencies are converted into US dollars in the above sensitivity analysis;
- 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 management.

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

## 49. Risk management *(continued)*

### (c) 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 Group'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 Group's liquidity.

The Group has established asset and liability management strategies and liquidity management policy incorporated into its comprehensive risk management system. The Group's Board of Directors is responsible for reviewing and approving liquidity risk appetite, liquidity risk management strategy, important policies and procedures, and continuously monitors the liquidity risk status and reviews liquidity risk reports on a regular basis to keep abreast of liquidity risk level, management status and its significant changes. The Group's asset and liability management committee is responsible for liquidity management of the Bank as a whole and establishes liquidity management targets at the beginning of each year in accordance with the requirements of asset and liability management and regulatory indicators. The Group's asset and liability management department is responsible for the identification, measurement, monitoring and control of liquidity risk, and members of the asset and liability management committee are responsible for the implementation of liquidity management policies.

The Group principally uses liquidity gap analysis to measure liquidity risk. Scenario analysis and stress testing are also adopted to assess the impact of liquidity risk.

(Expressed in thousands of Renminbi, unless otherwise stated)

**49. Risk management (continued)****(c) Liquidity Risk (continued)**

The following tables provide an analysis of assets and liabilities of the Group into relevant maturity groupings based on the remaining periods to repayment at the end of the reporting period:

	At 30 June 2021							Total Unaudited
	Indefinite Note (i) Unaudited	Repayable on demand Unaudited	Within one month Unaudited	Between one	Between three	Between one	More than five years Unaudited	
				month and three months Unaudited	months and one year Unaudited	year and five years Unaudited		
<b>Assets</b>								
Cash and deposits with the central bank	47,960,256	3,495,647	-	-	-	-	-	51,455,903
Deposits 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 (ii)	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 (iii)	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 (ii)	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
<b>Total assets</b>	<b>81,605,584</b>	<b>18,700,718</b>	<b>44,636,863</b>	<b>83,645,031</b>	<b>293,058,978</b>	<b>197,769,768</b>	<b>109,466,599</b>	<b>828,883,541</b>
<b>Liabilities</b>								
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
<b>Total liabilities</b>	<b>-</b>	<b>70,386,170</b>	<b>110,380,988</b>	<b>94,416,640</b>	<b>238,314,223</b>	<b>237,391,852</b>	<b>6,549,020</b>	<b>757,438,893</b>
<b>Asset-liability gap</b>	<b>81,605,584</b>	<b>(51,685,452)</b>	<b>(65,744,125)</b>	<b>(10,771,609)</b>	<b>54,744,755</b>	<b>(39,622,084)</b>	<b>102,917,579</b>	<b>71,444,648</b>

## 49. Risk management (continued)

### (c) Liquidity risk (continued)

The following tables provide an analysis of assets and liabilities of the Group into relevant maturity groupings based on the remaining periods to repayment at the end of the relevant reporting period: (continued)

	At 31 December 2020							Total
	Indefinite	Repayable	Within	Between one	Between	Between	More than	
	Note (i)	on demand	one month	month to	three months	one year	five years	
Audited	Audited	Audited	three months	to one year	to five years	Audited	Audited	
<b>Assets</b>								
Cash and deposits with the central bank	44,715,148	11,111,428	-	-	-	-	-	55,826,576
Deposits 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 (ii)	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 (iii)	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 (ii)	694,914	316,266	-	-	477,198	1,760,447	-	3,248,825
Others	27,548,703	-	175	4,775	112,683	-	-	27,666,336
<b>Total assets</b>	<b>91,023,705</b>	<b>17,624,102</b>	<b>45,168,990</b>	<b>80,927,888</b>	<b>211,742,798</b>	<b>227,915,060</b>	<b>103,589,781</b>	<b>777,992,324</b>
<b>Liabilities</b>								
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 payable	-	-	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
<b>Total liabilities</b>	<b>-</b>	<b>85,390,377</b>	<b>69,263,274</b>	<b>110,145,116</b>	<b>189,220,997</b>	<b>245,825,411</b>	<b>6,904,969</b>	<b>706,750,144</b>
<b>Asset-liability gap</b>	<b>91,023,705</b>	<b>(67,766,275)</b>	<b>(24,094,284)</b>	<b>(29,217,228)</b>	<b>22,521,801</b>	<b>(17,910,351)</b>	<b>96,684,812</b>	<b>71,242,180</b>

#### Notes:

- (i) Indefinite amount of cash and deposits with the central bank represents the statutory deposit reserves and fiscal deposits with the central bank. Indefinite amounts of deposits with banks and other financial institutions and placements with banks and other financial institutions represents impaired deposits or balances or those overdue more than one month. Indefinite amount of investments represents impaired investments or those overdue more than one month. Equity investments are listed in the category of indefinite.
- (ii) Indefinite amount of loans and advances to customers and finance lease receivables includes all the impaired loans and advances and finance lease receivables, as well as those overdue more than one month. Loans and advances to customers and finance lease receivables with no impairment but overdue within one month are classified into the category of repayable on demand.
- (iii) Investments with no impairment but overdue within one month are classified into the category of repayable on demand.

(Expressed in thousands of Renminbi, unless otherwise stated)

**49. Risk management (continued)****(c) Liquidity risk (continued)**

The following tables provide an analysis on utilization of the contractual undiscounted cash flow of the non-derivative financial liabilities, loan commitments and credit card commitments and derivative financial instruments at the end of the reporting period:

	At 30 June 2021							
	Carrying amount Unaudited	Contractual undiscounted cash flow Unaudited	Repayable on demand Unaudited	Within one month Unaudited	Between one	Between three	Between one	More than
					month and three months Unaudited	months and one year Unaudited	year and five years Unaudited	five years Unaudited
<b>Non-derivative financial liabilities</b>								
Borrowing from the central bank	487,120	497,320	-	-	3,709	493,611	-	-
Deposits from banks and other financial institutions	132,374,147	156,733,044	3,915,010	11,516,083	10,715,010	46,596,982	83,989,959	-
Placements from banks and other financial institutions	28,255,872	28,389,147	-	18,511,623	1,116,376	8,761,148	-	-
Financial assets sold under repurchase agreements	81,026,747	81,110,915	-	63,865,712	17,245,203	-	-	-
Deposits from customers	464,320,582	504,397,653	64,001,629	16,282,542	37,116,983	193,770,507	193,014,691	211,301
Debt securities payable	47,686,621	51,149,717	-	2,803,234	33,812,268	4,954,041	1,540,807	8,039,367
Other financial liabilities	954,345	1,010,857	693,070	-	-	119,008	133,329	65,450
<b>Total non-derivative financial liabilities</b>	<b>755,105,434</b>	<b>823,288,653</b>	<b>68,609,709</b>	<b>112,979,194</b>	<b>100,009,549</b>	<b>254,695,297</b>	<b>278,678,786</b>	<b>8,316,118</b>
Loan commitments and credit card commitments	-	1,775,842	1,594,627	26,356	35,540	56,529	62,790	-

	Within three months Unaudited	Between three months and one year Unaudited	Total Unaudited				
				<b>Derivative cash flows</b>			
				Cash outflow	(3,891,551)	(2,135,278)	(6,026,829)
Cash inflow	3,938,347	2,336,473	6,274,820				

## 49. Risk management (continued)

### (c) Liquidity risk (continued)

The following tables provide an analysis on utilization of the contractual undiscounted cash flow of the non-derivative financial liabilities, loan commitments and credit card commitments and derivative financial instruments at the end of the reporting period: (continued)

	Carrying amount Audited	Contractual undiscounted cash flow Audited	Repayable on demand Audited	At 31 December 2020				
				Within one month Audited	Between one month and three months Audited	Between three months and one year Audited	Between one year and five years Audited	More than five years Audited
<b>Non-derivative financial liabilities</b>								
Borrowing from the central bank	105,816	106,467	-	-	21,092	85,375	-	-
Deposits from banks and other financial institutions	135,044,341	160,141,078	11,319,055	11,237,754	26,070,023	24,191,604	87,322,642	-
Placements from banks and other financial institutions	22,645,854	22,781,334	-	9,859,826	5,068,722	7,852,786	-	-
Financial assets sold under repurchase agreements	35,102,853	35,169,898	-	24,409,371	10,760,527	-	-	-
Deposits from customers	439,223,670	480,589,537	72,218,159	14,485,907	38,504,870	145,057,125	209,641,400	682,076
Debt securities payable	71,270,006	74,620,812	-	10,222,995	34,335,023	21,506,605	1,516,363	7,039,826
Other financial liabilities	760,749	809,847	445,304	2,727	2,409	88,024	191,872	79,511
<b>Total non-derivative financial liabilities</b>	<b>704,153,289</b>	<b>774,218,973</b>	<b>83,982,518</b>	<b>70,218,580</b>	<b>114,762,666</b>	<b>198,781,519</b>	<b>298,672,277</b>	<b>7,801,413</b>
Loan commitments and credit card commitments	-	1,951,867	1,749,376	119,600	7,785	75,081	25	-

	Within three months Audited	Between three months and one year Audited	Total Audited		
				Derivative cash flows	
Cash outflow	(1,920,019)	(3,409,932)	(5,329,951)		
Cash inflow	1,782,012	3,536,599	5,318,611		

This analysis on utilization of the non-derivative financial liabilities by contractual undiscounted cash flow might diverge from actual results.

## 50. Fair value of financial instruments

### Determination of fair value and fair value hierarchy

The Group uses the following hierarchy for the determination and disclosure of the fair values of financial instruments:

- Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices);and
- Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The Group has established policies and internal controls with respect to the measurement of fair values, specify the framework of fair value measurement of financial instrument, fair value measurement methodologies and procedures. Fair value measurement policies specify valuation techniques, parameter selection and relevant concepts, models and parameter solutions. Operating procedures specify measurement operating procedures, valuation date, market parameter selection and corresponding allocation of responsibilities. In the process of fair value measurement, front office is responsible for daily transactions management. Financial accounting department plays a lead role of developing accounting policies of fair value measurement, valuation methodologies and system implementation. The management of the Group is responsible for verifying trade details and valuation models.

**50. Fair value of financial instruments (continued)****Determination of fair value and fair value hierarchy (continued)**

The following tables show the fair value hierarchy of financial instruments measured or disclosed at fair value:

	At 30 June 2021			Total Unaudited
	Level 1 Unaudited	Level 2 Unaudited	Level 3 Unaudited	
<b>Financial assets measured at fair value</b>				
Financial assets at fair value through profit or loss				
– debt instruments	–	3,063,700	18,550,957	21,614,657
Financial assets at fair value through other comprehensive income				
– debt instruments	–	39,281,034	–	39,281,034
– equity instruments	136,706	–	1,245,833	1,382,539
Loans and advances to customers – discounted bills	–	51,114,348	–	51,114,348
Positive fair value of derivatives	–	252,982	–	252,982
<b>Total</b>	<b>136,706</b>	<b>93,712,064</b>	<b>19,796,790</b>	<b>113,645,560</b>
<b>Financial liabilities measured at fair value</b>				
Negative fair value of derivatives	–	163,597	–	163,597
<b>Total</b>	<b>–</b>	<b>163,597</b>	<b>–</b>	<b>163,597</b>
<b>Financial assets disclosed at fair value</b>				
Financial assets measured at amortized cost	–	113,078,303	–	113,078,303
<b>Financial liabilities disclosed at fair value</b>				
Tier two capital bonds issued	–	6,560,222	–	6,560,222
Negotiable certificates of deposit issued	–	40,918,338	–	40,918,338
<b>Total</b>	<b>–</b>	<b>47,478,560</b>	<b>–</b>	<b>47,478,560</b>

(Expressed in thousands of Renminbi, unless otherwise stated)

**50. Fair value of financial instruments (continued)****Determination of fair value and fair value hierarchy (continued)**

The following tables show the fair value hierarchy of financial instruments measured or disclosed at fair value: (continued)

	At 31 December 2020			Total Audited
	Level 1 Audited	Level 2 Audited	Level 3 Audited	
<b>Financial assets measured at fair value</b>				
Financial assets at fair value through profit or loss				
– debt instruments	–	3,050,028	19,962,055	23,012,083
Financial assets designated at fair value through profit or loss				
– debt instruments	–	–	8,024	8,024
Financial assets at fair value through other comprehensive income				
– debt instruments	–	20,354,654	–	20,354,654
– equity instruments	171,762	–	1,150,418	1,322,180
Loans and advances to customers – discounted bills	–	19,232,486	–	19,232,486
Positive fair value of derivatives	–	117,633	–	117,633
<b>Total</b>	<b>171,762</b>	<b>42,754,801</b>	<b>21,120,497</b>	<b>64,047,060</b>
<b>Financial liabilities measured at fair value</b>				
Financial liabilities designated at fair value through profit or loss				
– debt instruments	–	–	7,822	7,822
Negative fair value of derivatives	–	164,764	–	164,764
<b>Total</b>	<b>–</b>	<b>164,764</b>	<b>7,822</b>	<b>172,586</b>
<b>Financial assets disclosed at fair value</b>				
Financial assets measured at amortized cost	–	135,789,100	–	135,789,100
<b>Financial liabilities disclosed at fair value</b>				
Tier two capital bonds issued	–	6,467,955	–	6,467,955
Negotiable certificates of deposit issued	–	63,922,026	–	63,922,026
<b>Total</b>	<b>–</b>	<b>70,389,981</b>	<b>–</b>	<b>70,389,981</b>

**50. Fair value of financial instruments (continued)****Determination of fair value and fair value hierarchy (continued)**

Debt instruments are stated at fair value by reference to the quoted market prices when available. If quoted market prices are not available, fair values are estimated on the basis of discounted cash flows or pricing models. For level 2 debt instruments, the fair values of these debts are determined based on the valuation results provided by China Central Depository Trust & Clearing Co., Ltd., which are determined based on a valuation technique for which all significant inputs are observable market data.

The movement during this period and 2020 in the balance of level 3 fair value measurements are as follows:

	Financial assets at fair value through profit or loss Unaudited	Financial assets designated at fair value through profit or loss Unaudited	Financial assets at fair value through other comprehensive income-equity instruments Unaudited	Total Unaudited	Financial liabilities designated at fair value through profit or loss Unaudited	Total Unaudited
At 1 January 2021	19,962,055	8,024	1,150,418	21,120,497	(7,822)	(7,822)
Total gains or losses:						
– in profit or loss for the period (included in net trading gains)	214,012	178	–	214,190	(65)	(65)
– in other comprehensive income	–	–	(164)	(164)	–	–
Purchases	9,598,412	–	95,579	9,693,991	–	–
Settlements	(11,223,522)	(8,202)	–	(11,231,724)	7,887	7,887
At 30 June 2021	18,550,957	–	1,245,833	19,796,790	–	–
Total gains or losses for the period included in profit or loss for assets and liabilities held at the end of the period (included in net trading gains)	121,307	–	–	121,307	–	–

(Expressed in thousands of Renminbi, unless otherwise stated)

**50. Fair value of financial instruments (continued)****Determination of fair value and fair value hierarchy (continued)**

	Financial assets at fair value through profit or loss Audited	Financial assets designated at fair value through profit or loss Audited	Financial assets at fair value through other comprehensive income-equity instruments Audited	Total Audited	Financial liabilities designated at fair value through profit or loss Audited	Total Audited
At 1 January 2020	45,239,988	6,287,252	1,165,027	52,692,267	(6,282,210)	(6,282,210)
Total gains or losses:						
– in profit or loss for the period						
(included in net trading (losses)/gains)	(638,384)	306,969	–	(331,415)	(148,550)	(148,550)
– in other comprehensive income	–	–	(14,609)	(14,609)	–	–
Purchases	27,613,052	5,778,621	–	33,391,673	(5,778,621)	(5,778,621)
Settlements	(52,252,601)	(12,364,818)	–	(64,617,419)	12,201,559	12,201,559
At 31 December 2020	19,962,055	8,024	1,150,418	21,120,497	(7,822)	(7,822)
Total gains or losses for the period included in profit or loss for assets and liabilities held at the end of the period						
(included in net trading (losses)/gains)	(643,283)	368	–	(642,915)	(166)	(166)

Subject to the existence of an active market, such as an authorized securities exchange, the market value is the best reflection of the fair value of financial instruments. As there is no available market value for certain of the financial assets and liabilities held and issued by the Group, the discounted cash flow method or other valuation methods described below are adopted to determine the fair values of these assets and liabilities:

- (i) The debt instruments are not quoted in an active market. In the absence of any other market data for reference, the fair values of debt instruments are estimated on the basis of discounted cash flows. The significant unobservable input is discount rate. The lower the discount rate, the higher the fair value.
- (ii) The fair values of tier two capital bonds payable, financial assets measured at amortized cost and negotiable certificates of deposit payable are determined with reference to the available market values. If quoted market prices are not available, fair values are estimated on the basis of discounted cash flows. The significant unobservable input is discount rate.
- (iii) The fair value of equity instruments is determined with reference to the available market values. If quoted market prices are not available, fair values are estimated on the basis of recent transaction prices or discounted cash flow, where the significant input is discount rate. The higher the discount rate, the lower the fair value.

## 50. Fair value of financial instruments *(continued)*

### Determination of fair value and fair value hierarchy *(continued)*

All of the above-mentioned assumptions and methods provide a consistent basis for the calculation of the fair values of the Group's assets and liabilities. However, other financial institutions may use different assumptions and methods. Therefore, the fair values disclosed by different financial institutions may not be entirely comparable.

At 30 June 2021, the effects of changes in significant unobservable assumptions to reasonably possible alternative assumptions were immaterial.

## 51. Entrusted lending business

The entrusted lending business of the Group includes the entrusted loans issued with funds entrusted by legal persons, unincorporated organizations, individual business and natural persons with full civil capacity. The funds exclude entrusted loans under cash management and entrusted loans under housing accumulation fund. The Group's entrusted loan business is not subject to any credit risk. The Group only holds and manages these assets and liabilities as an agent in accordance with the instructions of the entrusting party, and charges a handling fee for the services provided. Since the entrusted assets are not assets of the Group, they are not recognized in the statement of financial position.

	At 30 June 2021 Unaudited	At 31 December 2020 Audited
Entrusted loans	48,747,665	47,133,540
Entrusted funds	48,747,665	47,133,540

(Expressed in thousands of Renminbi, unless otherwise stated)

## 52. 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.

	At 30 June 2021 Unaudited	At 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	1,473,754	1,599,581
Subtotal	1,775,842	1,951,867
Acceptances	74,833,326	81,509,790
Letters of guarantees	1,840,570	188,228
Letters of credit	3,528,925	1,399,829
Total	81,978,663	85,049,714

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.

## 52. Commitments and contingent liabilities (continued)

### (b) Capital commitments

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

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

### (c) Outstanding litigations and disputes

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

## 53. Transfers of financial assets

The Group enters into transactions in the normal course of business by which it transfers recognized financial assets to third parties or to special purpose entities. In some cases where these transferred financial assets qualify for derecognition, the transfers may give rise to full or partial derecognition of the financial assets concerned. In other cases where the transferred assets do not qualify for derecognition as the Group has retained substantially all the risks and rewards of these assets, the Group continued to recognize the transferred assets.

### Repurchase agreements

Transferred financial assets that do not qualify for derecognition mainly include debt instruments held by counterparties as collateral under repurchase. The counterparties are allowed to sell or repledge those securities in the absence of default by the Group, but have an obligation to return the securities at the maturity of the contract. If the securities increase or decrease in value, the Group may in certain circumstances require or be required to pay additional cash collateral. The Group has determined that the Group retains substantially all the risks and rewards of these securities and therefore has not derecognized them. In addition, the Group recognized a financial liability for cash received.

At 30 June 2021 and 31 December 2020, none of the above-mentioned financial assets which did not qualify for derecognition was transferred to third parties.

## 54. Events after the reporting period

As of the approval date of these financial statements, the Group has no significant events after the reporting period which needs to be disclosed.

## 55. Approval of the condensed consolidated interim financial statements

The financial statements were approved and authorized for issue by the Board of Directors on 20 August 2021.

# CHAPTER 11 UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

(Expressed in thousands of Renminbi, unless otherwise stated)

## 1. Liquidity coverage ratio and leverage ratio (%)

### (a) Liquidity coverage ratio

	At 30 June 2021	Average for the year ended 30 June 2021
Liquidity coverage ratio (RMB and foreign currency)	24.15%	39.07%

	At 31 December 2020	Average for the year ended 31 December 2020
Liquidity coverage ratio (RMB and foreign currency)	53.98%	64.42%

### (b) Leverage ratio

	At 30 June 2021	At 31 December 2020
Leverage ratio	7.44%	7.88%

Pursuant to the Leverage Ratio Management of Commercial Banks issued by the CBRC on 1 April 2015, a minimum leverage ratio of 4% is required for commercial banks.

The above liquidity coverage ratio is calculated in accordance with the formula promulgated by the CBRC and based on the financial information prepared in accordance with PRC GAAP.

(Expressed in thousands of Renminbi, unless otherwise stated)

## 2. Currency concentration

	USD RMB equivalent	HKD RMB equivalent	Others RMB equivalent	Total
At 30 June 2021				
Spot assets	4,846,548	13,192	49,246	4,908,986
Spot liabilities	(1,388,724)	2,370	(19,039)	(1,405,393)
Net long position	3,457,824	15,562	30,207	3,503,593
Net structural position	-	-	-	-
At 31 December 2020				
Spot assets	5,270,549	20,406	48,540	5,339,495
Spot liabilities	(2,906,760)	(3,683)	(20,425)	(2,930,868)
Net long position	2,363,789	16,723	28,115	2,408,627
Net structural position	-	-	-	-

(Expressed in thousands of Renminbi, unless otherwise stated)

### 3. International claims

The Group is principally engaged in business operations within Mainland China, and regards all claims on third parties outside Mainland China as international claims. International claims include loans and advances, deposits with the central bank, deposits with banks and other financial institutions.

A country or geographical area is reported where it constitutes 10% or more of the aggregate amount of international claims, after taking into account any risk transfers. Risk transfers are only made if the claims are guaranteed by a party in a country which is different from that of the counterparty or if the claims are on an overseas branch of a bank whose Head Office is located in another country.

	At 30 June 2021		
	Bank and other financial institutions	Non-bank private sector	Total
Asia Pacific	903,770	2,035,151	2,938,921
of which: Hong Kong	212,332	1,866,688	2,079,020
Europe	1,972,096	–	1,972,096
North and South America	384,389	–	384,389
<b>Total</b>	<b>3,260,255</b>	<b>2,035,151</b>	<b>5,295,406</b>

	At 31 December 2020		
	Bank and other financial institutions	Non-bank private sector	Total
Asia Pacific	431,660	2,369,805	2,801,465
of which: Hong Kong	217,095	1,841,346	2,058,441
Europe	1,995,293	–	1,995,293
North and South America	376,599	–	376,599
<b>Total</b>	<b>2,803,552</b>	<b>2,369,805</b>	<b>5,173,357</b>

**4. Loans and advances overdue for more than 90 days by geographical segments**

	At 30 June 2021	At 31 December 2020
Jinzhou Region	4,487,871	4,064,102
Other Northeastern Region	4,989,214	3,886,854
Northern China Region	2,195,338	1,895,995
<b>Total</b>	<b>11,672,423</b>	<b>9,846,951</b>

**5. Gross amount of loans and advances overdue for more than 90 days**

	At 30 June 2021	At 31 December 2020
Loans and advances which have been overdue with respect to either principal or interest for periods of		
– between 3 and 6 months (inclusive)	770,565	1,026,346
– between 6 months and 1 year (inclusive)	2,010,808	2,583,149
– between 1 year and 3 years (inclusive)	7,852,435	5,636,554
– over 3 years	1,038,615	600,902
<b>Total</b>	<b>11,672,423</b>	<b>9,846,951</b>
As a percentage of total gross loans and advances		
– between 3 and 6 months (inclusive)	0.13%	0.21%
– between 6 months and 1 year (inclusive)	0.37%	0.52%
– between 1 year and 3 years (inclusive)	1.43%	1.13%
– over 3 years	0.19%	0.12%
<b>Total</b>	<b>2.12%</b>	<b>1.98%</b>

The above analysis includes loans and advances overdue for more than 90 days. Loans and advances with a specific repayment date are classified as overdue when the principal or interest is overdue.

At 30 June 2021, the principal amount of loans and advances overdue more than 90 days of the Group was RMB11,672 million (31 December 2020: RMB9,847 million). The covered portion of these overdue loans and advances was RMB4,188 million (31 December 2020: RMB4,377 million).

## 6. Non-bank Mainland China exposure

The Bank is a commercial bank incorporated in Mainland China with its banking business conducted in Mainland China. As of 30 June 2021 and 31 December 2020, substantial amounts of the Bank's exposures arose from businesses with Mainland China entities or individuals.



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