



徽商银行股份有限公司
Huishang Bank Corporation Limited

2021 Interim Report



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

STOCK CODE: 3698

STOCK CODE OF PREFERENCE SHARES: 4608



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2021 INTERIM REPORT





Definitions

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

“Bank” or “Huishang Bank”	Huishang Bank Corporation Limited, including its subsidiaries and branches
“China” or “PRC”	the People’s Republic of China
“CBIRC”	the China Banking and Insurance Regulatory Commission
“CBRC”	the former China Banking Regulatory Commission
“CBIRC Anhui Office”	the China Banking and Insurance Regulatory Commission Anhui Office
“CBRC Anhui Office”	the former China Banking Regulatory Commission Anhui Office
“PBOC”	the People’s Bank of China
“Domestic Shares”	the ordinary shares issued by the Bank in the PRC with a nominal value of RMB1.00 per share
“H Shares”	the ordinary shares issued by the Bank to overseas investors, which are denominated in RMB, subscribed for in Hong Kong Dollars and listed on the Main Board of the Hong Kong Stock Exchange
“Offshore Preference Shares”	44,400,000 non-cumulative perpetual offshore preference shares with a nominal value of RMB100 per share issued by the Bank at the issue price of US\$20 per share and listed on the Hong Kong Stock Exchange to raise US\$888 million
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
“H Share Listing”	the listing of H Shares of the Bank on the Main Board of the Hong Kong Stock Exchange on 12 November 2013
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Corporate Governance Code”	the Corporate Governance Code set out in Appendix 14 to the Hong Kong Listing Rules
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Hong Kong Listing Rules
“Latest Practicable Date”	the latest practicable date for the purpose of ascertaining certain information contained in this report, i.e. 15 September 2021
“Reporting Period”	the first half of 2021 (1 January 2021 to 30 June 2021)
“Non-green Industries”	heavily-polluting, highly energy-consuming and over-capacity industries
“Three Dimensional Rural Issues”	issues related to agriculture, rural areas and farmers

Definitions

“Yuan” or “RMB”	Renminbi, the lawful currency of China. Unless otherwise specified herein, the currency used in this report shall be Renminbi
“US\$” or “U.S. Dollars”	U.S. dollars, the lawful currency of the United States
“HK\$” or “Hong Kong Dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“IFRS”	International Financial Reporting Standards
“GDP”	Gross Domestic Product
“PPP”	Public-Private Partnership
“FVTPL”	Fair Value through Profit and Loss
“LPR”	Loan Prime Rate



Chapter I Corporate Information

1.1 CORPORATE INFORMATION

- 1.1.1 Registered Chinese name: 徽商银行股份有限公司¹
Registered English name: Huishang Bank Corporation Limited
- 1.1.2 Legal representative: Yan Chen
Authorized representatives: Yan Chen, Ngai Wai Fung
Secretary to the Board of Directors: Lian Baohua
Company secretary: Ngai Wai Fung
- 1.1.3 Registered and business office address: Block A, Tianhui Building, 79 Anqing Road, Hefei, Anhui Province, the PRC
- 1.1.4 Contact address: Block A, Tianhui Building, 79 Anqing Road, Hefei, Anhui Province, the PRC
Tel: +86-551-62667729
Fax: +86-551-62667787
Postal code: 230001
Bank's website: www.hsbank.com.cn
E-mail: djb@hsbank.com.cn
- 1.1.5 Principal place of business in Hong Kong: 40/F, Dah Sing Finance Center, No. 248 Queen's Road East, Wanchai, Hong Kong
- 1.1.6 Domestic auditor: Ernst & Young Hua Ming LLP (Special General Partnership)
Office address: Room 01-12, Level 17, Ernst & Young Tower, Oriental Plaza, No. 1 East Chang An Avenue, Dong Cheng District, Beijing, the PRC
International auditor: Ernst & Young
Office address: 22/F, Citic Tower, 1 Tim Mei Avenue, Hong Kong
- 1.1.7 Legal advisor as to PRC law: DeHeng Law Offices
Legal advisor as to Hong Kong law: Clifford Chance
- 1.1.8 Domestic Shares trustee agency: China Securities Depository and Clearing Corporation Limited
H Shares registrar: Computershare Hong Kong Investor Services Limited

Note: 1. Huishang Bank Corporation Limited 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/deposit-taking business in Hong Kong.

Chapter I Corporate Information

1.2 COMPANY PROFILE

Headquartered in Hefei, Anhui Province, Huishang Bank is the first regional joint stock commercial bank in the PRC established through the merger and reorganization of city commercial banks and urban credit cooperatives with the approval of the former CBRC. The Bank was incorporated on 4 April 1997, and changed its name to Huishang Bank Corporation Limited on 30 November 2005. On 28 December 2005, the Bank officially merged with the 5 city commercial banks of Wuhu, Ma'anshan, Anqing, Huaibei and Bengbu and the 7 urban credit cooperatives of Lu'an, Huainan, Tongling, Fuyang Technology, Fuyang Xinying, Fuyang Yinhe and Fuyang Jinda in Anhui Province. The Bank officially opened for business on 1 January 2006. On 12 November 2013, H Shares of the Bank were listed on the Main Board of the Hong Kong Stock Exchange (stock code: 3698). The Bank holds a financial institution license numbered B0162H234010001 from the former CBRC Anhui Office and the unified social credit code numbered 913400001489746613 from the former Anhui Provincial Administration of Industry and Commerce. The registered address is Block A, Tianhui Building, 79 Anqing Road, Hefei, Anhui Province, the PRC. As at the end of June 2021, the registered capital of the Bank was RMB13,889,801,211. The Bank successfully issued the USD888,000,000 Offshore Preference Shares in November 2016 and such shares were listed on the Hong Kong Stock Exchange (stock code: 4608).

The Bank's principal activities in the PRC include the taking of deposits from corporate and retail customers, the granting of loans using the deposits received, and the conducting of capital business including money market business, investment and trading business and transactions on behalf of customers. As at the end of June 2021, the Bank had 10,583 on-the-job employees. Apart from its headquarters, the Bank has 21 branches, 482 front offices and 646 self-service areas (points). The Bank also has four subsidiaries, namely Huishang Bank Financial Leasing Co., Ltd., Huishang Bank Wealth Management Co., Ltd., Wuwei Huiyin Rural Bank Co., Ltd. and Jinzhai Huiyin Rural Bank Co., Ltd. and owns equity interest in Chery Huiyin Motor Finance Service Co., Ltd. and Mengshang Bank Co., Ltd.

By maintaining its market position as a bank "serving the local economy, serving small and medium enterprises ("SME(s)") and serving the general public", the Bank has continuously experienced a relatively fast growth in its business development, has gradually strengthened its comprehensive strength, has steadily improved its operational management standards, and has achieved a synergic development of scale, quality and efficiency. With the full recognition and widespread praise from all sectors of society, the Bank was named one of the top 200 in the "Top 1000 World Banks" and "Top 500 World Banks Brand Value" by The Banker, a UK magazine, with the ranking at No. 132 and No. 141. The Bank ranked at No. 326 of Fortune's "Top 500 Chinese Companies", ranking the 20th among commercial banks and the 6th among city commercial banks.

Chapter II Summary of Accounting Data and Business Data

2.1 MAIN FINANCIAL INFORMATION

Unit: RMB million, except for percentages

Operational results	January to June 2021	January to June 2020	Changes over
			the corresponding period of last year +/-)%
Operating income ⁽¹⁾	17,569	16,399	7.13
Profit before tax	7,310	6,440	13.51
Net profit attributable to shareholders of the Bank	6,195	5,250	18.00

Unit: RMB yuan, except for percentages

Per ordinary share	January to June 2021	January to June 2020	Changes over
			the corresponding period of last year +/-)%
Basic earnings attributable to shareholders of the Bank	0.45	0.43	4.65
Diluted earnings attributable to shareholders of the Bank	0.45	0.43	4.65
Closing net assets attributable to shareholders of the Bank	6.73	6.16	9.25

Unit: RMB million, except for percentages

Scale indicators	30 June 2021	31 December 2020	Changes over
			the end of last year +/-)%
Total assets	1,389,831	1,271,701	9.29
Including: total loans and advances to customers ⁽²⁾	637,973	572,954	11.35
Total liabilities	1,277,842	1,166,028	9.59
Including: total customer deposits ⁽³⁾	782,378	712,953	9.74
Equity attributable to shareholders of the Bank	109,465	103,041	6.23

Notes: (1) Operating income comprises net interest income, net fee and commission income, net trading income, net income from financial investments and other operating income, net.

(2) Accrued interest and provision for impairment are not included in total loans and advances to customers.

(3) Accrued interest is not included in total customer deposits.

Chapter II Summary of Accounting Data and Business Data

2.2 FINANCIAL RATIOS

Profitability indicators ⁽¹⁾	January to June 2021	January to December 2020	January to June 2020	Unit: %
				Changes over the corresponding period of last year +/-(-)
Return on average total assets (ROA)	0.92	0.83	0.92	0.00
Return on average net assets (ROE)	13.12	12.94	14.14	(1.02)
Net interest spread	1.98	2.17	2.27	(0.29)
Net interest margin	2.19	2.42	2.50	(0.31)

Proportion of operating income	January to June 2021	January to December 2020	January to June 2020	Unit: %
				Changes over the corresponding period of last year +/-(-)
— Net interest income	75.02	79.75	78.28	(3.26)
— Net non-interest income	24.98	20.25	21.72	3.26
Cost-to-income ratio (including tax and surcharges) ⁽²⁾	22.57	23.71	20.91	1.66

Asset quality indicators	30 June 2021	31 December 2020	30 June 2020	Unit: %
				Changes over the corresponding period of last year +/-(-)
Non-performing loan ratio	1.66	1.98	1.13	0.53
Allowance to non-performing loan ratio	223.18	181.90	290.45	(67.27)
Allowance to loans ratio	3.70	3.61	3.29	0.41

Capital adequacy indicators	30 June 2021	31 December 2020	30 June 2020	Unit: %
				Changes over the corresponding period of last year +/-(-)
Core Tier I capital adequacy ratio	8.03	8.04	8.75	(0.72)
Capital adequacy ratio	11.80	12.12	12.98	(1.18)

Other indicators	30 June 2021	31 December 2020	30 June 2020	Unit: %
				Changes over the corresponding period of last year +/-(-)
Equity to total assets ⁽³⁾	8.06	8.31	7.81	0.25
Gearing ratio ⁽⁴⁾	91.94	91.69	92.19	(0.25)

Notes: (1) The ratios are annualized.

(2) Cost-to-income ratio = Operating expenses/Operating income.

(3) Equity includes minority interests.

(4) Gearing ratio = Total liabilities/Total assets.

Chapter III Management Discussion and Analysis

3.1 OVERALL BUSINESS REVIEW

During the first half of 2021, confronted by the complex and severe situation at home and abroad, the Bank upheld the general working guidelines of making improvement while maintaining stability and undertook the mission of serving the real economy with high-quality development as the main line and building a first-class digital city commercial bank as the target, realizing steady growth in various business and continuous improvement in operating and management level.

As at the end of June 2021, the total assets of the Bank were RMB1,389,831 million, representing an increase of RMB118,130 million or 9.29% as compared with the end of last year. Among them, total loans and advances to customers were RMB637,973 million, representing an increase of RMB65,019 million or 11.35% as compared with the end of last year. Total liabilities were RMB1,277,842 million, representing an increase of RMB111,814 million or 9.59% as compared with the end of last year. Among them, total customer deposits were RMB782,378 million, representing an increase of RMB69,425 million or 9.74% as compared with the end of last year.

As at the end of June 2021, the Bank realized an operating income of RMB17,569 million, representing an increase of RMB1,170 million or 7.13%, as compared with the same period of last year; net profit was RMB6,092 million, representing an increase of RMB761 million or 14.29% as compared with the same period of last year.

As at the end of June 2021, the Bank's non-performing loan balance was RMB10,584 million, representing a decrease of RMB774 million as compared with the end of last year. Non-performing loan ratio was 1.66%, representing a decrease of 0.32 percentage point as compared with the end of last year. Non-performing loan provision coverage ratio was 223.18%, representing an increase of 41.28 percentage points as compared with the end of last year.

3.2 ANALYSIS OF INCOME STATEMENT

3.2.1 Particulars of financial performance

From January to June 2021, the Bank realized profit before tax of RMB7,310 million, representing an increase of RMB870 million or 13.51% as compared with the same period of last year. The effective income tax rate was 16.66%, representing a decrease of 0.56 percentage point as compared with the same period of last year.

	January to June 2021	January to June 2020
	<i>Unit: RMB million</i>	
Net interest income	13,181	12,837
Net fee and commission income	1,955	1,947
Other net income	2,433	1,616
Operating expenses	3,965	3,429
Impairment losses	6,500	6,609
Share of profits in associates	206	78
Profit before tax	7,310	6,440
Income tax expense	1,218	1,109
Net profit	6,092	5,331
Net profit attributable to shareholders of the Bank	6,195	5,250

Chapter III Management Discussion and Analysis

3.2 ANALYSIS OF INCOME STATEMENT (CONTINUED)

3.2.2 Net interest income

From January to June 2021, the Bank's net interest income amounted to RMB13,181 million, and net interest income from financial instruments at fair value through profit or loss amounted to RMB1,452 million, which totalled RMB14,633 million, representing an increase of RMB295 million or 2.06% as compared with the same period of last year, among which expansion of the scale resulted in an increase of RMB2,424 million in net interest income and changes in interest rates resulted in a decrease of RMB2,129 million in net interest income. From January to June 2021, each of the net interest spread and net interest yield of the Bank was 1.98% and 2.19%, representing a decrease of 29 basic points and 31 basic points, compared with the same period of last year respectively.

The following table sets forth the average balances, interest income and interest expenses, and annualized average yield and costs of the Bank's interest-earning assets and interest-bearing liabilities for the periods indicated.

Unit: RMB million, except for percentages

	January to June 2021			January to June 2020		
	Average Balance ⁽¹⁾	Interest Income	Annualized Average Yield (%)	Average Balance ⁽¹⁾	Interest Income	Annualized Average Yield (%)
Interest-earning assets						
Loans and advances to customers	606,467	16,021	5.28	502,472	13,459	5.36
Securities investments	533,064	10,633	3.99	471,451	10,723	4.55
Balances with the central bank	82,406	582	1.41	70,546	501	1.42
Deposits and placements with banks and other financial institutions	61,834	389	1.26	54,005	433	1.60
Financial leasing	54,515	1,863	6.83	48,284	1,488	6.16
Total interest-earning assets and interest income (including interest income from FVTPL financial assets)	1,338,286	29,488	4.41	1,146,758	26,604	4.64

Note: (1) Average balance represents the daily average balance.

Chapter III Management Discussion and Analysis

3.2 ANALYSIS OF INCOME STATEMENT (CONTINUED)

3.2.2 Net interest income (Continued)

Unit: RMB million, except for percentages

	January to June 2021			January to June 2020		
	Average Balance	Interest Expenses	Annualized Average Cost Ratio (%)	Average Balance	Interest Expenses	Annualized Average Cost Ratio (%)
Interest-bearing liabilities						
Borrowings from the central bank	67,033	891	2.66	43,172	631	2.92
Customer deposits	752,448	7,919	2.10	622,559	6,039	1.94
Deposits and placements from banks and other financial institutions ⁽¹⁾	231,801	3,352	2.89	187,203	2,686	2.87
Debt securities issued	172,196	2,692	3.13	181,337	2,910	3.21
Total interest-bearing liabilities and interest expenses (including interest expenses from FVTPL financial liabilities)	1,223,479	14,855	2.43	1,034,271	12,266	2.37
Net interest income and net interest income from FVTPL financial instruments	/	14,633	/	/	14,338	/
Net interest spread	/	/	1.98	/	/	2.27
Net interest margin	/	/	2.19	/	/	2.50

Note: (1) Included deposits and placements from banks and other financial institutions of insurance companies.

Chapter III Management Discussion and Analysis

3.2 ANALYSIS OF INCOME STATEMENT (CONTINUED)

3.2.2 Net interest income (Continued)

The following table sets forth the changes in interest income and expenses of the Bank caused by the changes in scale and interest rates for the period indicated.

Unit: RMB million

	January to June 2021		Net increase/ (decrease)
	vs. January to June 2020		
	Increase (decrease) factors		
	Scale ⁽¹⁾	Interest rate	
Assets			
Loans and advances to customers	2,786	(224)	2,562
Securities investments	1,401	(1,491)	(90)
Balances with the central bank	84	(3)	81
Deposits and placements with banks and other financial institutions	63	(107)	(44)
Financial leasing	192	183	375
Changes in interest income (including interest income from FVTPL financial assets)	4,526	(1,642)	2,884
Liabilities			
Borrowings from the central bank	349	(89)	260
Customer deposits	1,260	620	1,880
Deposits and placements from banks and other financial institutions	640	26	666
Debt securities issued	(147)	(71)	(218)
Changes in interest expenses (including interest expenses from FVTPL financial liabilities)	2,102	487	2,589
Changes in net interest income and net interest income from FVTPL financial instruments	2,424	(2,129)	295

Note: (1) The changes in scale were measured by the changes in average balances; while changes in interest rates were measured by changes in average interest rates. The changes caused by a combination of scale changes and interest rate changes were included in interest rate changes.

Chapter III Management Discussion and Analysis

3.2 ANALYSIS OF INCOME STATEMENT (CONTINUED)

3.2.3 Interest income

From January to June 2021, the Bank's interest income and interest income from financial assets at fair value through profit or loss recognized in net trading income totaled RMB29,488 million, representing an increase of 10.84% as compared with the same period of last year.

Interest income from loans and advances

From January to June 2021, the interest income from loans and advances to customers of the Bank was RMB16,021 million, representing an increase of RMB2,562 million or 19.04% as compared with the same period of last year, among which expansion of the scale resulted in an increase of RMB2,786 million in interest income from loans and advances to customers and changes in interest rates resulted in a decrease of RMB224 million in interest income from loans and advances to customers.

The following table sets forth the average balances, interest income and annualized average yields on each component of the Bank's loans and advances to customers for the periods indicated:

Unit: RMB million, except for percentages

	January to June 2021			January to June 2020		
	Average Balance	Interest Income	Annualized Average Yields (%)	Average Balance	Interest Income	Annualized Average Yields (%)
Corporate loans	358,292	9,027	5.04	296,298	7,664	5.17
Retail loans ⁽¹⁾	217,472	6,601	6.07	183,189	5,477	5.98
Discounted bills	30,703	393	2.56	22,985	318	2.77
Loans and advances to customers	606,467	16,021	5.28	502,472	13,459	5.36

Note: (1) Retail loans comprised personal business loans and personal consumption loans (including residential mortgage loans).

Interest income from securities investments

From January to June 2021, the Bank's interest income from securities investments was RMB10,633 million, representing a decrease of RMB90 million or 0.84% as compared with the same period of last year, among which increase in the scale resulted in an increase of RMB1,401 million in interest income from securities investments and changes in interest rates resulted in a decrease of RMB1,491 million in interest income from securities investments.

Interest income from deposits and placements with banks and other financial institutions

From January to June 2021, the Bank's interest income from deposits and placements with banks and other financial institutions was RMB389 million, representing a decrease of RMB44 million or 10.16% as compared with the same period of last year, among which expansion of the scale resulted in an increase of RMB63 million in interest income from deposits and placements with banks and other financial institutions while changes in interest rates resulted in a decrease of RMB107 million in interest income from deposits and placements with banks and other financial institutions.

Chapter III Management Discussion and Analysis

3.2 ANALYSIS OF INCOME STATEMENT (CONTINUED)

3.2.4 Interest expenses

From January to June 2021, the Bank's interest expenses and interest expenses from financial liabilities at fair value through profit or loss recognized in net trading income amounted to RMB14,855 million, representing an increase of RMB2,589 million or 21.11% as compared with the same period of last year, among which expansion of the scale resulted in an increase of RMB2,102 million in interest expenses while changes in interest rates resulted in an increase of RMB487 million in interest expenses.

Interest expense on customer deposits

From January to June 2021, the Bank's interest expense on customer deposits was RMB7,919 million, representing an increase of RMB1,880 million or 31.13% as compared with the same period of last year, among which expansion of the scale resulted in an increase of RMB1,260 million in interest expense on customer deposits and changes in interest rates resulted in an increase of RMB620 million in interest expense on customer deposits.

The following table sets forth the average balances, interest expenses and annualized average cost ratio of the Bank's corporate deposits and retail customer deposits for the periods indicated:

Unit: RMB million, except for percentages

	January to June 2021			January to June 2020		
	Average Balance	Interest Expense	Annualized Average Cost Ratio (%)	Average Balance	Interest Expense	Annualized Average Cost Ratio (%)
Corporate deposits						
Demand deposits	268,083	1,239	0.92	250,144	1,164	0.93
Time deposits	182,168	2,805	3.08	138,240	2,122	3.07
Sub-total	450,251	4,044	1.80	388,384	3,286	1.69
Retail customer deposits						
Demand deposits	71,672	242	0.68	64,715	213	0.66
Time deposits	189,974	3,285	3.46	131,860	2,301	3.49
Sub-total	261,646	3,527	2.70	196,575	2,514	2.56
Others ⁽¹⁾	40,551	348	1.72	37,600	239	1.27
Total customer deposits	752,448	7,919	2.10	622,559	6,039	1.94

Note: (1) Other deposits include margin deposits and credit card deposits.

Interest expense on deposits and placements with banks and other financial institutions

From January to June 2021, interest expense on deposits and placements with banks and other financial institutions was RMB3,352 million, representing an increase of RMB666 million or 24.80% as compared with the same period of last year, among which increase in the scale resulted in an increase of RMB640 million in interest expense on deposits and placements with banks and other financial institutions while changes in interest rates resulted in an increase of RMB26 million in interest expense on deposits and placements with banks and other financial institutions.

Interest expense on bonds issued

From January to June 2021, interest expense on bonds issued was RMB2,692 million, representing a decrease of RMB218 million or 7.49% as compared with the same period of last year, among which reduction of the scale resulted in a decrease of RMB147 million in interest expense on bonds issued while changes in interest rates resulted in a decrease of RMB71 million in interest expense on bonds issued.

Chapter III Management Discussion and Analysis

3.2 ANALYSIS OF INCOME STATEMENT (CONTINUED)

3.2.5 Net non-interest income

From January to June 2021, the Bank realized net non-interest income of RMB4,388 million, representing an increase of RMB825 million or 23.15% as compared with the same period of last year, which was primarily attributable to the increase in other net non-interest income.

The table below sets out the main components of net non-interest income of the Bank for the periods indicated:

	<i>Unit: RMB million</i>	
	January to June 2021	January to June 2020
Fee and commission income	2,134	2,031
Settlement fee income	52	55
Guarantee and commitment fee income	213	166
Investment banking fee income	357	378
Custodian service fee income	417	341
Bank card fee income	81	48
Settlement fees	17	7
Agency service fees	626	655
Financial leasing fee income	318	316
Other fee income	53	65
Fee and commission expenses	(179)	(85)
Net fee and commission income	1,955	1,947
Other net non-interest income	2,433	1,616
Net trading income	1,691	1,268
Net income from financial investments	608	229
Other operating income, net	134	119
Net non-interest income	4,388	3,563

Net fee and commission income

From January to June 2021, net fee and commission income of the Bank was RMB1,955 million, representing an increase of RMB8 million or 0.41% as compared with the same period of last year, which was primarily attributable to increases in custodian service fee income, guarantee and commitment fee income and bank card fee income.

Net trading income

From January to June 2021, net trading income of the Bank was RMB1,691 million, representing an increase of RMB423 million or 33.36%, which was primarily attributable to the increase in profit or loss from fair value changes of financial assets at fair value through profit or loss.

Net income from financial investments

From January to June 2021, net income from financial investments of the Bank was RMB608 million, representing an increase of RMB379 million or 165.50%, which was mainly due to the increase in the spread income from financial assets at fair value through profit or loss.

Chapter III Management Discussion and Analysis

3.2 ANALYSIS OF INCOME STATEMENT (CONTINUED)

3.2.6 Operating expenses

From January to June 2021, operating expenses of the Bank were RMB3,965 million, representing an increase of RMB536 million or 15.63% as compared with the same period of last year.

The following table sets forth the principal components of the Bank's operating expenses for the periods indicated:

	<i>Unit: RMB million</i>	
	January to June 2021	January to June 2020
Staff costs	(2,275)	(2,178)
Tax and surcharges	(196)	(149)
Depreciation and amortization	(496)	(397)
Lease expenses	(32)	(20)
Other general and administrative expenses	(966)	(685)
Total operating expenses	(3,965)	(3,429)

3.2.7 Impairment losses

From January to June 2021, the Bank's allowance to impairment losses was RMB6,500 million, representing a decrease of RMB109 million or 1.65% as compared with the same period of last year.

	<i>Unit: RMB million</i>	
	January to June 2021	January to June 2020
Loans and advances to customers ⁽¹⁾	(3,596)	(3,788)
Financial investments	(2,387)	(2,229)
Credit commitments	(13)	(2)
Deposits with banks and other financial institutions	11	(130)
Placements with banks and other financial institutions	(9)	9
Financial assets held under resale agreements	(44)	(35)
Finance lease receivables	(431)	(578)
Foreclosed assets	4	0
Other assets	(35)	144
Total	(6,500)	(6,609)

Note: (1) loans and advances to customers comprise of loans and advances to customers measured at amortised cost and at fair value through other comprehensive income.

Chapter III Management Discussion and Analysis

3.3 BALANCE SHEET ANALYSIS

3.3.1 Assets

As of 30 June 2021, the Bank's total assets amounted to RMB1,389,831 million, representing an increase of 9.29% as compared with the end of 2020. The increase in total assets was primarily due to the increase in assets such as loans and advances to customers.

Unit: RMB million, except for percentages

Items	30 June 2021		31 December 2020	
	Amount	% of the total	Amount	% of the total
Total loans and advances to customers	637,973	45.90	572,954	45.05
Accrued interest of loans and advances to customers	1,482	0.11	1,097	0.09
Provision for loan impairment	23,608	1.70	20,652	1.62
Net loans and advances to customers	615,847	44.31	553,399	43.52
Investments	525,057	37.78	510,527	40.15
Cash and balances with central bank	117,789	8.48	98,384	7.74
Deposits with banks and other financial institutions	7,577	0.55	11,298	0.89
Precious metals	–	–	2,397	0.19
Placements with banks and other financial institutions	8,908	0.64	5,277	0.41
Derivative financial assets	117	0.01	138	0.01
Financial assets held under resale agreements	15,444	1.11	249	0.02
Investments in associates	4,667	0.34	4,474	0.35
Fixed assets	4,535	0.33	4,638	0.36
Right-of-use assets	1,125	0.08	1,169	0.09
Goodwill	14,568	1.05	14,568	1.15
Deferred tax assets	10,867	0.78	9,727	0.76
Finance lease receivables	57,140	4.11	49,054	3.86
Other assets	6,191	0.45	6,401	0.50
Total assets	1,389,831	100	1,271,701	100

Chapter III Management Discussion and Analysis

3.3 BALANCE SHEET ANALYSIS (CONTINUED)

3.3.1 Assets (Continued)

3.3.1.1 Loans and advances

As of 30 June 2021, the Bank's total loans and advances to customers amounted to RMB637,973 million, representing an increase of 11.35% as compared with the end of last year, and the total loans and advances to customers accounted for 45.90% of the Bank's total assets, up by 0.85 percentage point from the end of last year.

Distribution of loans by product types

The following table sets forth the information on the Bank's loans and advances to customers by product types as of the dates indicated.

Unit: RMB million, except for percentages

Items	30 June 2021		31 December 2020	
	Amount	% of the total	Amount	% of the total
Corporate loans	379,481	59.48	325,112	56.74
Discounted bills	26,367	4.13	27,759	4.85
Retail loans	232,125	36.39	220,082	38.41
Total loans and advances to customers	637,973	100	572,954	100

3.3.1.2 Investments

Investments of the Bank consist of listed and non-listed securities denominated in both RMB and foreign currencies, including financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and financial assets at amortised cost.

The following table sets forth the components of the investment portfolio of the Bank by accounting classification:

Unit: RMB million, except for percentages

Items	30 June 2021		31 December 2020	
	Amount	% of the total	Amount	% of the total
Financial assets at fair value through profit or loss	103,168	19.65	123,051	24.10
Financial assets at fair value through other comprehensive income	126,141	24.02	120,566	23.62
Financial assets at amortised cost	295,748	56.33	266,910	52.28
Investments	525,057	100	510,527	100

Note: As the Bank has adopted IFRS 9 – Financial Instruments, the classification and measurement of relevant financial assets are presented in accordance with the requirements of the newly adopted standard.

Chapter III Management Discussion and Analysis

3.3 BALANCE SHEET ANALYSIS (CONTINUED)

3.3.1 Assets (Continued)

3.3.1.2 Investments (Continued)

Financial assets at fair value through profit or loss

The following table sets forth the components of financial assets at fair value through profit or loss of the Bank:

	30 June 2021	<i>Unit: RMB million</i> 31 December 2020
Government bonds	6,426	2,967
Other debt securities	6,469	11,710
Inter-bank certificates of deposits	362	884
Beneficial rights in asset management plans, trust plans and others	78,034	93,062
Non-guaranteed wealth management products managed by other banks	11,012	13,509
Interest receivable	865	919
Total financial assets at fair value through profit or loss	103,168	123,051

Note: As the Bank has adopted IFRS 9 – Financial Instruments, the classification and measurement of relevant financial assets are presented in accordance with the requirements of the newly adopted standard.

Financial assets at fair value through other comprehensive income

The following table sets forth the components of financial assets at fair value through other comprehensive income of the Bank:

	30 June 2021	<i>Unit: RMB million</i> 31 December 2020
Debt securities	123,543	118,548
Equity instruments	225	235
Interest receivable	2,373	1,783
Total financial assets at fair value through other comprehensive income	126,141	120,566

Note: As the Bank has adopted IFRS 9 – Financial Instruments, the classification and measurement of relevant financial assets are presented in accordance with the requirements of the newly adopted standard.

Chapter III Management Discussion and Analysis

3.3 BALANCE SHEET ANALYSIS (CONTINUED)

3.3.1 Assets (Continued)

3.3.1.2 Investments (Continued)

Financial assets at amortised cost

The following table sets forth the components of financial assets at amortised cost of the Bank:

	30 June 2021	<i>Unit: RMB million</i> 31 December 2020
Debt securities	121,042	98,879
Beneficial rights in asset management plans, trust plans and others	184,360	175,343
Interest receivable	4,511	4,820
Less: provision for impairment	(14,165)	(12,132)
Net financial assets at amortised cost	295,748	266,910

Note: As the Bank has adopted IFRS 9 – Financial Instruments, the classification and measurement of relevant financial assets are presented in accordance with the requirements of the newly adopted standard.

Carrying value and market value

All assets classified as financial assets at fair value through profit or loss or financial assets at fair value through other comprehensive income are recorded at market value or fair value.

The following table sets forth the carrying value and market value of the financial assets at amortised cost in the Bank's investment portfolio as of the dates indicated:

	30 June 2021		<i>Unit: RMB million</i> 31 December 2020	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets at amortised cost	295,748	296,369	266,910	267,239

Chapter III Management Discussion and Analysis

3.3 BALANCE SHEET ANALYSIS (CONTINUED)

3.3.1 Assets (Continued)

3.3.1.3 Subsidiaries and major companies in which the Bank has shareholdings

Name	Initial investment amount (RMB'000)	Percentage of shareholdings (%)	Number of shares held at the end of the period (in thousand shares)	Carrying value at the end of the period (RMB'000)	Sources of shares held	Remark
Jinzhai Huiyin Rural Bank Co., Ltd. ⁽¹⁾	32,800	41	32,800	32,800	Promotion	Subsidiary
Wuwei Huiyin Rural Bank Co., Ltd. ⁽²⁾	40,000	40	40,000	69,513	Promotion	Subsidiary
Huishang Bank Financial Leasing Co., Ltd.	1,020,000	54	1,620,000	1,706,820	Promotion, participation in capital increase	Subsidiary
Huishang Bank Wealth Management Co., Ltd.	2,000,000	100	2,000,000	2,000,000	Promotion	Subsidiary
Chery HuiYin Motor Finance Service Co., Ltd.	100,000	20	300,000	1,448,696	Promotion, participation in capital increase	Company in which the Bank has shareholdings
Mengshang Bank Co., Ltd.	3,600,000	15	3,000,000	3,217,950	Promotion	Company in which the Bank has shareholdings

Notes:

- (1) Due to the changes in the shareholding of Jinzhai Huiyin Rural Bank Co., Ltd. ("Jinzhai Huiyin") in May 2017, its shareholders, Anhui GuoYuan Investment Co., Ltd. (holding 10% of the shares of Jinzhai Huiyin) and Zhang Huai'an (holding 10% of the shares of Jinzhai Huiyin) have been acting in concert with the Bank. Such shareholders will agree with the Bank when voting for material decisions regarding financial and operating policies of Jinzhai Huiyin.
- (2) In 2010, the Bank invested in and established Wuwei Huiyin Rural Bank Co., Ltd. ("Wuwei Huiyin"). Its registered capital was RMB100 million, of which the Bank contributed RMB40 million, accounting for 40% shareholding. Although the Bank has no absolute controlling interest in Wuwei Huiyin, after taking into various factors, the company's operating activities since its incorporation indicated that the Bank has a dominant position over operating activities of Wuwei Huiyin. Therefore, the Bank has de facto control over it. The Bank included Wuwei Huiyin in its consolidated financial statements on 31 December 2014.

For further details of subsidiaries of the Bank and major companies in which the Bank has shareholdings, please refer to section 3.9.7 "Business of subsidiaries and major companies in which the Bank has shareholdings" of this report.

Chapter III Management Discussion and Analysis

3.3 BALANCE SHEET ANALYSIS (CONTINUED)

3.3.2 Liabilities

As of 30 June 2021, the total liabilities of the Bank amounted to RMB1,277,842 million, representing an increase of 9.59% as compared with the end of last year, which was mainly due to steady growth of customer deposits.

Unit: RMB million, except for percentages

Liabilities	30 June 2021		31 December 2020	
	Amount	% of the total	Amount	% of the total
Loans from the central bank	69,215	5.42	69,583	5.97
Deposits from banks and other financial institutions	125,692	9.84	93,590	8.03
Placements from banks and other financial institutions	40,190	3.15	35,295	3.03
Derivative financial liabilities	108	0.01	141	0.01
Financial assets sold under repurchase agreements	42,808	3.35	40,399	3.46
Customer deposits	782,378	61.23	712,953	61.14
Interests payable on customer deposits	14,568	1.14	13,790	1.18
Taxes payable	2,357	0.18	2,628	0.23
Debt securities issued	182,704	14.30	180,636	15.49
Other liabilities	17,823	1.39	17,013	1.46
Total liabilities	1,277,842	100	1,166,028	100

Customer deposits

The Bank has always been focusing on actively expanding its deposit business. In 2021, despite increasingly intense competition among its peers, the Bank managed to maintain a steady growth in its customer deposits through various forceful measures. As of 30 June 2021, the Bank's total customer deposits amounted to RMB782,378 million, representing an increase of 9.74% from the end of 2020, and accounted for 61.23% of the total liabilities of the Bank.

Chapter III Management Discussion and Analysis

3.3 BALANCE SHEET ANALYSIS (CONTINUED)

3.3.2 Liabilities (Continued)

Customer deposits (Continued)

The following table sets forth customer deposits of the Bank by product types and customer types as of the dates indicated:

Unit: RMB million, except for percentages

Items	30 June 2021		31 December 2020	
	Balance	% of the total	Balance	% of the total
Corporate deposits				
Demand deposits	286,581	36.63	251,061	35.21
Time deposits	175,253	22.40	188,697	26.47
Subtotal	461,834	59.03	439,758	61.68
Retail customer deposits				
Demand deposits	78,962	10.09	68,066	9.55
Time deposits	201,779	25.79	167,481	23.49
Subtotal	280,740	35.88	235,547	33.04
Other deposits	39,803	5.09	37,649	5.28
Including: pledged deposits	38,968	4.98	35,706	5.01
Total customer deposits	782,378	100	712,953	100

3.3.3 Equity

Unit: RMB million

Items	30 June 2021	31 December 2020
Share capital	13,890	13,890
Other equity instruments	15,990	15,990
Capital reserve	14,919	14,919
Surplus reserve	14,149	13,234
General risk reserve	13,379	12,296
Other comprehensive income	1,178	950
Retained earnings	35,959	31,763
Total equity attributable to shareholders of the Bank	109,465	103,041
Non-controlling interest	2,524	2,632
Total equity	111,989	105,673

Chapter III Management Discussion and Analysis

3.4 LOAN QUALITY ANALYSIS

3.4.1 Distribution of loans by the five-category classification

The following table sets forth the distribution of the Bank's loans by the five-category classification as of the dates indicated:

Unit: RMB100 million, except for percentages

	30 June 2021		31 December 2020	
	Amount	% of the total (%)	Amount	% of the total (%)
Pass	6,174.11	96.79	5,547.43	96.81
Special mention	99.78	1.56	68.52	1.20
Substandard	25.00	0.39	43.47	0.76
Doubtful	24.55	0.38	13.53	0.24
Loss	56.29	0.88	56.58	0.99
Gross loans and advances to customers	6,379.73	100	5,729.54	100
Total non-performing loans	105.84	1.66	113.58	1.98

Under the five-category classification system of loan supervision, the non-performing loans ("NPLs") of the Bank include loans of substandard, doubtful and loss categories. In 2021, affected by changes in the external business environment, the Bank's asset quality faced severe challenges. By focusing on risk prevention and accelerating disposal treatment, the Bank maintained a stable quality of assets. As at the end of the Reporting Period, the NPL ratio of the Bank was 1.66%, representing a decrease of 0.32 percentage point as compared with the end of last year.

3.4.2 Distribution of loans and NPLs by product type

The following table sets forth the distribution of loans and NPLs by product type as of the dates indicated:

Unit: RMB100 million, except for percentages

	30 June 2021				31 December 2020			
	Amount of loans	% of the total (%)	Amount of NPLs	NPL ratio (%)	Amount of loans	% of the total (%)	Amount of NPLs	NPL ratio (%)
Corporate loans	3,794.81	59.49	86.81	2.29	3,251.12	56.75	98.29	3.02
Discounted bills ⁽¹⁾	263.67	4.13	-	0.00	277.59	4.84	-	0.00
Retail loans	2,321.25	36.38	19.03	0.82	2,200.82	38.41	15.29	0.69
Total loans and advances to customers	6,379.73	100	105.84	1.66	5,729.54	100	113.58	1.98

Note: (1) Overdue discounted bills are transferred to corporate loans.

Chapter III Management Discussion and Analysis

3.4 LOAN QUALITY ANALYSIS (CONTINUED)

3.4.3 Distribution of loans and NPLs by industry

The following table sets forth the distribution of loans and NPLs by industry as of the dates indicated:

Unit: RMB100 million, except for percentages

	30 June 2021				31 December 2020			
	Amount of loans	% of the total (%)	Amount of NPLs	NPL ratio (%)	Amount of loans	% of the total (%)	Amount of NPLs	NPL ratio (%)
Corporate loans								
Commerce and services	661.18	10.36	54.53	8.25	538.85	9.40	23.20	4.31
Manufacturing	592.07	9.29	24.45	4.13	533.25	9.32	63.21	11.85
Public utilities	1,519.64	23.82	1.21	0.08	1,372.75	23.96	1.25	0.09
Real estate	344.57	5.40	0.47	0.14	269.45	4.70	0.20	0.07
Construction	308.97	4.84	4.38	1.42	267.22	4.66	5.24	1.96
Transportation	91.56	1.44	0.57	0.62	73.22	1.28	0.33	0.45
Energy and chemical	170.93	2.68	0.37	0.22	120.00	2.09	4.11	3.43
Catering and travelling	7.32	0.11	0.26	3.55	8.75	0.15	0.16	1.83
Education and media	24.02	0.38	0.00	0.00	22.70	0.40	0.09	0.40
Financial	64.94	1.02	0.00	0.00	29.15	0.51	0.00	0.00
Others ⁽¹⁾	9.61	0.15	0.57	5.93	15.78	0.28	0.50	3.17
Discounted bills	263.67	4.13	0.00	0.00	277.59	4.84	0.00	0.00
Retail loans	2,321.25	36.38	19.03	0.82	2,200.82	38.41	15.29	0.69
Total loans and advances to customers	6,379.73	100	105.84	1.66	5,729.54	100	113.58	1.98

Note: (1) These mainly include the planting, forestry and livestock industry and the fishery industry.

Chapter III Management Discussion and Analysis

3.4 LOAN QUALITY ANALYSIS (CONTINUED)

3.4.4 Distribution of loans and NPLs by geographical segment

The following table sets forth the distribution of loans and NPLs by geographical segment as of the dates indicated:

Unit: RMB100 million, except for percentages

	30 June 2021				31 December 2020			
	Amount of loans	% of the total (%)	Amount of NPLs	NPL ratio (%)	Amount of loans	% of the total (%)	Amount of NPLs	NPL ratio (%)
Anhui province	5,563.72	87.21	74.79	1.34	5,045.56	88.06	78.15	1.55
Jiangsu province	490.26	7.68	17.48	3.57	463.99	8.10	16.72	3.60
Others	325.75	5.11	13.57	4.17	219.98	3.84	18.71	8.51
Total loans and advances to customers	6,379.73	100	105.84	1.66	5,729.54	100	113.58	1.98

3.4.5 Distribution of loans and NPLs by type of collateral

The following table sets forth the distribution of loans and NPLs by type of collateral as at the dates indicated:

Unit: RMB100 million, except for percentages

	30 June 2021				31 December 2020			
	Amount of loans	% of the total (%)	Amount of NPLs	NPL ratio (%)	Amount of loans	% of the total (%)	Amount of NPLs	NPL ratio (%)
Collateralized loans	2,198.03	34.46	25.65	1.17	2,019.90	35.25	26.27	1.30
Pledged loans	1,404.74	22.02	3.20	0.23	1,245.96	21.75	8.24	0.66
Guaranteed loans	1,145.34	17.95	31.66	2.76	1,024.83	17.89	37.37	3.65
Unsecured loans	1,367.95	21.44	45.33	3.31	1,161.25	20.27	41.70	3.59
Discounted bills	263.67	4.13	0.00	0.00	277.59	4.84	0.00	0.00
Total loans and advances to customers	6,379.73	100	105.84	1.66	5,729.54	100	113.58	1.98

Chapter III Management Discussion and Analysis

3.4 LOAN QUALITY ANALYSIS (CONTINUED)

3.4.6 Loans of the top 10 single borrowers

The following table sets forth the loans of the Bank's top 10 single borrowers as at the dates indicated:

Unit: RMB million, except for percentages

		30 June 2021	
Top 10 borrowers	Industry that borrower belongs to	Amount of loans	Percentage of net capital (%)
A	Manufacturing	3,557	3.16
B	Commerce and services	3,379	3.00
C	Energy and chemical	2,990	2.66
D	Manufacturing	2,148	1.91
E	Transportation	1,980	1.76
F	Commerce and services	1,950	1.73
G	Energy and chemical	1,906	1.69
H	Energy and chemical	1,900	1.69
I	Public utilities	1,803	1.60
J	Public utilities	1,802	1.60
Total		23,415	20.80

3.4.7 Distribution of loans by overdue period

The following table sets forth the distribution of loans by overdue period as at the dates indicated:

	30 June 2021	31 December 2020
Total overdue customer loans and advances listed by duration (in RMB million)		
Less than 3 months	2,458	3,987
3 to 6 months (inclusive)	1,072	4,138
6 to 12 months	5,251	2,835
Over 12 months	2,743	1,787
Total	11,524	12,747
Percentage (%)		
Less than 3 months	21.33	31.28
3 to 6 months (inclusive)	9.30	32.46
6 to 12 months	45.57	22.24
Over 12 months	23.80	14.02
Total	100	100

Chapter III Management Discussion and Analysis

3.4 LOAN QUALITY ANALYSIS (CONTINUED)

3.4.8 Restructuring loans

During the Reporting Period, the Bank's restructuring NPLs amounted to RMB1,299.1977 million, representing an increase of RMB1,144.9103 million as compared with the corresponding period of last year, which included 12 corporate loans amounting to RMB1,205.4799 million, 12 small corporate loans amounting to RMB90.9378 million and 2 retail loans amounting to RMB2.78 million.

3.4.9 Transfer of credit assets

The Bank does not dispose of its non-performing credit assets by transferring such assets to third parties in its ordinary course of business.

3.4.10 Changes in allowances for loan impairment⁽¹⁾

The Bank adopts the "Expected Credit Loss Model" to assess impairment provision and loss on loans on a regular basis in accordance with the requirements of IFRS 9. In measuring the expected loss, the Bank uses a complex model comprising the future macroeconomic situation and the credit history of borrowers and makes relevant assumptions. After carrying out a forward-looking assessment of the expected credit loss on each loan, the Bank classifies the loans into stage one, two and three accordingly and determines the degree of impairment loss based on the degree of default. The Bank will regularly review the methodology and assumptions such as the criteria for significant increase in credit risk, the definition of credit-impaired assets, the parameters for expected credit loss measurement and forward-looking information to reduce the difference between the estimated impairment loss and the actual impairment loss on loans.

The following table sets forth the changes in the Bank's allowances for impairment on loans and advances to customers.

	30 June 2021	<i>Unit: RMB million</i> 31 December 2020
Balance at the beginning of the period	20,660	14,630
Allowances for the period	3,596	10,563
Reversal/unwinding of allowances for impairment caused by the write-down of interest on impaired loans and advances to customers	(48)	(64)
Write-offs and transfer out for the period	(1,078)	(5,330)
Reversal caused by recovery of loans and advances to customers written off	492	861
Balance at the end of the period	23,622	20,660

Note: (1) Loans and advances to customers comprise loans and advances to customers measured at amortised cost and at fair value through other comprehensive income

Chapter III Management Discussion and Analysis

3.5 CAPITAL ADEQUACY RATIO ANALYSIS

The Bank continued to optimize structure and enhance capital management, thus meeting the regulatory requirements on capital adequacy ratio set by the CBIRC within the Reporting Period.

In the first half of 2021, the Bank calculated the capital adequacy ratio in accordance with the relevant requirements of the “Administrative Measures for Capital of Commercial Banks (Trial)” issued by the CBRC. As of 30 June 2021, the Bank’s capital adequacy ratio was 11.80%, Tier 1 capital adequacy ratio was 9.73%, and core Tier 1 capital adequacy ratio was 8.03%.

Unit: RMB million, except for percentages

	30 June 2021	31 December 2020
Core Tier 1 capital	95,628	88,950
Including: Valid portion of paid-up capital	13,890	13,890
Valid portion of capital reserve	16,098	15,869
Surplus reserve and general reserve	27,528	25,530
Retained earnings	35,959	31,763
Valid portion of minority interests	2,153	1,899
Regulatory deductions for core Tier 1 Capital	(19,032)	(18,679)
Core Tier 1 capital, net of deductions	76,596	70,271
Other Tier 1 capital, net of deductions	16,277	16,243
Tier 1 capital, net of deductions	92,873	86,514
Tier 2 capital	19,722	19,437
Including: Valid portion of tier 2 capital instruments and premium	8,000	8,800
Surplus loan loss provisions	11,154	10,137
Valid portion of minority interests	567	500
Total capital, net of deductions	112,595	105,951
Credit risk-weighted assets	892,353	810,984
Market risk-weighted assets	5,844	7,147
Operational risk-weighted assets	56,215	56,215
Risk-weighted assets	954,413	874,346
Capital adequacy ratio	11.80%	12.12%
Tier 1 capital adequacy ratio	9.73%	9.89%
Core Tier 1 capital adequacy ratio	8.03%	8.04%

Chapter III Management Discussion and Analysis

3.5 CAPITAL ADEQUACY RATIO ANALYSIS (CONTINUED)

Pursuant to regulatory requirements, the capital adequacy ratio of the Bank above was calculated after consolidating relevant data of Huiyin Financial Leasing Co., Ltd., Huishang Bank Wealth Management Co., Ltd., Jinzhai Huiyin and Wuwei Huiyin.

Leverage ratio

Unit: RMB million, except for percentages

Items	30 June 2021	31 December 2020
Leverage ratio	6.78%	6.90%
Tier 1 capital, net of deductions	92,873	86,514
Adjusted balance of assets on and off the balance sheet	1,370,814	1,253,034

Note: Indicators related to leverage ratio are calculated pursuant to the "Administrative Measures for Leverage Ratio of Commercial Banks (Revised)" (No. 1 Order of CBRC in 2015).

3.6 SEGMENT PERFORMANCES

Operating segments

The Bank provides services through four main business segments: corporate banking, retail banking, treasury and others. The table below sets forth the segment performance of the Bank by business line as at the periods indicated.

Unit: RMB million, except for percentages

Items	January to June 2021		January to June 2020	
	Segment profit before tax	Percentage (%)	Segment profit before tax	Percentage (%)
Corporate banking	4,035	55.20	3,537	54.92
Retail banking	1,413	19.33	1,112	17.27
Treasury	1,739	23.79	1,679	26.07
Others	123	1.68	112	1.74
Total	7,310	100	6,440	100

3.7 OTHERS

3.7.1 Off-balance sheet balances and important circumstances that may have significant impacts on the financial position and operating results of the Bank

The off-balance sheet items of the Bank include letters of bank acceptance, letters of credit, letters of guarantee, credit commitments, capital commitment, and certificate government bond honor commitments. Financial guarantees and credit commitments, other commitments and contingent liabilities can be found in Note 40 to the financial statements of this interim report.

3.7.2 Overdue outstanding debt

As of 30 June 2021, the Bank had no overdue outstanding debt.

Chapter III Management Discussion and Analysis

3.8 IMPACTS OF CHANGES IN BUSINESS ENVIRONMENT AND MACRO POLICIES AND THE FOCUS OF THE OPERATION

1. Economic recovery gradually normalized

In the first half of 2021, China's economy continued to recover steadily as demand on production continued to rebound, employment and commodity prices remained stable in general, and the new driving factors were experiencing rapid growth, supporting a steady improvement in quality and efficiency. Major macro indicators were within a reasonable range with GDP increasing by 12.7% year-on-year, demonstrating a trend of steady consolidation and improvement in economic development. Industrial production experienced a steady growth while high-tech manufacturing witnessed a swift growth. As service industry recovered steadily, market sales were gradually improved, and upgraded consumer goods grew rapidly. Fixed asset investment continued to recover, evidenced by the accelerated two-year average growth rate of manufacturing investment. The import and export of goods had seen a rapid growth and the trade structure continued to be optimized. In the first half of the year, the scale of import and export reached a history high as compared with the past corresponding periods. With a sustain growth in resident income, the ratio of per capita disposable income of urban and rural residents had shrunk.

2. Macro policies maintained continuity, stability and sustainability

In the first half of 2021, the PBOC continued to implement prudent monetary policy to maintain reasonable and sufficient liquidity, with an aim to further support the key industrial fields and vulnerable sectors of the real economy through optimizing the capital structure of financial institutions by reserve requirement ratio cuts and fully leveraging the precise guiding role of structural monetary policies such as refinancing and rediscounting measures and direct instruments. The macro leverage ratio maintained generally stable as the growth rate of broad money supply and that of social financing scale general matched with the nominal economic growth rate. In the second half of 2021, under the cross-cyclical adjustment of macro policies, monetary policy will be based on "prudent and neutral" to maintain reasonable and sufficient liquidity, thereby supporting continued recover in small and medium-sized enterprises and difficulty-ridden industries. Proactive fiscal policies will enhance policy effectiveness and special bonds issuance is expected to be accelerated, which will provide more financial support for the steady growth of economy.

3. Risks in the financial sector were under effective prevention and control

In the first half of 2021, the banking industry maintained a good momentum of smooth operation. As of the end of June 2021, the NPL ratio of the banking industry was 1.86%, representing a decrease of 0.08 percentage point from the beginning of the year. High-risk financial institutions were resolved in a stable and orderly manner, while the reform and risk mitigation of small and medium-sized institutions were progressing steadily with certain high-risk trust institutions disposed properly. Shadow banking risks continued to decrease as entrusted loans and trust loans decreased by over RMB800 billion from the beginning of the year.

Chapter III Management Discussion and Analysis

3.8 IMPACTS OF CHANGES IN BUSINESS ENVIRONMENT AND MACRO POLICIES AND THE FOCUS OF THE OPERATION (CONTINUED)

4. Prospects and measures

In the second half of 2021, with continually implementing the new development concept, China will accelerate the construction of a new development pattern through deepening supply-side structural reforms to promote high-quality development while focusing on unleashing the potential of domestic demand to maintain the economy running within appropriate range.

The Bank will continue to consolidate its market position as a local mainstream bank, vigorously promote the construction of “four modernizations”, namely market reform, digital transformation, integrated operation and refined management, and focus on transaction banking and investment banking business under the orientation of capital-light and asset-light model to improve the layout of integrated business and build itself as a comprehensive financial service provider; adhere to rely on business of wealth management, digital credit and “account+” to explore and create a new model of special digital retail finance, thereby improving business capabilities continually. The Bank will strive to promote its development to a step further by seizing opportunities in serving the real economy and remedying the shortcomings in risk prevention and mitigation.



Chapter III Management Discussion and Analysis

3.9 BUSINESS OPERATION

3.9.1 Wholesale banking business

The Bank provides a full range of wholesale financial products and services for corporations, financial institutions and government agencies, including corporate loans, corporate deposits, investment banking, transaction banking and a series of fee and commission-based services. In particular, the Bank is committed to providing comprehensive service solutions for all types of corporations.

In the first half of 2021, persistently adhering to customer-centric service philosophy, the Bank focused on improving the quality of professional services, consistently conducted in-depth operation in the market of Anhui Province and vigorously expanded the market outside of Anhui Province. It continued the innovation of products and services and innovatively launched various distinctive financial service plans. It also focused on optimizing the structure of business operating income and continuously increased the issuing of loans to the manufacturing industry, strategic emerging industries, private enterprises and agriculture-related industries; strengthened risk management and control, and comprehensively enhanced the profitability of assets, thus effectively promoting the sustainable and high-quality development of the wholesale banking business. In the first half of 2021, the Bank continued to maintain its leading position in corporate deposits and loans among commercial banks in Anhui Province. Transformation-based business lines including investment banking and transaction banking have all achieved rapid growth and have been widely recognized by the market.

Corporate loans

Corporate loans have always been the most important component of the Bank's loan portfolio. Currently, the Bank provides various corporate loans, including working capital loans, fixed asset loans, PPP loans and supply chain financing, to enterprises and institutions with legal operation. In the first half of 2021, the Bank constantly boosted efforts in serving the real economy, followed key strategic orientations on rural revitalization, green finance, the integrated development of the Yangtze River Delta and the construction of key parks, prioritized in supporting the development of energy conservation and environmental protection, intelligent manufacturing, agriculture-related industries, strategic emerging industries, key infrastructure construction, modern services industries and traditional advantageous industries and limited the growth in loans to "Non-green Industries". As at 30 June 2021, the balance of the Bank's corporate loans (including discounted bills) was RMB405,848 million, representing an increase of RMB52,977 million from the end of 2020.

Corporate deposits

The Bank provides corporate customers with corporate deposits products and services, including corporate demand deposits, corporate time deposits, corporate call deposits, corporate agreement deposits, negotiated deposits, corporate large amount certificates of deposit and corporate intelligent call deposits. The Bank actively addressed the challenges brought by interest rate liberalization. While continuously optimising the structure of corporate deposits, the Bank focused on expanding the sources of low-cost corporate deposits, thus providing strong support for the revenue from corporate business.

Chapter III Management Discussion and Analysis

3.9 BUSINESS OPERATION (CONTINUED)

3.9.1 Wholesale banking business (Continued)

Discounted bills

In the first half of 2021, based on the overall balance of assets size, liquidity, profitability and risks, the Bank actively responded to the changes in the business environment, scientifically followed the pace of bills business development, enhanced the profitability of bills business, and facilitated the full compliance and healthy development of bills business. As of 30 June 2021, the Bank's balance of discounted bills amounted to RMB26,367 million, including the balance of direct discounted bills amounting to RMB12,897 million and the balance of transferred discounted bills amounting to RMB13,470 million.

Transaction banking

In the first half of 2021, the Bank returned to its missions as a financial institution, focused on small, medium, micro and private enterprises to improve the quality and efficiency of financial services provided to them. With online, smart, and digital innovative products as tools and taking products as carriers, the supply chain finance sector has focused on key industries to enhance corporate customer service capabilities based on industrial chain scenarios. In the first half of 2021, the Bank's supply chain financial products have extended a total of RMB15.725 billion, representing a year-on-year increase of 17.44%, serving 804 customers.

The Bank was committed to building a domestic and foreign currency integrated transaction banking services platform, to give full play to advantage of the strength of professional services of transaction banking and meet cash management demands of customers during the entire transaction process, thus comprehensively promoting the fast development of online corporate banking business and cash management comprehensive services ability and market influence of the Bank were significantly enhanced. In the first half of 2021, the annual transaction amount of cash management business of the Bank reached RMB2,700 billion, representing a year-on-year increase of 8%.

In 2021, the Bank leveraged the favorable opportunities for the integration of the Yangtze River Delta and the construction of the Anhui Province Pilot Free Trade Zone to accelerate the research and development of innovative products and online upgrades, enhance the comprehensive cross-border financial service capabilities, steadily increasing the volume of various businesses. As of the first half of 2021, the Bank completed cross-border settlement in a total of USD4,500 million, representing a year-on-year increase of 8.69%; the accumulatively granted on-sheet international trade financing amounted to RMB2,186 million; domestic letters of credit and financing business thereunder amounted to RMB26,441 million and the volume of foreign exchange transactions totaled USD63,687 million (including spot foreign exchange, forward foreign exchange, foreign exchange swap, foreign currency lending).

In developing correspondent banking channels, the Bank implemented its new layout and new strategies of correspondent banks in line with "One Belt, One Road" initiative and further improved its overseas network of correspondent banking relationships. As of the end of June 2021, the number of correspondent banks of the Bank was 644, and the total number of overseas clearing accounts for the main settlement currencies amounted to 14. It also continuously improved the anti-money laundering compliance risk management system for overseas agency business, and it constantly optimized correspondent banking structure and improved clearing channels, correspondent banking customer demands for clearing and settlement services were fully satisfied.

Chapter III Management Discussion and Analysis

3.9 BUSINESS OPERATION (CONTINUED)

3.9.1 Wholesale banking business (Continued)

Investment banking business

To promote its business transformation, the Bank focuses on developing investment banking services such as lead underwriting of debt financing instruments, asset securitization, M&A financing, structural financing, investment and financing consulting. The Bank continually enriches its investment banking products by launching innovative products such as credit risk mitigating instruments, project revenue notes, equity investment notes, asset-backed notes, rural revitalization notes, green debt financing instruments and other innovative products. In the first half of 2021, the Bank continued to make breakthroughs in the asset securitization and financial bond businesses, winning the bid in the lead underwriting business of multiple asset securitization products and financial bonds. The Bank also achieved rapid growth in direct wealth management financing instrument business and further satisfied the diversified corporate financing needs. In the first half of 2021, the Bank vigorously promoted the underwriting business of debt financing instruments. The Bank completed the registration of 9 debt financing instruments, with a total registered amount of RMB15.8 billion; and completed the issuance of 23 debt financing instruments with an underwriting amount of RMB8.375 billion.

3.9.2 Retail banking business

Business overview

In the first half of 2021, the Bank strengthened market expansion, innovated in financial products and services, and strengthened team building. It continued to develop a retail brand of “Huishang Bank Wealth (徽銀財富)” and promote the transformation and development of the retail business. Leveraging on the e+ platform of Huishang Bank and focusing on the marketing brand of “Enjoying Huishang Bank in Four Seasons”, the Bank consistently built consumption scenarios for retail customers and conducted diversified online and offline theme marketing activities. The Bank also actively carried out the construction of wealth management system and private banking system and optimized the multi-tiered service management system catering for different retail customer groups, and proactively explored development modes of financial technology. These efforts have helped the Bank further lay a solid foundation for retail business development to improve its performance indicators in retail business at a faster pace and enhance its competitiveness in retail business.

In the first half of 2021, the Bank’s customer structure was further optimized as its active customer base maintained a steady growth, with the number of medium-to-high-value customers grew faster than others. The wealth management business maintained a rapid growth. The penetration of wealth management products (WMPs) continued to grow, and the sales of funds, insurance with regular premiums, precious metals and other commission sale businesses achieved rapid growth. The market share of retail deposits in Anhui Province continued to grow.

In the second half of 2021, facing changes in the external business environment such as financial technology and stringent regulation, the Bank will broaden the wealth management product line, improve online service capabilities, strengthen data analysis capacity building, advance the building of the retail product system in various dimensions, maintain the rapid and healthy development for various retail business lines, and comprehensively improve the overall competitiveness of retail business.

Chapter III Management Discussion and Analysis

3.9 BUSINESS OPERATION (CONTINUED)

3.9.2 Retail banking business (Continued)

Wealth management business

The Bank's personal wealth management business primarily includes personal wealth management services, commission sale of funds, insurance brokerage business, commission sale of government bonds and commission sale of precious metals. As at the end of the Reporting Period, the Bank's wealth management business (excluding direct banking business) amounted to RMB199.052 billion, representing an increase of RMB6.6 billion or 3.43% from the beginning of the year. The intermediary business income from the personal wealth management business amounted to RMB214.15 million, representing a year-on-year increase of 17.9%.

Bank card business

One card

In the first half of 2021, based on the existing debit card products, the Bank actively adapted to the transformation and upgrading of the retail business, and closely focused on the payment and settlement needs of retail customers by actively promoting the innovation of the debit card products business and the integration of online and offline business to further diversify product portfolio; carrying out various types of marketing activities for bank cards; and continuously improving customer stickiness to boost the rapid growth of the debit card business across the Bank. As at the end of June 2021, 21.71 million debit cards were issued in total, of which 16.82 million were valid cards, accounting for 77.48%. The deposit balances on debit cards were RMB154.4 billion, and the average deposit on debit cards was RMB9,200. A total of 75 types of Huangshan debit cards were issued.

Credit card

Based on the Bank's high-quality development strategy, the credit card business, guided by bank-wide digital transformation plan, has been expanded customer base and underlying assets vigorously with closely focused on the service tenet of "customer-centric", while also digging in-depth on the quality of existing customers. Driven by themed cards and installments for scenario-based consumption, the Bank strengthens the linkage of the head office, branches and sub-branches, and strives to realize the digitization of the entire value chain such as products, customer acquisition, operation and risk control, so as to comprehensively improve the market influence, revenue contribution and customer satisfaction of its credit card business.

As at the end of the Reporting Period, the Bank issued 2,406,673 valid credit cards in total. The number of credit cards newly issued during the Reporting Period was 132,741. In the first half of 2021, the transaction amount of credit cards was RMB33.715 billion in aggregate. The credit card overdraft amount was RMB21.132 billion. Income from the credit card business amounted to RMB666 million. As at the end of the Reporting Period, credit cards NPL ratio was 1.97%.

Chapter III Management Discussion and Analysis

3.9 BUSINESS OPERATION (CONTINUED)

3.9.2 Retail banking business (Continued)

Retail loans

In the first half of 2021, the Bank strictly implemented the regulatory requirements of centralised management of real estate loan and the differentiated housing credit policy, and the personal housing loan business gave priority to the first self-use housing and improving housing demand, and the business scale continued to grow steadily. As at the end of June 2021, the balance of personal housing loans of the Bank under the headquarters was RMB120.343 billion, representing an increase of RMB10.316 billion or 9.38% from the beginning of the year.

In the first half of 2021, the Bank closely followed the changes in the market environment and customer demands, advanced the results in the digital transformation of inclusive finance and strived to provide high-quality, effective and innovative financial services to agricultural households, private enterprises, small and micro enterprises and other customer groups, allowing more groups to enjoy the quality financial services of the Bank and achieving stable growth in personal business loans and non-home consumption loans. As at the end of June 2021, the balance of personal business loans and micro loans of the Bank was RMB42.671 billion, representing an increase of RMB3,769 million or 9.69% from the beginning of the year. The balance of personal non-home consumption loans was RMB15.407 billion, representing an increase of RMB498 million or 3.34% from the beginning of the year.

Retail deposits

Facing the intricate external operation situation and the continuous advancing of interest rate liberalization in the first half of 2021, the Bank persistently adhered to the business philosophy of “putting deposits in a paramount position of the Bank and putting customers first” and acted proactively under unified thoughts. It innovated in products, mechanisms and technology a by continuously strengthening refined management in retail business, focused on “five major accounts” of individual customers and enhanced scenario building and customer service driving, thus achieving rapid growth in retail customer deposits. As at the end of June 2021, the Bank’s total retail deposits amounted to RMB280.740 billion, representing an increase of RMB45.193 billion or 19.19% from the end of 2020.

In the first half of 2021, the Bank improved service channels and enhanced service quality in urban communities, county-level towns and other areas to meet various financial demands, such as savings, settlement and wealth management, of urban and rural residents, customers relevant to “Three Dimensional Rural Issues” and other customer groups. As of the end of June 2021, the balance of various retail deposits of the Bank’s inclusive financial outlets (including Huinong, Huimin, Community and Micro loan sub-branches) was RMB54.079 billion, representing an increase of RMB11.468 billion or 26.91% from the beginning of the year.

Chapter III Management Discussion and Analysis

3.9 BUSINESS OPERATION (CONTINUED)

3.9.3 Financial market business

China's economy showed a trend of recovery amid stability in the first half of 2021. PBOC implemented prudent monetary policies, maintaining reasonable and sufficient market liquidity in the banking system. In terms of the financial market business, the Bank adhered to the principle of serving the real economy and promoted a continued steady growth of its business in financial markets through the optimization of investment portfolio structure and enrichment of business categories. Firstly, the Bank increased the allocation of bonds, adjusted the portfolio structure and appropriately increased the allocation of treasury bonds, local government bonds and credit bonds and appropriately increased investments in funds to improve the use efficiency of capitals. Secondly, the Bank actively participated in secondary market transactions, increasing spread income. The Bank completed the signing of market making agreements on spot bonds in the interbank market and became a comprehensive market maker. The Bank actively fulfilled its obligation as a market maker to maintain active trading related to market-making quotations. Thirdly, the Bank enhanced the business innovation and linkage, and made additional efforts to improve intermediate business income through first- and second-tier market linkage and bond lending.

3.9.4 Asset management business

In the first half of 2021, the Bank earnestly implemented the regulatory requirements, advanced the modification and de-leveraging of the existing wealth management business in a stable manner. It successfully completed the transfer of wealth management products of "Huian with flexible terms" to Huishang Bank Wealth Management Co., Ltd. As at the end of the Reporting Period, the balance of the Bank's wealth management products amounted to RMB66.686 billion, representing a decrease of 62.35% as compared to the end of last year, among which, the balance of net-worth products was RMB40.761 billion, representing a decrease of 69.70% as compared to the end of last year.

3.9.5 Custody business

In the first half of 2021, the Bank's asset custody business closely focused on the strategic planning of the Bank, strengthened management with active marketing and fully improved the comprehensive services and market competitiveness. As at 30 June 2021, the balance of assets under custody (excluding regulating business of investment banking) was RMB902.311 billion, representing a year-on-year increase of RMB67.614 billion or 8.10%; the Bank achieved a custody fee income (excluding regulating business of investment banking) of RMB292.8186 million, representing an increase of RMB60.0381 million or 25.79% as compared with the corresponding period of last year.

Chapter III Management Discussion and Analysis

3.9 BUSINESS OPERATION (CONTINUED)

3.9.6 Distribution channels

The Bank provides products and services through a variety of distribution channels. The Bank's distribution channels are mainly divided into physical distribution channels and electronic banking channels.

Physical distribution channels

As at 30 June 2021, the Bank had built a total of 646 self-service banking outlets and put into operation a total of 2,017 sets of self-service equipment, including 1,260 cash recycling machines and 757 intelligent self-service terminals.

Electronic banking channels

Adhering to the "mobile first" strategy, the Bank vigorously develops mobile banking, continuously improves online banking, and actively expands online payment. In the first half of 2021, the Bank enhanced the management on the operation of electronic channels centered on mobile internet, which effectively promoted high-quality development of business.

Mobile banking

In the first half of 2021, the total number of contracted mobile banking customers of the Bank reached 6.7525 million, representing an increase of 11.90% as compared with last year. The number of mobile banking transactions reached 105.5880 million, representing a year-on-year increase of 36.19%. The transaction amount accumulated to RMB850.796 billion, representing a year-on-year increase of 45.19%.

Online banking

In the first half of 2021, the Bank's personal online banking business maintained a steady development. To ensure the information and capital security of personal online banking customers, the Bank strengthened the construction of personal online banking security mechanisms, optimized business processes and customer service experience, as well as continuously improved the deep integration of personal online banking channels with business. The total number of enterprise online banking customers reached 290,800 with 242 million enterprise online banking transactions, among which, the number of transactions with capital changes reached 10.4961 million with a transaction amount of RMB2,233.919 billion.

Online payment

The Bank actively promotes the rapid development of various online payment services such as fast payment, gateway payment and non-inductive payment, and focuses on providing payment services for government, public welfare and merchants engaging in basic living services to meet new consumer needs. In the first half of 2021, the number of online payment transactions amounted to 152,319,500, representing a year-on-year increase of 42.87%, and the amount of which totaled RMB103.914 billion, representing a year-on-year increase of 31.91%.

Direct banking

As at the end of June 2021, the total number of the Bank's direct banking customers reached over 23.27 million, the balance of various loans and the daily average balance of deposits were RMB9.177 billion and RMB1.847 billion, respectively. In the first half of 2021, the Bank's direct banking realized a total revenue of RMB224 million. With changes in the Internet-based financial environment, the Bank's direct banking gradually transformed towards the development model with Internet-based loans as the main source of revenue. In the second half of 2021, the Bank's direct banking will actively respond to the situation and deliberate on policies. With "the digital transformation as the core", it will focus on key areas and explore new development paths from the perspective of core customers, assets investment, income from intermediary businesses and online risk control.

Chapter III Management Discussion and Analysis

3.9 BUSINESS OPERATION (CONTINUED)

3.9.7 Business of subsidiaries and major companies in which the Bank has shareholdings

Subsidiaries

Huishang Bank Financial Leasing Co. Ltd.

Incorporated in Hefei with a registered capital of RMB2 billion, Huishang Bank Financial Leasing Co., Ltd. (“Huishang Bank Financial Leasing”) officially opened for business on 30 April 2015. The Bank contributed RMB1,020 million to the registered capital of Huishang Bank Financial Leasing, accounting for 51% of the total. In March 2018, Huishang Bank Financial Leasing increased its registered capital to RMB3 billion, RMB1.62 billion or 54% of which is contributed by the Bank. As at the end of June 2021, the balance of leased assets of Huishang Bank Financial Leasing reached RMB58.964 billion with an NPL ratio of 1.09%.

Huishang Bank Wealth Management Co., Ltd.

Huishang Bank Wealth Management Co., Ltd. (徽銀理財有限責任公司) (“Huishang Bank Wealth Management”) officially commenced business on 28 April 2020. Incorporated in Hefei with a registered capital of RMB2 billion, Huishang Bank Wealth Management was wholly funded by the Bank. As at the end of June 2021, Huishang Bank Wealth Management had total assets, total liabilities and owners’ equity of RMB2.491 billion, RMB128 million and RMB2.364 billion, respectively, achieving an accumulated net profit of RMB255 million.

Wuwei Huiyin Rural Bank Co., Ltd.

Incorporated in Wuwei with a registered capital of RMB100 million, Wuwei Huiyin opened for business on 8 August 2010. The Bank contributed RMB40 million to its registered capital, accounting for 40% of the total. As at the end of June 2021, the total assets of Wuwei Huiyin amounted to RMB2.861 billion and the various loans and deposits were RMB2.155 billion and RMB2.634 billion, respectively.

Jinzhai Huiyin Rural Bank Co., Ltd.

Incorporated in Jinzhai County of Lu’an City with a registered capital of RMB80 million, Jinzhai Huiyin officially opened for business on 28 June 2013. The Bank contributed RMB32.80 million to the registered capital of Jinzhai Huiyin, accounting for 41% of the total. As at the end of June 2021, the total assets of Jinzhai Huiyin amounted to RMB2.555 billion and the various loans and deposits were RMB1.463 billion and RMB2.248 billion, respectively.

Chapter III Management Discussion and Analysis

3.9 BUSINESS OPERATION (CONTINUED)

3.9.7 Business of subsidiaries and major companies in which the Bank has shareholdings (Continued)

Major companies in which the Bank has shareholdings

Chery Huiyin Motor Finance Service Co., Ltd.

Incorporated in Wuhu with a registered capital of RMB500 million, Chery Huiyin Motor Finance Service Co., Ltd. ("Chery Huiyin") was established on 13 April 2009. The Bank contributed RMB100 million to its registered capital, accounting for 20% of the total. In December 2012, Chery Huiyin increased its registered capital to RMB1 billion, RMB200 million or 20% of which is contributed by the Bank. In December 2017, Chery Huiyin increased its registered capital to RMB1.5 billion, 300 million shares of which are held by the Bank, accounting for 20% of its shareholdings.

Mengshang Bank Co., Ltd.

Incorporated in Baotou with a registered capital of RMB20 billion, Mengshang Bank Co., Ltd. was established on 30 April 2020, and 3 billion shares of which are held by the Bank, accounting for 15% of its shareholdings.

3.10 RISK MANAGEMENT

In the first half of 2021, the domestic and international economic situation was complex and volatile, and the banking industry faced a more complicated risk situation. The Bank took digital transformation and a new round of strategic planning as the lead, held onto the bottom line of maintaining asset quality and strove to enhance the risk management ability. The Bank practiced the prudent operation philosophy in a drive to ensure the prudence of business development and the objectivity of asset classification and maintain sufficient risk provisions and capital adequacy. Subject to both external regulation and internal norms, the Bank upheld the philosophy of rational management and controlled major risks in a scientific and effective manner while insisting on "dual growth drivers", i.e. business development and financial innovation. In the principle of stable operation, the Bank built a comprehensive, full-process risk management system covering all employees and strove to realize coordinated development that balances scale, quality and efficiency on the premise that risks are under control, so as to realize the value of comprehensive risk management and the strategic objective of transformation and upgrading of the Bank.

3.10.1 Credit risk management

Credit risk refers to the risk of loss due to the default of the debtors or counterparties or the reduction in their credit ratings and performance capabilities. Credit risk is the major risk currently faced by the Bank, mainly involving on- and off-balance credit risk exposures in relation to loans, interbank lending, funds, guarantees, commitments, etc.

In the first half of 2021, guided by comprehensive risk management, the Bank formulated risk preference, risk quota, loan credit policy systems on the basis of comprehensive risk management measures. The Bank let policy guide its optimization of the credit structure; continued to promote the construction and application of the internal evaluation system to provide effective support for credit granting, credit use, and risk measurement; and studied and formulated action plans on the "two prevention and control" to improve the quality and efficiency of collection and resolution. During the Reporting Period, the Bank's NPL balance decreased, and the structure and quality of its assets were effectively improved.

Chapter III Management Discussion and Analysis

3.10 RISK MANAGEMENT (CONTINUED)

3.10.2 Market risk management

Market risk refers to the risk of on- or off-balance-sheet loss caused by changes in interest rates, foreign exchange rates and other market factors. The market risk management of the Bank covers exchange rate risk and interest risk of trading accounts.

In the first half of 2021, the Bank focused on improving market risk management tools, optimizing market risk management processes, and promoting daily market risk management in an all-round manner. The Bank continued to measure and analyze market risks, by comprehensively using fair value assessment, sensitivity analysis, stress testing, value at risk analysis, market risk capital and other methods to measure and analyze market risks. It also continued to carry out market risk limit management, by setting different types of market risk limits based on the nature, scale, complexity and capital strength of the business, and strengthening limit monitoring and early warning. The Bank strengthened the risk management of treasury business, improved the internal control system for bond transactions, put in place an internal control system covering the entire process through all aspects of bond trading, and carried out investment duration management and duration mismatch business. Besides, it studied the minimum capital requirements for market risk in the Basel Agreement, followed up on changes in regulatory policies, paid attention to the progress of peers, and measured market risk capital in accordance with the latest regulatory methods.

Adhering to process optimization and technological innovation and under the comprehensive risk management framework, the Bank fully identified, accurately measured and continuously monitored market risks in various business lines to control market risks within a tolerable range.

3.10.3 Operational risk management

Operational risk refers to the risk of loss arising from flawed or problematic internal procedures, personnel, IT systems and external events.

The Bank continued to promote the construction of an operational risk management system, strengthened the development of three major instruments for operational risk management, improved the key operational risk indicators, and optimized the information system for operational risk management to improve the informatization of operational risk management. The Bank refined its operational risk management system, revised management methods on operational risk event and loss data collection; analyzed regulatory penalties and other violation losses to reduce operational risk losses caused by violations. The Bank conducted multi-dimensional risk monitoring over institutions, business activities and customers for routine monitoring of operational risk; made greater use of the external data such as the credit information of the PBOC, sorted out a list of customers with potential risks identified by other financial institutions, and carried out risk screening and subsequent countermeasures to prevent risk contagion; continued to promote the application of operational risk management tools, strengthened statistics, analysis and reporting of violation losses and gathered data on operational risk losses to develop key risk indicators; strengthened IT risk management and carried out information technology risk assessment, with a view to playing the role of the second line of defense.

Chapter III Management Discussion and Analysis

3.10 RISK MANAGEMENT (CONTINUED)

3.10.4 Liquidity risk management

Liquidity risk refers to the risk that the Bank is unable to satisfy its customers' needs for repayment of liabilities due, new loans and reasonable financing, or unable to satisfy these needs at reasonable cost. The Risk Management Committee under the Board of Directors of the Bank and the Asset and Liability Management Committee and the Risk and Internal Control Management Committee under the senior management are jointly responsible for developing policies and strategies for overall management of liquidity risk.

The Bank's liquidity risk management aims to balance the relationship among "liquidity, safety and profitability", improve the liquidity management level, safeguard the sustainable and healthy development of various businesses, and implement the risk appetite featuring "prudence, rationality and soundness" of the Board of Directors, and to ensure that the Bank has sufficient funds to meet expected and unexpected capital requirements (including loan growth, deposit withdrawals, debt maturity, and changes in off-balance sheet irrevocable commitments) in a normal operating environment or under stress, so as to create a stable liquidity environment for continuing operations and promote positive interaction between liquidity management and business development. The Bank intensifies its efforts on the refined management of its assets and liabilities with emphasis on risk prevention and mitigation while promoting business development and profit growth. The Bank stresses the importance of "ensuring adequate liquidity" and flexibly manages and controls the percentage of liquidity asset portfolio with the highest efficiency. According to its own characteristics and external market environment, the Bank has formulated contingency plans to prevent potential liquidity crisis and takes effective emergency measures to control the spread of risks under liquidity crisis scenarios.

According to the business development of assets and liabilities of the Bank and the liquidity position, the Bank kept a close attention on the macro regulatory policies and the situation of fund markets, and adjusted the current management strategy and the pace of funds operation in a dynamic manner in response to the impact related to stage and season factors on the liquidity position, in order to improve the ability of handling current risks. As of the end of the Reporting Period, the liquidity coverage ration of the Bank was 180.70%, while the qualified quality liquidity assets amounted to RMB179.713 billion and net cash outflow in the next 30 days was RMB99.456 billion. According to relevant requirements of the Measures for the Disclosure of Information on Net Stable Funding Ratio by Commercial Banks, the Bank disclosed its net stable funding ratio in the latest two quarters in this report. The net stable capital ratio was 103.13% at the end of June 2021, while the available stable capitals reached RMB831.171 billion and the required stable capitals amounted to RMB805.945 billion. As of the end of March 2021, the net stable capitals of the Bank was 101.10%, while the available stable capitals reached RMB799.346 billion and the required stable capitals amounted to RMB790.635 billion.



Chapter III Management Discussion and Analysis

3.10 RISK MANAGEMENT (CONTINUED)

3.10.5 Interest rate risk management

Interest rate risk refers to the risk of fluctuation in interest rates which adversely affects the financial position of the Bank. Interest rate risk of the Bank primarily arises from the mismatch of maturity dates or re-pricing term structure of its business portfolio. Term structure mismatch may result in the Bank's net interest income being affected by changes in the prevailing interest rates. In addition, different pricing benchmarks for different products may also expose assets and liabilities within the same re-pricing period to interest rate risk. Currently, the Bank primarily measures its exposure to interest risk in account books through methods such as gap analysis, scenario analysis and stress testing. The Bank manages its interest rate risk exposure primarily by adjusting the durations of its business portfolio based on its assessment of potential changes in the interest rate environment.

The Bank's financial assets and liabilities are mainly denominated in RMB. As the benchmark interest rates for RMB deposits and loans are determined by the PBOC and LPR is released by the National Interbank Funding Center upon the authorization of the PBOC, the Bank follows the interest rate policies issued by the PBOC when carrying out deposit taking and lending activities.

In the first half of 2021, the Bank deepened its strategic transformation, proactively coped with interest rate liberalization and increased its efforts in optimizing asset-liability structure and customer structure. First, the Bank strengthened loan pricing management in an effort to improve its risk pricing capability and return on loans. Second, the Bank promoted the rapid development of its intermediary business and expanded the revenue channels of the intermediary business. Third, the Bank strengthened the analysis of customers' comprehensive contribution using data from management accounting, thus effectively improving its pricing management. Fourth, the Bank conducts regular stress tests for interest rate risk in its account books and assessments on interest rate risk, followed by responding strategies to effectively improve its capability to prevent interest rate risks.

3.10.6 Exchange rate risk management

Exchange rate risk refers to the risk of loss of the Bank's earnings arising from adverse changes in exchange rate in the case of overbought or oversold spot or forward positions in a particular foreign currency or duration mismatch of non-RMB denominated assets and liabilities. The Bank's foreign currency assets and liabilities are mainly denominated in US dollars, while the rest are denominated in euro, Hong Kong dollars and Japanese yen, etc.

The Bank measures its exchange rate risk through qualitative and quantitative analyses. The main analysis methods include gap analysis, duration analysis, exposure analysis, sensitivity analysis, scenario analysis, VAR analysis, stress testing and back testing. In order to maintain its exchange rate risk within an acceptable range, the Bank implements stringent limit management measures, mainly including trading limits, risk limits, foreign exposure limits and stop loss limits.

The Bank's spot and forward foreign exchange transactions are mostly conducted on behalf of customers through "back-to-back" settlements that avoid exchange rate risk to a large extent. Under the new norm of bilateral fluctuations in RMB exchange rates, the Bank holds reasonable proprietary positions according to its limit management requirements and within the limit of combined exposure positions approved by the State Administration of Foreign Exchange. In addition, the Bank proactively uses derivatives to prevent the risk of exchange rate fluctuations.

Chapter III Management Discussion and Analysis

3.10 RISK MANAGEMENT (CONTINUED)

3.10.7 Reputational risk management

Reputation risk refers to the risk of negative comments to the Bank by relevant stakeholders, the public and the media as a result of the operation and management and other actions of the Bank, the behavior of our practitioners or external events, which may damage our brand value, adversely affect the normal operation of the Bank, or even affect market stability and social stability.

Reputational risk management, as an important part of the Bank's corporate governance and comprehensive risk management systems, covers all behaviors, business activities and business areas of the Bank and its subsidiaries. The Bank has developed reputational risk management measures and requirements to actively and effectively prevent reputational risk and cope with reputation events, with a view to minimizing the resulting losses and negative impacts. In the process of reputational risk management, the Bank prioritizes risk prevention and focuses on monitoring, analysis and early warning of public opinions in its daily operation, which has achieved good results. In addition, the Bank carries out external publicity and has established an effective management system which enables it to quickly resolve any misunderstanding or misinterpretation of information. Meanwhile, the Bank actively participates in social welfare undertakings and public activities to live up to its corporate social responsibility, in an effort to build a sound corporate image.

3.10.8 Compliance risk management

Compliance risk refers to the risk that a commercial bank may be subject to legal sanctions, regulatory punishments, major financial losses or reputational damage due to its failure to comply with relevant laws, regulations, rules and standards. The Board of Directors of the Bank takes the ultimate responsibility for the compliance of the Bank's business activities. The Risk Management Committee under the Board of Directors supervises the Bank's compliance risk management. The Board of Supervisors is responsible for supervising the Board of Directors and the senior management in performing their compliance management duties. The senior management is responsible for managing compliance risk, conducting assessments of compliance risk regularly and submitting compliance risk reports to the Board of Directors. The Bank has established a sound compliance risk management system and organizational structure, including three coordinated lines of defense against compliance risk (i.e. front, middle and back offices), and a vertical two-way reporting system amongst the head office, branches and sub-branches. The Bank has optimized its level and efficiency for compliance risk management through continuous improvement in compliance risk management system, so as to realize effective control of compliance risk.

During the Reporting Period, with the focus on its business development strategies, the Bank strove to put internal control as its priority, and established the philosophy of "facilitating development through compliance", with an aim to enhance the foresight and pertinence of compliance management. The Bank constantly implemented various requirements of external regulatory authorities, and strengthened the establishment of internal control system. Hence, the compliance risk management mechanism operated effectively, with favorable comments coming from external regulatory authorities. By carrying out special campaigns such as "Case Warning Education Activities" and "Identification of Non-performing Loan Liability", and fully deploying the "Year of Internal Control and Compliance Management Construction" activities, the Bank promoted the construction of compliance culture, improved its internal rules and regulations, optimized the compliance risk identification and assessment process, strengthened the accountability for non-compliance, and increased support for legal compliance review and product innovation, thereby providing guarantee for the Bank's compliance operations.

Chapter III Management Discussion and Analysis

3.10 RISK MANAGEMENT (CONTINUED)

3.10.9 Anti-money laundering management

The Bank attached great importance to anti-money laundering and strictly implemented relevant laws and regulations aiming at preventing and controlling money laundering activities, with sound measures vigorously carried out across the Bank.

During the Reporting Period, the Bank put into practice the principle of “laying emphasis on risks, management, quality and effects” by applying it to anti-money laundering as well. Based on the thinking of establishing “systematic models for capturing indicators of the characteristics of cases”, the Bank collected typical cases of money laundering and their upstream criminal cases through multiple channels, and conducted analysis to sort out the characteristics and fund transaction patterns of money laundering activities for various types of crimes, so as to expand the indicators for self-monitoring of irregular transactions. Through designing, verifying, launching, evaluating and enhancing its models, the Bank adopted full life cycle management of models for monitoring.

Currently, under the increasingly complex international economic and financial situation, rapid development of information technology, artificial intelligence and Internet technology, the methods and means of money laundering are becoming more subtle and diverse, posing increasingly severe challenges in anti-money laundering. The Bank will strictly fulfill legal obligations on anti-money laundering. Focusing on the target of “meeting standards on timeliness and improving quality”, the Bank will promote the reform of the operation model of anti-money laundering, optimize the functions of systems, solidify reform experiences and expand the scope of pilot. It will actively practice the working method on anti-money laundering with risks as orientation, consistently enhance the construction of the internal control system on anti-money laundering and continuously improve the prevention and control of risks on money laundering.



Chapter III Management Discussion and Analysis

3.11 INFORMATION TECHNOLOGY

During the Reporting Period, for information technology management, under the guidance of the strategic plan of “One Body, Two Wings”, the Bank focused on technology services and the building of guarantee capabilities on the stable operation of key infrastructure and continuously improved the supporting capability to the business continuity, maintaining continuous and effective services of the information system of the whole Bank.

Firstly, consolidating fundamental supports to the development of systems and launching the transformation towards innovative and prompt services. It will review and improve the current conditions on process optimization, management enhancement and team cultivation; promote the pilot on the development of prompt services in the transaction banking sector and continuously improve the mechanism on prompt services; quantitatively advance proprietary controllable development and expand the size and proportion of proprietary and controllable businesses; speed up in the implementation of customer service platforms on credit cards, the transformation of the fund custody system under new accounting standards, the block chain platform for trade receivables turnover and other key platforms and promote the digital transformation of business through technology empowerment.

Secondly, promoting the construction of digital banking system and promoting the development of the data empowerment business. The Bank will initiate the construction of credit risk data mart to improve the digital risk control and management capabilities. It will create retail and corporate customer labeling systems, establish evaluation rules and identification models for suspected actual controllers, and use retail high-quality customer churn warning models to help retail financial assets upgrade and improve data service capabilities.

Thirdly, improving the guarantee system on technical services and consolidating the cornerstone for safe operation. With the supporting capacity on business continuity and high-quality service guarantee with information technology as the foothold, it will build and adopt network security system of defense-in-depth, improve the visual early warning analysis platform, carry out real switchover exercises on disaster recovery in the same city and initiate the construction planning on the new data center to comprehensively improve the guarantee of technical services.



Chapter III Management Discussion and Analysis

3.12 PROFIT DISTRIBUTION OF ORDINARY SHARES

Profit distribution plan for 2020

The profit distribution plan of the Bank for 2020 was considered and approved at the 2020 annual general meeting of the Bank held on 30 June 2021.

Audited net profit of the Bank under the headquarters for 2020 was RMB9,147.48 million. Pursuant to the Articles of Association of the Bank, the profit distribution plan of the Bank for 2020 is as follows:

RMB914.748 million, RMB1,083.822 million and RMB914.748 million were allocated to the statutory surplus reserve, general risk provision and discretionary surplus reserve respectively, and the remaining distributable profit for the year amounted to RMB6,234.162 million. The Bank did not distribute dividends for 2020.

Interim profit distribution for 2021

The Bank has no interim profit distribution plan for 2021.

3.13 SOCIAL RESPONSIBILITY

During the Reporting Period, the Bank honored the mission of “achieving dreams for customers, creating value for shareholders, promoting employee development and assuming responsibility of citizenship”, actively performed social responsibilities, coordinated shareholders, customers, employees and other stakeholders, achieving the full improvement of economic, environmental and social benefits. The Bank strengthened the role of green credit in leverage adjustment by promoting green credit to support low-carbon economy; made targeted efforts in promoting inclusive finance to reduce corporate financing costs and support the development of small and micro enterprises; broadened the coverage of financial services to support the development of “Three Dimensional Rural Issues” and contribute to poverty alleviation. In order to firmly guard against systemic risks, the Bank continuously developed a “secure Huishang Bank”, focused on building a comprehensive, full-process risk management system covering all employees to enhance its risk management and risk operation capabilities. The Bank advocated green office, energy saving and environmental protection to reduce the negative effects of its daily operation on the environment as much as possible. It vigorously advocated public spirit, continuously promoted concepts and activities on people’s livelihood, environmental protection and charities and called on employees to practice environmental protection and charities as volunteers, fully displaying the image of the Bank as an excellent corporate resident. The Bank has also been concerned about the physical and mental health of its employees, and has created a positive and harmonious corporate culture by adhering to people-oriented and focusing on employee capacity building. The Bank focused on digital transformation as the main line with the institutional business as the body and corporate light-asset business and digital retail business as two wings to develop into a dominant bank serving local economies, a preferred bank for regional customers, a value bank returning shareholders and a quality bank being proud by employees as well as a first-class digital city commercial bank with intelligent, considerate, professional and prompt services.

Chapter III Management Discussion and Analysis

3.13 SOCIAL RESPONSIBILITY (CONTINUED)

The Bank continuously boosted efforts in providing credit supply and financial services to private enterprises and small and micro enterprises, regularized the implementation of the “Four Frees, One Service” and constantly advanced the campaign of “Bank-Enterprise Cooperation” (百行進萬企). It has ranked the 1st in Anhui Province for consecutive years in terms of the market share of loans to small and micro enterprises. It thoroughly implemented the spirit of the Fifth Plenary Session of the 19th CPC Central Committee and the important speech of President Xi Jinping during his investigation in Anhui, completed all targets and tasks on poverty alleviation through financial means with high quality and fully advanced the effective connection of fully getting rid of poverty and rural revitalization. It established a targeted poverty alleviation model under which the head office, branches and sub-branches were co-managed. All poverty-stricken villages with targeted poverty alleviation have got rid of poverty and 100% of poverty-stricken households under the leadership of cadres were lifted out of poverty. While vigorously supporting the development of local economy, the Bank actively performed taxation obligations and contributed to fiscal revenue. It earnestly supported the work on “ensuring stability on six key fronts”, fully implemented tasks on maintaining “security in six key areas”, increased financial services to the manufacturing industry, small and micro enterprises, rural revitalization and other weaknesses and adopted various measures to solve the difficulties of enterprises, small and micro enterprises in particular. It perseveringly supported enterprises in employment stabilization, maintained common prosperity with local economy, served the real economy, increased the effective supply of loans and performed social responsibilities, making its contributions to local economic development.

3.14 CONSUMER RIGHTS PROTECTION

In the first half of 2021, the Bank continued to enhance the awareness on consumer protection, perfected the working mechanism on consumer protection, implemented the primary responsibility on consumer protection and improved the quality, effects and satisfaction in handling complaints in the Bank. Leveraging on the demonstration base for financial education in Anhui Province, the Bank consolidated the “three-in-one” financial publicity and education system and fully improved the consumer protection of the Bank. It formulated or amended the Administrative Measures on Review of Consumer Protection of Huishang Bank and other management systems, consistently enhanced compliant management and treatment from the source and earnestly advanced the infrastructure construction with “one point, two warehouses and three areas” in the publicity of financial knowledge education. It established the first provincial demonstration base for financial education in Anhui Province and promoted the normalized development in the publicity of financial knowledge education to build a distinctive publicity and education brand of the Bank.



Chapter IV Changes in Share Capital and Particulars of Shareholders

4.1 CHANGES IN ORDINARY SHARES OF THE BANK DURING THE REPORTING PERIOD

	30 June 2021		Changes during the Reporting Period	31 December 2020	
	Number of Shares	Percentage (%)	Number of Shares	Number of Shares	Percentage (%)
Domestic Shares	10,411,051,211	74.95	1,735,000,000	8,676,051,211	71.38
H Shares	3,478,750,000	25.05	–	3,478,750,000	28.62
Total number of ordinary shares	13,889,801,211	100	1,735,000,000	12,154,801,211	100

- Notes: 1. On 4 January 2021, the Bank completed the share registration for the non-public issuance of 1,735,000,000 Domestic Shares under the general mandate. Please refer to Section 7.8 “Non-Public Issuance” in this report for details of the non-public issuance.
2. As at 30 June 2021, the Bank had a total of 17,060 shareholders of ordinary shares, including 1,464 shareholders of H Shares and 15,596 shareholders of Domestic Shares.

4.2 INFORMATION ON THE SHAREHOLDINGS OF THE TOP TEN HOLDERS OF ORDINARY SHARES

As at 30 June 2021, the order of the top ten holders of ordinary shares of the Bank was sorted by: (1) for H Shares, the aggregate of the H Shares of the Bank held by investors which were deposited into the Central Clearing and Settlement System of the Hong Kong Stock Exchange and registered under the name of HKSCC NOMINEES LIMITED, a wholly-owned subsidiary of the Hong Kong Stock Exchange, representing 25.02% of the total share capital of ordinary shares and representing 99.89% of the total H Shares issued; and (2) for Domestic Shares, the order was based on the number of shares held directly under the domestic shareholders register kept by China Securities Depository and Clearing Co., Ltd.

No.	Name of shareholder	Nature of shareholder	Shares held by the end of the period (share)	Percentage of total share capital of ordinary shares (%)	Type of share	Increase/decrease of shares during the Reporting Period (share)	Pledged or frozen (share)
1	HKSCC NOMINEES LIMITED	⁽¹⁾	3,474,852,858	25.02	H Share	92,980	⁽¹⁾
2	Deposit Insurance Fund Management Co., Ltd.	State-owned legal person	1,559,000,000	11.22	Domestic Share	1,559,000,000	0
3	Anhui Energy Group Co., Ltd.	State-owned legal person	843,363,819	6.07	Domestic Share	0	0
4	Anhui Guoyuan Financial Holding Group Co., Ltd.	State-owned legal person	837,810,695	6.03	Domestic Share	0	0
5	Anhui Credit Financing Guaranty Group Co., Ltd. ⁽²⁾	State-owned legal person	827,658,091	5.96	Domestic Share	0	0
6	Anhui Transportation Holding Group Co., Ltd.	State-owned legal person	691,935,874	4.98	Domestic Share	176,000,000	0
7	Zhongjing Sihai Co., Ltd.	Domestic non-state-owned legal person	506,102,476	3.64	Domestic Share	0	368,540,000
8	Hefei Xingtai Financial Holding (Group) Co., Ltd.	State-owned legal person	378,395,999	2.72	Domestic Share	0	0
9	Wuhu Construction Investment Co., Ltd.	State-owned legal person	294,012,833	2.12	Domestic Share	0	0
10	CCB Trust Co., Ltd.	State-owned legal person	248,102,994	1.79	Domestic Share	0	0

- Notes: (1) The relevant information has not yet been obtained by the Bank, nor can it be verified based on the existing information.
- (2) According to the information publicly disclosed and notified to the Bank by Anhui Credit Financing Guaranty Group Co., Ltd., the company's name has been changed from “Anhui Credit Guaranty Group Co., Ltd.” to “Anhui Credit Financing Guaranty Group Co., Ltd.” on 26 July 2021.

Chapter IV Changes in Share Capital and Particulars of Shareholders

4.3 SUBSTANTIAL SHAREHOLDERS OF ORDINARY SHARES⁽¹⁾

According to the relevant requirements of the Interim Measures for the Equity Management of Commercial Banks of CBIRC, based on the register of members maintained by trustee agency of ordinary shares of the Bank and the information publicly disclosed and submitted by shareholders to the Bank etc., the substantial shareholders of ordinary shares of the Bank as at the end of the Reporting Period are as follows:

No.	Name of substantial shareholder	Number of shares held	Individual shareholding ratio (%)	Joint shareholding ratio (%)
1	Deposit Insurance Fund Management Co., Ltd.	1,559,000,000	11.22	11.22
2	Zhongjing Xinhua Asset Investment Management Company Ltd.	224,781,227	1.62	10.59
	Wealth Honest Limited	590,615,400	4.25	
	Golden Harbour Investments Management Limited	440,000,000	3.17	
	Zhongjing Xinhua Property Management (Hong Kong) Co., Limited	215,249,000	1.55	
3	Anhui Energy Group Co., Ltd.	843,363,819	6.07	9.70
	Anhui Wenergy Company Limited	150,814,726	1.09	
	Xing An Holding Limited	329,973,600	2.38	
	Anhui Natural Gas Development Co., Ltd.	23,579,472	0.17	
4	Wkland Finance Holding Company Limited	562,254,000	4.05	7.00
	Wkland Finance Holding II Company Limited	410,130,600	2.95	
5	Anhui Guoyuan Financial Holding Group Co., Ltd.	837,810,695	6.03	6.29
	Anhui Guoyuan Trust Co., Ltd.	35,751,470	0.26	
	Anhui Guoyuan Ma'anshan Asset Management Co., Ltd.	361,662	0.00	
6	Anhui Credit Financing Guaranty Group Co., Ltd.	827,658,091	5.96	5.98
	Anhui Guaranteed Asset Management Co., Ltd.	2,524,326	0.02	
7	Anhui Transportation Holding Group Co., Ltd.	691,935,874	4.98	5.01
	Anhui Transportation Holding Group (H.K.) Limited	3,299,700	0.02	
8	Hefei Xingtai Financial Holding Group Co., Ltd.	378,395,999	2.72	4.51
	CCB Trust Co., Ltd.	248,102,994	1.79	
9	Sunshine Life Insurance Corporation Limited	598,094,200	4.31	4.31
10	Zhongjing Sihai Co., Ltd.	506,102,476	3.64	3.64
11	Anhui Publishing Group Co., Ltd.	103,693,815	0.75	0.75

Note: (1) For the definition of substantial shareholders, please refer to the relevant requirements of the Interim Measures for the Equity Management of Commercial Banks of CBIRC, and the shareholding ratio of shareholders and its related parties, persons acting in concert was calculated on a consolidated basis.

Chapter IV Changes in Share Capital and Particulars of Shareholders

4.4 SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES UNDER HONG KONG LAWS AND REGULATIONS

As at 30 June 2021, the following persons (other than the directors, supervisors and chief executives (as defined in the Hong Kong Listing Rules) of the Bank) had interests and short positions in the shares of the Bank as recorded in the register required to be kept by the Bank pursuant to section 336 of the SFO. In view of the Bank's profit distribution plan for 2017, where bonus shares were issued to shareholders on the basis of 1 share for every 10 shares, implemented in 2018, the number of shares held by shareholders in the table below reflects the number of shares held by shareholders after the issue of bonus shares.

Name of shareholder	Type of share	Long/short position	Capacity	Number of shares	Percentage of the underlying shares in issue (%)	Percentage of all issued ordinary shares (%)	Note
Deposit Insurance Fund Management Co., Ltd.	Domestic Share	Long	Beneficial owner	1,559,000,000	14.97	11.22	1
Anhui Energy Group Co., Ltd.	H Share	Long	Interest of controlled corporation	329,973,600	9.49	2.38	2
	Domestic Share	Long	Interest of controlled corporation	174,394,198	1.68	1.26	2
	Domestic Share	Long	Beneficial owner	843,363,819	8.10	6.07	2
Xing An Holdings Limited	H Share	Long	Beneficial owner	329,973,600	9.49	2.38	2
Anhui Credit Financing Guaranty Group Co., Ltd.	Domestic Share	Long	Interest of controlled corporation	2,524,326	0.02	0.02	3
	Domestic Share	Long	Beneficial owner	827,658,091	7.95	5.96	3
Anhui Guoyuan Financial Holding Group Co., Ltd.	Domestic Share	Long	Beneficial owner	837,810,695	8.05	6.03	4
	Domestic Share	Long	Interest of controlled corporation	36,113,132	0.35	0.26	4
Anhui Transportation Holding Group Co., Ltd.	H Share	Long	Interest of controlled corporation	3,299,700	0.09	0.02	5
	Domestic Share	Long	Beneficial owner	691,935,874	6.65	4.98	5
China Vanke Co., Ltd.	H Share	Long	Interest of controlled corporation	972,384,600	27.95	7.00	6
Wkland Finance Holding Company Limited	H Share	Long	Beneficial owner	562,254,000	16.16	4.05	6
Wkland Finance Holding II Company Limited	H Share	Long	Beneficial owner	410,130,600	11.79	2.95	6
Sunshine Insurance Group Corporation Limited	H Share	Long	Interest of controlled corporation	598,094,200	17.19	4.31	7
Sunshine Life Insurance Corporation Limited	H Share	Long	Beneficial owner	598,094,200	17.19	4.31	7
Shanghai Soong Ching Ling Foundation	H Share	Long	Interest of controlled corporation	1,245,864,400	35.81	8.97	9,10,11,13
	Domestic Share	Long	Interest of controlled corporation	224,781,227	2.16	1.62	8
Zhongjing Industry (Group) Limited	H Share	Long	Interest of controlled corporation	1,245,864,400	35.81	8.97	9,10,11,13
	Domestic Share	Long	Interest of controlled corporation	224,781,227	2.16	1.62	8
Modern Innovation Holdings Co., Limited	H Share	Long	Interest of controlled corporation	1,245,864,400	35.81	8.97	9,10,11,13
	Domestic Share	Long	Interest of controlled corporation	224,781,227	2.16	1.62	8
Jing'An Shanghai Silver Investment Co., Ltd.	H Share	Long	Interest of controlled corporation	1,245,864,400	35.81	8.97	9,10,11,13
	Domestic Share	Long	Interest of controlled corporation	224,781,227	2.16	1.62	8
Zhongjing Xinhua Asset Investment Management Company Ltd.	H Share	Long	Interest of controlled corporation	1,245,864,400	35.81	8.97	9,10,11,13
	Domestic Share	Long	Beneficial owner	224,781,227	2.16	1.62	8

Chapter IV Changes in Share Capital and Particulars of Shareholders

4.4 SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES UNDER HONG KONG LAWS AND REGULATIONS (CONTINUED)

Name of shareholder	Type of share	Long/short position	Capacity	Number of shares	Percentage of the underlying shares in issue (%)	Percentage of all issued ordinary shares (%)	Note
Zhongjing Xinhua Property Management (Hong Kong) Co., Limited	H Share	Long	Interest of controlled corporation	1,030,615,400	29.63	7.42	10, 11, 13
Wealth Honest Limited	H Share	Long	Beneficial owner	215,249,000	6.19	1.55	9
Wealth Honest Cayman Holdings Company Limited	H Share	Long	Interest of controlled corporation	440,000,000	12.65	3.17	11, 13
Wealth Honest Cayman Holdings Company Limited	H Share	Long	Beneficial owner	590,615,400	16.98	4.25	10
Wealth Honest Cayman Holdings Company Limited	H Share	Long	Interest of controlled corporation	440,000,000	12.65	3.17	11, 13
Qingdao State-owned Assets Supervision & Administration Commission	H Share	Long	Security interest	440,000,000	12.65	3.17	11
Qingdao City Construction Investment (Group) Limited	H Share	Long	Security interest	440,000,000	12.65	3.17	11
Qingdao City Construction Financial Holding Group Co., Ltd.	H Share	Long	Security interest	440,000,000	12.65	3.17	11
China Golden Harbour (Holdings) Group Limited	H Share	Long	Security interest	440,000,000	12.65	3.17	11
Golden Harbour Global Holdings Limited	H Share	Long	Security interest	440,000,000	12.65	3.17	11
Wealth Honest Fund LP	H Share	Long	Interest of controlled corporation	440,000,000	12.65	3.17	11
Golden Harbour Investments Management Limited	H Share	Long	Beneficial owner	440,000,000	12.65	3.17	11
Zheng Yonggang	Domestic Share	Long	Interest of controlled corporation	730,883,703	7.02	5.26	8, 12
Zhou Jiqing	Domestic Share	Long	Interest of controlled corporation	730,883,703	7.02	5.26	8, 12



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4.4 SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES UNDER HONG KONG LAWS AND REGULATIONS (CONTINUED)

Name of shareholder	Type of share	Long/short position	Capacity	Number of shares	Percentage of the underlying shares in issue (%)	Percentage of all issued ordinary shares (%)	Note
Ningbo Qinggang Investment Co., Ltd.	Domestic Share	Long	Interest of controlled corporation	730,883,703	7.02	5.26	8, 12
Shanshan Holdings Co., Ltd.	Domestic Share	Long	Interest of controlled corporation	506,102,476	4.86	3.64	12
	Domestic Share	Long	Beneficial owner	224,781,227	2.16	1.62	8
	H Share	Long	Interest of acting in concert	1,245,864,400	35.81	8.97	14
Shanshan Group Co., Ltd.	Domestic Share	Long	Interest of controlled corporation	506,102,476	4.86	3.64	12
Zhongjing Sihai Co., Ltd.	Domestic Share	Long	Beneficial owner	506,102,476	4.86	3.64	12
DRAGON SOUND INVESTMENT LIMITED	Domestic Share	Long	Interest of acting in concert	730,883,703	7.02	5.26	14
	H Share	Long	Beneficial owner	273,449,000	7.86	1.97	13
JOY GLORY HOLDINGS LIMITED	Domestic Share	Long	Interest of acting in concert	730,883,703	7.02	5.26	14
	H Share	Long	Beneficial owner	532,415,400	15.30	3.83	13
SUPERIOR LOGIC INVESTMENTS LIMITED	Domestic Share	Long	Interest of acting in concert	730,883,703	7.02	5.26	14

Notes:

- On 4 January 2021, Deposit Insurance Fund Management Co., Ltd. subscribed 1,559,000,000 Domestic Shares (long position) of the Bank through non-public issuance. Please refer to Section 7.8 "Non-Public Issuance" in this report for details of the non-public issuance.
- Xing An Holdings Limited holds 329,973,600 H Shares (long position) of the Bank. Xing An Holdings Limited is a wholly-owned subsidiary directly controlled by Anhui Energy Group Co., Ltd. Anhui Energy Group Co., Ltd. is deemed to be interested in the shares of the Bank held by Xing An Holdings Limited.

At the same time, Anhui Energy Group Co., Ltd. directly holds 843,363,819 Domestic Shares (long position) of the Bank. In addition, Anhui Energy Group Co., Ltd. is deemed to be interested in 150,814,726 Domestic Shares and 23,579,472 Domestic Shares of the Bank that were held by its controlling subsidiaries, Anhui Wenergy Company Limited and Anhui Natural Gas Development Co., Ltd., respectively.
- The 2,524,326 Domestic Shares (long position) of the Bank are held by Anhui Guaranteed Asset Management Co., Ltd., a wholly-owned subsidiary of Anhui Credit Financing Guaranty Group Co., Ltd. Anhui Credit Financing Guaranty Group Co., Ltd. is deemed to be interested in the shares of the Bank held by Anhui Guarantee Asset Management Co., Ltd. Meanwhile, Anhui Credit Guaranty Group Financing Co., Ltd. directly holds 827,658,091 Domestic Shares (long position) of the Bank.
- Anhui Guoyuan Ma'anshan Asset Management Co., Ltd. and Anhui Guoyuan Trust Co., Ltd. hold 361,662 Domestic Shares (long position) and 35,751,470 Domestic Shares (long position) of the Bank, respectively. Anhui Guoyuan Financial Holding Group Co., Ltd. is deemed to be interested in the Domestic Shares of the Bank that were directly held by its controlling subsidiaries, Anhui Guoyuan Ma'anshan Asset Management Co., Ltd. and Anhui Guoyuan Trust Co., Ltd. At the same time, Anhui Guoyuan Financial Holding Group Co., Ltd. directly holds 837,810,695 Domestic Shares (long position) of the Bank.

Chapter IV Changes in Share Capital and Particulars of Shareholders

4.4 SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES UNDER HONG KONG LAWS AND REGULATIONS (CONTINUED)

- (5) Anhui Transportation Holding Group (H.K.) Limited (安徽省交通控股集团(香港)有限公司) holds 3,299,700 H Shares (long position) of the Bank. Anhui Transportation Holding Group (H.K.) Limited is a wholly-owned subsidiary directly controlled by Anhui Transportation Holding Group Co., Ltd. As such, Anhui Transportation Holding Group Co., Ltd. is deemed to be interested in the shares of the Bank held by Anhui Transportation Holding Group (H.K.) Limited. On 4 January 2021, Anhui Transportation Holding Group Co., Ltd. subscribed 176,000,000 Domestic Shares (long position) of the Bank through Non-Public Issuance. Upon the completion of the Non-Public Issuance, Anhui Transportation Holding Group Co., Ltd. directly held 691,935,874 Domestic Shares (long position) of the Bank. Please refer to Section 7.8 "Non-Public Issuance" in this report for details of the non-public issuance.
- (6) China Vanke Co., Ltd. is deemed to be interested in a total of 972,384,600 H Shares (long position) of the Bank by virtue of its control over the following corporations which directly hold interests in the Bank:
- 6.1 Wkland Finance Holding Company Limited holds 562,254,000 H Shares (long position) of the Bank. Wkland Finance Holding Company Limited is a wholly-owned subsidiary indirectly controlled by China Vanke Co., Ltd.
- 6.2 Wkland Finance Holding II Company Limited holds 410,130,600 H Shares (long position) of the Bank. Wkland Finance Holding II Company Limited is a wholly-owned subsidiary indirectly controlled by China Vanke Co., Ltd.
- (7) Sunshine Life Insurance Corporation Limited holds 598,094,200 H Shares (long position) of the Bank. Sunshine Life Insurance Corporation Limited is a subsidiary directly controlled by Sunshine Insurance Group Corporation Limited. Sunshine Insurance Group Corporation Limited is deemed to be interested in the shares of the Bank held by Sunshine Life Insurance Corporation Limited.
- (8) Zhongjing Xinhua Asset Investment Management Co., Ltd. ("Zhongjing Xinhua") directly holds 224,781,227 Domestic Shares (long position) of the Bank. Zhongjing Xinhua is a subsidiary directly controlled by Jing'An Shanghai Silver Investment Co., Ltd. ("Jing'An Silver"). Jing'An Silver is a wholly-owned subsidiary directly controlled by Modern Innovation Holdings Co., Limited ("Modern Innovation"). Modern Innovation is a subsidiary directly controlled by Zhongjing Industry (Group) Limited ("Zhongjing Industry"). The 97.5% shares of Zhongjing Industry are held by Shanghai Soong Ching Ling Foundation. Shanghai Soong Ching Ling Foundation, Zhongjing Industry, Modern Innovation and Jing'An Silver are deemed to be interested in the shares of the Bank held by Zhongjing Xinhua.

Shanshan Holdings Co., Ltd. ("Shanshan Holdings") entered into an agreement with Zhongjing Xinhua on 20 August 2019, pursuant to which Shanshan Holdings acquired 224,781,227 Domestic Shares of Huishang Bank held by Zhongjing Xinhua, which have not been transferred. Pursuant to relevant requirements of the SFO, during the period from the signing of the agreement to prior to the completion of the transfer of shares, both Shanshan Holdings and Zhongjing Xinhua shall be deemed to be interested in such shares acquired or disposed and both of them are beneficial owners. Zheng Yonggang, Zhou Jiqing and Ningbo Qinggang are deemed to be interested in the above shares of the Bank held by Shanshan Holdings.

According to the disclosure of interests forms submitted by Zhongjing Xinhua to the Hong Kong Stock Exchange, "Zhongjing Xinhua Asset Investment Management Co., Ltd., on behalf of all vendors, issued a written notice to Shanshan Holdings Co., Ltd. on 1 June 2020, announcing the termination of the Framework Agreement signed by the parties on 20 August 2019. In this regard, the relevant vendors are not required to transfer the underlying Domestic Shares to Shanshan Holdings Co., Ltd."

Chapter IV Changes in Share Capital and Particulars of Shareholders

4.4 SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES UNDER HONG KONG LAWS AND REGULATIONS (CONTINUED)

According to the "Announcement on Zhongjing Xinhua Asset Investment Management Company Ltd. Regarding the Company's Material Litigations" issued by Zhongjing Xinhua on the Shanghai Stock Exchange (the "SSE") on 9 July 2020, "..... On 1 June 2020, the Company issued to Shanshan Holdings the "Notice on the Termination of the Framework Agreement between Shanshan Holdings Co., Ltd. and Zhongjing Xinhua Asset Investment Management Company Ltd. on the Transfer of Shares of Huishang Bank Corporation Limited and Zhongjing Sihai Co., Ltd."..... The Company has recently filed a lawsuit with the Intermediate People's Court of Huangshan City, Anhui Province and has been accepted. The filing for the case has now been completed." According to the 2020 Annual Report on Corporate Bonds of Zhongjing Xinhua Asset Investment Management Co., Ltd. published on the SSE by Zhongjing Xinhua on 28 April 2021, "Progress of the dispute on transfer of equity in Huishang Bank with Shanshan Holdings Co., Ltd.: the Company has filed a lawsuit with the Intermediate People's Court of Huangshan City, Anhui Province. As Shanshan Holdings Co., Ltd. prosecuted first, the two cases have been consolidated to Shanghai Financial Court for trial. The above two cases were heard in the Financial Court on 18 January 2021, but pending for judgment as of the date of this report." For details, please refer to the announcement published by Zhongjing Xinhua on the SSE.

According to the "Announcement on Shanshan Group Co., Ltd. Regarding the Company's Material Litigations" issued by Shanshan Group Co., Ltd. ("Shanshan Group") on the SSE on 10 July 2020, "..... This lawsuit is a case involving Zhongjing Xinhua sued Shanshan Holdings, Shanshan Group, and Zhongjing Sihai for the equity transfer dispute. Shanshan Holdings filed a lawsuit with the Shanghai Financial Court on 2 June 2020 and completed the filing." According to the 2020 Annual Report on Corporate Bonds of Shanshan Group Co., Ltd. published on the SSE by Shanshan Group on 30 April 2021, "Progress of the dispute on transfer of equity interests in the case involving Zhongjing Xinhua Asset Investment Management Co., Ltd. against Shanshan Holdings Co., Ltd., Shanshan Group Co., Ltd. and Zhongjing Sihai Co., Ltd.: the case has been transferred to the Shanghai Financial Court for trial with the first trial completed in January 2021, but pending for judgment." For details, please refer to the announcement published by Shanshan Group on the SSE.

According to the disclosure of interests forms submitted by Zhongjing Xinhua to the Hong Kong Stock Exchange, "Zhongjing Xinhua Asset Investment Management Company Ltd. (hereinafter referred to as "Zhongjing Xinhua"), as considered and approved by its board of directors, agreed to enter into a Letter of Intent for the Transfer of Shares of Huishang Bank Corporation Limited (hereinafter referred to as the "Letter of Intent") with OCI International Holdings Limited (hereinafter referred to as "OCI International") in respect of the disposal of all H Shares and Domestic Shares of Huishang Bank Corporation Limited (hereinafter referred to as "Huishang Bank") held directly and indirectly by the company on 25 June 2021. The Letter of Intent is valid for six months from the date of execution."

- (9) Zhongjing Xinhua Property Management (Hong Kong) Co., Limited ("Zhongjing Xinhua Hong Kong") holds 215,249,000 H Shares (long position) of the Bank.

Zhongjing Xinhua Hong Kong is a wholly-owned subsidiary directly controlled by Zhongjing Xinhua. Shanghai Soong Ching Ling Foundation, Zhongjing Industry, Modern Innovation, Jing'An Silver and Zhongjing Xinhua are deemed to be interested in the shares of the Bank held by Zhongjing Xinhua Hong Kong.

- (10) Wealth Honest Limited ("Wealth Honest") holds 590,615,400 H Shares (long position) of the Bank. Wealth Honest is a wholly-owned subsidiary directly controlled by Zhongjing Xinhua Hong Kong, which in turn is a wholly-owned subsidiary directly controlled by Zhongjing Xinhua. Shanghai Soong Ching Ling Foundation, Zhongjing Industry, Modern Innovation, Jing'An Silver, Zhongjing Xinhua and Zhongjing Xinhua Hong Kong are deemed to be interested in the shares of the Bank held by Wealth Honest.

Chapter IV Changes in Share Capital and Particulars of Shareholders

4.4 SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES UNDER HONG KONG LAWS AND REGULATIONS (CONTINUED)

- (11) Golden Harbour Investments Management Limited (“Golden Harbour”) holds 440,000,000 H Shares (long position) of the Bank. The Bank was further informed by Zhongjing Xinhua by email that Wealth Honest Fund LP (a limited partnership established in the Cayman Islands) holds 100% equity interests in Golden Harbour; and Wealth Honest Cayman Holdings Company Limited (a direct wholly-owned subsidiary of Wealth Honest) is the sole general partner of Wealth Honest Fund LP and has absolute control over the operations of the partnership. Wealth Honest can 100% indirectly control Golden Harbour. For information about Wealth Honest, please refer to note (10) above. Shanghai Soong Ching Ling Foundation, Zhongjing Industry, Modern Innovation, Jing’An Silver, Zhongjing Xinhua, Zhongjing Xinhua Hong Kong, Wealth Honest, Wealth Honest Cayman Holdings Company Limited and Wealth Honest Fund LP are deemed to be interested in the shares of the Bank held by Golden Harbour.

According to the disclosure of interests forms submitted to the Hong Kong Stock Exchange by the State-owned Assets Supervision and Administration Commission of Qingdao City and its subsidiaries, Golden Harbour Global Holdings Limited, a wholly-owned subsidiary directly controlled by China Golden Harbour (Holdings) Group, holds 70% equity interests in Wealth Honest Fund LP; China Golden Harbour (Holdings) Group is a wholly-owned subsidiary directly controlled by Qingdao City Construction Financial Holding Group Co., Ltd.; Qingdao City Construction Financial Holding Group Co., Ltd. is a wholly-owned subsidiary directly controlled by Qingdao City Construction Investment (Group) Limited; Qingdao City Construction Investment (Group) Limited is wholly-owned by the State-Owned Assets Supervision & Administration Commission of Qingdao City. The State-owned Assets Supervision and Administration Commission of Qingdao City, Qingdao City Construction Investment (Group) Limited, Qingdao City Construction Financial Holding Group Co., Ltd., China Golden Harbour (Holdings) Group and Golden Harbour Global Holdings Limited are deemed to be interested in the shares of the Bank held by Golden Harbour.

- (12) Zhongjing Sihai Co., Ltd. (“Zhongjing Sihai”) holds 506,102,476 Domestic Shares of the Bank. According to the relevant shareholding table from the Hong Kong Stock Exchange and business registration information publicly disclosed by Zhongjing Sihai:

In August 2019, Zhongjing Xinhua transferred its equity interests of 51.6524% in Zhongjing Sihai to Shanshan Group Co., Ltd. (“Shanshan Group”), upon which Shanshan Group owned 100% equity interests in Zhongjing Sihai. Shanshan Group is the subsidiary of Shanshan Holdings which owns its equity interests of 73.46%, which in turn is the subsidiary of Ningbo Qinggang Investment Co., Ltd. (“Ningbo Qinggang”) which holds its equity interests of 48.06%. Zheng Yonggang and Zhou Jiqing hold the equity interests of 51% and 49% in Ningbo Qinggang, respectively. As such, Zheng Yonggang, Zhou Jiqing, Ningbo Qinggang, Shanshan Holdings and Shanshan Group are deemed to be interested in the shares of the Bank held by Zhongjing Sihai.



Chapter IV Changes in Share Capital and Particulars of Shareholders

4.4 SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES UNDER HONG KONG LAWS AND REGULATIONS (CONTINUED)

- (13) According to the disclosure of interests forms submitted by DRAGON SOUND INVESTMENT LIMITED, JOY GLORY HOLDINGS LIMITED, and SUPERIOR LOGIC INVESTMENTS LIMITED to the Hong Kong Stock Exchange, related parties acquired 273,449,000, 532,415,400 and 440,000,000 H Shares of the Bank, respectively. According to the form of disclosure interest submitted by Zhongjing Xinhua Hong Kong, Wealth Honest and Golden Harbour to the Hong Kong Stock Exchange, related parties entered into an agreement in relation to the disposal of shares in which they were interested. The transfer of such share interests has not been completed. Pursuant to relevant requirements of the SFO, during the period from the entering of the agreement to prior to the completion of the transfer of shares, related purchasers and vendors shall be deemed to be interested in such shares they have purchased or disposed and all of them are beneficial owners.

According to the disclosure of interests forms submitted by Zhongjing Xinhua Hong Kong, Wealth Honest and Golden Harbour to the Hong Kong Stock Exchange, "Zhongjing Xinhua Asset Investment Management Co., Ltd., on behalf of all vendors, issued a written notice to Shanshan Holdings Co., Ltd. on 1 June 2020, announcing the termination of the Framework Agreement signed by the parties on 20 August 2019. In this regard, the relevant vendors are not required to transfer the underlying H Shares to Shanshan Holdings Co., Ltd."

According to the "Announcement on Zhongjing Xinhua Asset Investment Management Company Ltd. Regarding the Company's Material Litigations" issued by Zhongjing Xinhua on the SSE on 9 July 2020, "..... On 1 June 2020, the Company issued to Shanshan Holdings the "Notice on the Termination of the Framework Agreement between Shanshan Holdings Co., Ltd. and Zhongjing Xinhua Asset Investment Management Company Ltd. on the Transfer of Shares of Huishang Bank Corporation Limited and Zhongjing Sihai Co., Ltd."..... The Company has recently filed a lawsuit with the Intermediate People's Court of Huangshan City, Anhui Province and has been accepted. The filing for the case has now been completed." According to the 2020 Annual Report on Corporate Bonds of Zhongjing Xinhua Asset Investment Management Co., Ltd. published on the SSE by Zhongjing Xinhua on 28 April 2021, "Progress of the dispute on transfer of equity interests in Huishang Bank with Shanshan Holdings Co., Ltd.: the Company has filed a lawsuit with the Intermediate People's Court of Huangshan City, Anhui Province. As Shanshan Holdings Co., Ltd. prosecuted first, the two cases have been consolidated to Shanghai Financial Court for trial. The above two cases were heard in the Financial Court on 18 January 2021, but pending for judgment as of the date of this report." For details, please refer to the announcement issued by Zhongjing Xinhua on the SSE.

According to the disclosure of interests forms submitted by Zhongjing Xinhua to the Hong Kong Stock Exchange, "Zhongjing Xinhua Asset Investment Management Company Ltd. (hereinafter referred to as "Zhongjing Xinhua"), as considered and approved by its board of directors, agreed to enter into a Letter of Intent for the Transfer of Shares of Huishang Bank Corporation Limited (hereinafter referred to as the "Letter of Intent") with OCI International Holdings Limited (hereinafter referred to as "OCI International") in respect of the disposal of all H Shares and Domestic Shares of Huishang Bank Corporation Limited (hereinafter referred to as "Huishang Bank") held directly and indirectly by the company on 25 June 2021. The Letter of Intent is valid for six months from the date of execution."

According to the "Announcement on Shanshan Group Co., Ltd. Regarding the Company's Material Litigations" issued by Shanshan Group on the SSE on 10 July 2020, "..... This lawsuit is a case involving Zhongjing Xinhua sued Shanshan Holdings, Shanshan Group, and Zhongjing Sihai for the equity transfer dispute. Shanshan Holdings filed a lawsuit with the Shanghai Financial Court on 2 June 2020 and completed the filing." According to the 2020 Annual Report on Corporate Bonds of Shanshan Group Co., Ltd. published on the SSE by Shanshan Group on 30 April 2021, "Progress of the dispute on transfer of equity interests in the case involving Zhongjing Xinhua Asset Investment Management Co., Ltd. against Shanshan Holdings Co., Ltd., Shanshan Group Co., Ltd. and Zhongjing Sihai Co., Ltd.: the case has been transferred to the Shanghai Financial Court for trial with the first trial completed in January 2021, but pending for judgment." For details, please refer to the announcement issued by Shanshan Group on the SSE.

- (14) According to the disclosure of interests forms submitted by companies including Shanshan Holdings to the Hong Kong Stock Exchange, Shanshan Holdings entered into an acting in concert agreement with SUPERIOR LOGIC INVESTMENTS LIMITED, DRAGON SOUND INVESTMENT LIMITED, JOY GLORY HOLDINGS LIMITED, respectively.

Save as disclosed above, the Bank is not aware of any other person (other than the directors, supervisors and chief executives (as defined in the Hong Kong Listing Rules) of the Bank) having any interests or short positions in the shares and underlying shares of the Bank as at 30 June 2021 as recorded in the register required to be kept by the Bank pursuant to section 336 of the SFO.

Chapter IV Changes in Share Capital and Particulars of Shareholders

4.5 OFFSHORE PREFERENCE SHARES

4.5.1 Issuance and listing of Offshore Preference Shares

On 10 November 2016, the Bank conducted a non-public offering of 44,400,000 Offshore Preference Shares in offshore markets at the issue price of US\$20 per share and raised US\$888 million. The Offshore Preference Shares were listed on the Hong Kong Stock Exchange on 11 November 2016. After deducting the issue expenses, the Bank applied all the proceeds raised from the issuance of Offshore Preference Shares to replenish its additional tier 1 capital according to applicable laws and regulations and the approval from relevant regulatory authorities.

4.5.2 Number of offshore preference shareholders and their shareholdings

As at the end of the Reporting Period, the Bank recorded one offshore preference shareholder (or depository). Particulars of its shareholding were as follows:

Name of offshore preference shareholder	Nature of shareholder	Type of shares	Increase/decrease during the Reporting Period	Shareholding percentage (%)	Total number of shares held (0'000 shares)	Number of shares held subject to selling restrictions	Number of pledged or frozen shares
DB Nominees (Hong Kong) Limited	Foreign legal person	Offshore Preference Shares	-	100	4,440	-	Unknown

- Notes:
- Particulars of shareholding of the offshore preference shareholders are based on the information in the Bank's register of offshore preference shareholders.
 - As the issuance was an offshore non-public offering, the register of offshore preference shareholders presented the information on the Offshore Preference Shares held by DB Nominees (Hong Kong) Limited as the depository on behalf of the placee in the clearing systems of Euroclear Bank S.A./N.V. and Clearstream Banking S.A. at the end of the Reporting Period.

4.5.3 Profit distribution of Offshore Preference Shares

During the Reporting Period, there was no dividend payment in respect of Offshore Preference Shares. Announcement in respect of payment of dividends on Offshore Preference Shares was made by the Bank on 27 July 2021.

4.5.4 Redemption or conversion of Offshore Preference Shares

During the Reporting Period, there was no redemption or conversion of Offshore Preference Shares issued by the Bank.

4.5.5 Restoration of voting rights of Offshore Preference Shares

During the Reporting Period, there was no restoration of voting rights of Offshore Preference Shares issued by the Bank.

4.5.6 Accounting policy adopted for Offshore Preference Shares and grounds

In accordance with Accounting Standards for Enterprise No. 22 – Recognition and Measurement of Financial Instruments, Accounting Standards for Enterprise No. 37 – Presentation of Financial Instruments and Rules on the Differences between Financial Liability and Equity Instruments and Relevant Accounting Treatment promulgated by the Ministry of Finance of the PRC, as well as International Accounting Standards No. 39 – Financial Instruments: Recognition and Measurement and International Accounting Standards No. 32 – Financial Instruments: Presentation formulated by the International Accounting Standards Board, the provisions of the issued and existing Offshore Preference Shares of the Bank conform to the accounting requirements as equity instruments, and will be accounted for as equity instruments.

Chapter V Directors, Supervisors, Senior Management, Employees and Institutions

5.1 DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Name	Gender	Position Held
Yan Chen	Male	Chairman, Executive Director
Zhang Renfu	Male	President, Executive Director
Zhu Yicun	Male	Non-executive Director
Wu Tian	Male	Non-executive Director
Qian Dongsheng	Male	Non-executive Director
Gao Yang	Male	Non-executive Director
Wang Wenjin	Male	Non-executive Director
Zhao Zongren	Male	Non-executive Director
Dai Peikun	Male	Independent Non-executive Director
Zhou Yana	Female	Independent Non-executive Director
Liu Zhiqiang	Male	Independent Non-executive Director
Yin Jianfeng	Male	Independent Non-executive Director
Huang Aiming	Female	Independent Non-executive Director
He Jiehua	Male	Chairman of the Board of Supervisors, Employee Representative Supervisor
Tang Chuan	Male	Employee Representative Supervisor, Chairman of Labor Union
Zhong Qiushi	Male	Employee Representative Supervisor, General Manager of Risk Management Department
Sun Zhen	Male	Employee Representative Supervisor, General Manager of Compliance Department
Chen Rui	Male	Shareholder Supervisor
Hu Jing	Female	Shareholder Supervisor
Dong Xiaolin	Female	External Supervisor
Zhai Shengbao	Male	External Supervisor
Zhou Zejiang	Male	External Supervisor
Yi Feng	Male	Vice President
Zhang Juzhong	Male	Vice President
Huang Xiaoyan	Female	Director of Investment and Wealth Management
Zhou Tong	Female	Director of Risk and Compliance
Li Dawei	Male	Financial Controller
Lian Baohua	Male	Secretary of the Board of Directors

Note: For details of the position changes of the abovementioned directors, supervisors and senior management, please refer to Section 5.2 "Appointment and Resignation during the Reporting Period" of this report.

Chapter V Directors, Supervisors, Senior Management, Employees and Institutions

5.2 APPOINTMENT AND RESIGNATION DURING THE REPORTING PERIOD

1. The Bank made an announcement on 21 January 2021, announcing that Mr. Li Ruifeng resigned from the positions as a shareholder supervisor and a member of the Nomination Committee of the Bank due to work adjustment. Mr. Yang Mianzhi resigned from the positions as an external supervisor, chairman and a member of the Supervision Committee of the Bank due to his heavy business commitment. The resignations of both Mr. Li Ruifeng and Mr. Yang Mianzhi took effect on 21 January 2021.
2. The Board of Directors of the Bank held a meeting on 2 February 2021 and proposed to appoint Mr. Zhang Juzhong as the vice president of the Bank. His qualification was approved by the CBIRC Anhui Office on 6 May 2021.
3. The Bank made an announcement on 26 March 2021, announcing that the Board of the Bank held a meeting on such date and proposed the election of Mr. Ma Lingxiao as an additional non-executive Director of the fourth session of the Board of the Bank at the shareholders' general meeting of the Bank. The Bank made an announcement on 27 May 2021, announcing that the Board of the Bank held a meeting on such date and proposed the election of Mr. Wang Zhaoyuan as a non-executive Director of the fourth session of the Board of the Bank at the shareholders' general meeting of the Bank. The Bank made an announcement on 30 June 2021, announcing that the Bank held a shareholders' general meeting on such date, at which Mr. Ma Lingxiao and Mr. Wang Zhaoyuan were elected as a non-executive Director of the Bank, respectively. Their qualifications as Directors are subject to the approval of CBIRC Anhui Office.
4. The Bank made an announcement on 6 April 2021, announcing that, due to work re-designation, Mr. Wu Xuemin resigned as the chairman of the Board, the chairman of the Board Strategic Development and Consumer Rights Protection Committee of the Board and a member of the Nomination and Remuneration Committee of the Board, ceased to be the acting chairman of the Risk Management Committee of the Board and reassigned from executive director to non-executive director. His resignation took effect on such date. The Bank made an announcement on 27 May 2021, announcing that, due to work commitments, Mr. Wu Xuemin resigned as a non executive director, member of the Strategic Development and Consumer Rights Protection Committee of the Board and member of the Risk Management Committee of the Board. His resignation took effect on such date.
5. The Bank made an announcement on 12 April 2021, announcing that, at the meeting held by the Board on such date, Mr. Yan Chen was elected as the chairman of the Board of the Bank for the same term as the fourth session of the Board, and was re-designated as an executive director from a non-executive director of the Bank. Prior to the approval in respect of his qualification as the chairman of the Board, Mr. Yan Chen temporarily performed the duties of the chairman of the Board. Mr. Yan Chen was elected as the chairman of the Strategic Development and Consumer Rights Protection Committee and the Risk Management Committee of the Bank as well as a new member of the Nomination and Remuneration Committee of the Bank. The above appointments took immediate effect on such date. The Bank made an announcement on 30 July 2021, announcing that, the qualification of Mr. Yan Chen as the chairman of the Board is approved by the CBIRC Anhui Office.
6. Due to work re-designation, Mr. Gao Guangcheng, an executive vice president of the Bank, ceased to serve as executive vice president of the Bank since 21 May 2021.
7. Due to job rearrangement, Mr. Ni Jianxiang, a director of retail banking of the Bank, ceased to serve as director of retail banking of the Bank since 26 May 2021.
8. Mr. Xia Min, the assistant to the president of the Bank was unable to normally perform his duties due to personal reason and resigned from his positions as the assistant to the president of the Bank as well as the director and chairman of Huishang Bank Wealth Management, a subsidiary of the Bank on 19 May 2021.

Chapter V Directors, Supervisors, Senior Management, Employees and Institutions

5.3 CHANGE OF POSITIONS HELD BY DIRECTORS AND SUPERVISORS

1. Mr. Yan Chen, an executive director and the chairman of the Bank, ceased to serve as the chairman of Anhui Credit Financing Guaranty Group Co., Ltd., the chairman of Anhui Financing Re-guarantee Co., Ltd. and the director of Chery Automobile Co., Ltd.
2. Mr. Zhu Yicun, a non-executive director of the Bank, ceased to serve as the chairman of Anhui Wenergy Company Limited and the chairman of Anhui Energy Group Co., Ltd.
3. Mr. Gao Yang, a non-executive director of the Bank, ceased to serve as the chairman of Guosheng Huaxing Investment Co., Ltd.
4. Mr. Yin Jianfeng, an independent non-executive director of the Bank, acted as the independent director of Bank of Wenzhou Co., Ltd. (溫州銀行股份有限公司).
5. Hefei Xingtai Guarantee Industry Security Operating Co., Ltd. under the chairmanship of Mr. Chen Rui, a shareholder supervisor of the Bank, was renamed as Hefei Xingtai Guarantee Asset Management Co., Ltd.
6. Ms. Dong Xiaolin, an external supervisor of the Bank, ceased to serve as an independent director of Anhui Langxi Rural Commercial Bank (安徽郎溪農村商業銀行), but served as an external supervisor of Wuxi Rural Commercial Bank Co., Ltd. (無錫農村商業銀行股份有限公司).
7. Mr. Zhou Zejiang, an external supervisor of the Bank, ceased to be an independent director of Wuhu Conch Profiles and Science Co., Ltd.

Save as disclosed above, during the Reporting Period, the Bank was not aware of any change in the information of directors or supervisors of the Bank which was required to be disclosed pursuant to the requirements of the Rule 13.51B(1) of the Hong Kong Listing Rules.

Chapter V Directors, Supervisors, Senior Management, Employees and Institutions

5.4 EMPLOYEES

As of 30 June 2021, the Bank had a total of 10,583 employees in service. Among them, the number of employees with master's degrees or above was 1,953, accounting for 18.45%. The number of employees with full-time bachelor's degrees was 5,274, accounting for 49.84%. The number of employees with part-time bachelor's degrees was 2,533, accounting for 23.93%. The number of employees with junior college degrees or below was 823, accounting for 7.78%.

Staff Remuneration Policy

The Bank's remuneration policy aims to establish a well-developed, scientific and efficient incentive and control mechanisms to give full play to the orientation of the remuneration in operation and management and risk control, and stimulate stable operation and sustainable development. The Bank sticks to the management strategy which is conducive to the achievement of strategic goals, the enhancement of competitiveness, talent cultivation and risk control, and regards the efficiency as the paramount role while following the principle of fairness. Within the unified framework, the Bank takes advantages of its initiatives and creativity.

The Bank manages remuneration through three levels, namely the Board of Directors, senior management, and head office and branches. The Board of Directors manages the total amount of remuneration and senior management's remuneration. Under the Board's request, the senior management allocates the total amount of remuneration and drafts policy management of all branches according to the requirements of the Board of Directors. All branches manage employee salary within the scope of unified rules and framework.

Staff training plan

During the Reporting Period, according to the development strategies and education and training development plans, the Bank organized and conducted various trainings for staffs. The Bank organized and provided special training for management at different levels, training classes for various business lines, as well as the construction of internal trainer teams by making full use of three training channels, namely, the Binhu training center of the Bank, the online training platform "Huiyin Internet School", and the mobile learning platform "Huiyin Academy", so as to provide guarantees for staff professionalism enhancement and their career development, and to provide intellectual support for comprehensive construction of a well-developed modern bank. In the first half of 2021, the Bank effectively responded to the COVID-19 pandemic, actively carried out online training and organized 62 live trainings by using Zhiniao "Huiyin School" (知鳥“徽銀學堂”), and approximately 75,200 participants participated in the training. Huiyin Internet School launched 72 online new courses and approximately 25,000 participants took the courses; Huiyin Academy launched 102 online new courses and approximately 325,800 participants took the courses. The "Online Training Courses for Learning and Educating the History of the CPC Party of Huishang Bank" was organized, with a total of 185,600 views and a cumulative learning time of 5,378 thousand minutes; key training programs were organized in an orderly manner, and the training courses for all senior managers of the Bank and the online training courses for accelerated career growth of young talents were also successfully organized.

Chapter V Directors, Supervisors, Senior Management, Employees and Institutions

5.5 BRANCHES

Set out below are details of the branches of the Bank as of 30 June 2021:

Region	Name of the Institution	Business Address (PRC)	Postal Code	Number of Institutions
Head Office	Head Office	Block A, Tianhui Building, No. 79, Anqing Road, Hefei	230001	1
Anhui Province	Hefei Branch	No. 626, Huangshan Road, Gaoxin District, Hefei	230001	96
	Wuhu Branch	No. 1, Beijing Road, Wuhu	241000	35
	Ma'anshan Branch	No. 3663, Taibai Road, Yushan District, Ma'anshan	243000	26
	Anqing Branch	No. 528, Renmin Road, Anqing	246000	29
	Huaibei Branch	No. 253, Renmin Middle Road, Xiangshan District, Huaibei	235000	21
	Bengbu Branch	Floor 2-9, Block B, Financial Center Building, No. 1699 Tushan East Road, Bengbu	233000	28
	Lu'an Branch	Kaixuan International Square, Meishan Nan Road, Lu'an	237000	31
	Huainan Branch	Floor -1-7, Ziyuanjia Hotel, Shungeng West Road, Tianjia'an District, Huainan	232000	21
	Tongling Branch	No. 999, Yangjiashan Road, Tongling	244000	15
	Fuyang Branch	No. 666, Yidaohe Road, Fuyang	236000	28
	Huangshan Branch	No. 2, Tunguang Road, Tunxi District, Huangshan	245000	11
	Chizhou Branch	No. 515, Changjiangzhong Road, Chizhou	247000	12
	Chuzhou Branch	No. 95, Longpan Road, Chuzhou	239000	14
	Suzhou Branch	No. 123, Yinhe Yi Road, Suzhou	234000	17
	Xuancheng Branch	No.109, Meiyuan Road, Xuanzhou District, Xuancheng	242000	15
Bozhou Branch	Xiangzhang Mansion, No. 277, West Shaohua Road, Bozhou	236000	13	
Jiangsu Province	Nanjing Branch	No. 231, Zhongyang Road, Nanjing	210000	12
Beijing	Beijing Branch	No. 115 Beisihuan East Road, Chaoyang District, Beijing	100020	16
Guangdong Province	Shenzhen Branch	1-3/F, Modern International Building, 3038 Jintian Road, Futian District, Shenzhen	518000	12
Sichuan Province	Chengdu Branch	Libo Building, No. 57, Jinxing Road, Jinjiang District, Chengdu	610000	23
Zhejiang Province	Ningbo Branch	No.676, Zhongxing Road, No. 787, No. 799 and No. 809 Baizhang East Road, Yinzhou District, Ningbo	315100	23
Total				499

Chapter VI Corporate Governance

6.1 OVERVIEW OF CORPORATE GOVERNANCE

The Bank is committed to maintaining a high standard of corporate governance and actively endeavours to adhere to international and domestic corporate governance best practices so as to safeguard the interests of shareholders and enhance corporate value. The Bank established a comparatively comprehensive corporate governance structure through clarifying the responsibilities of general meetings, the Board of Directors, the Board of Supervisors and senior management, and constantly improving the Bank's decision-making, execution and supervision mechanisms to ensure the independent operation of various parties and an effective check and balance.

During the Reporting Period, the general meetings, the Board of Directors, the Board of Supervisors and the committees of the Board of Directors and the Board of Supervisors played their corresponding roles and operated effectively so as to ensure the compliant operation and the steady healthy development of the Bank. During the Reporting Period, the Bank convened a total of 38 meetings, which consisted of one general meeting, nine Board meetings, seventeen Board of Directors committees meetings, five Board of Supervisors meetings, five meetings of the Supervisory Committee under the Board of Supervisors and one meeting of the Nomination Committee under the Board of Supervisors.

6.2 GENERAL MEETING

During the Reporting Period, the Bank held one general meeting.

On 30 June 2021, the Bank held the 2020 annual general meeting in Hefei, Anhui Province. The notification, convening, holding and voting procedures of the meeting are in compliance with the Company Law of the PRC, the Articles of Association of the Bank and the Hong Kong Listing Rules. For the details of the resolutions, please see the announcement in relation to the poll results of the 2020 annual general meeting dated 30 June 2021, which was published on the websites of the Hong Kong Stock Exchange and the Bank, respectively.

6.3 BOARD OF DIRECTORS AND BOARD OF DIRECTORS COMMITTEES MEETINGS

During the Reporting Period, the Bank held nine Board meetings, at which 44 resolutions were considered and approved. The Bank held seventeen Board of Directors committees meetings (which consists of four Nomination and Remuneration Committee meetings, three Strategic Development and Consumer Rights Protection Committee meetings, four Risk Management Committee meetings, five Related Party Transaction Control Committee meetings and one Audit Committee meeting) at which 61 resolutions were studied and considered.

6.4 BOARD OF SUPERVISORS AND BOARD OF SUPERVISORS COMMITTEES MEETINGS

During the Reporting Period, the Bank held five Board of Supervisors meetings, at which 56 resolutions were reviewed and considered.

The Bank held five meetings of the Supervisory Committee under the Board of Supervisors, at which 16 resolutions were considered. The Bank held one meeting of the Nomination Committee under the Board of Supervisors, at which 7 resolutions were considered.

6.5 SECURITIES TRANSACTIONS OF DIRECTORS, SUPERVISORS AND THE RELEVANT EMPLOYEES

The Bank has adopted the Model Code as the code of conduct for directors and supervisors of the Bank (including their spouses and children) in respect of their dealings in the Bank's securities.

Having made specific enquiries to all the directors and supervisors of the Bank, they confirmed that they had complied with the Model Code during the Reporting Period.

Chapter VI Corporate Governance

6.6 INTERNAL CONTROL

Following the operation philosophy of compliant and steady development, the Bank has established a sound internal control system according to the provisions under laws and regulations such as the Basic Norms of Internal Control for Enterprises and its relevant guidelines, the Guidelines for Internal Control of Commercial Banks as well as the relevant requirements of the Hong Kong Stock Exchange. The Bank has clearly defined the objectives, principles and organizational system of internal control through internal control system infrastructure, exerted full control over the whole process of the operation and management of the Bank, and continued to enhance our internal control system so as to ensure the compliant and steady development of the Bank.

Pursuant to the relevant national laws and regulations, the Bank established a standard corporate governance structure and rules of procedure; formed a scientific and effective segregation of duties as well as a checks and balances mechanism. The Board of the Bank takes ultimate responsibility for the establishment of the internal control system as well as the effectiveness of its implementation. The Board of Supervisors is in charge of overseeing the Board and senior management to establish and improve the internal control system; and overseeing the Board and its directors, senior management and senior officers to perform their duty of internal control. Senior management is responsible for the execution of internal control system and policies approved by the Board of Directors. The operational management departments at all levels and sales networks form the “first-line defense of internal control” of the Bank, which take on the primary responsibility of developing and implementing internal control. The internal control management position in each functional department of the head office and branches and the compliance management departments at all levels comprise the “second-line defense of internal control”, providing guidance and supervision on the development and implementation of the first-line defense of internal control as well as reporting to the management on the establishment and implementation of the internal control system of the Bank. Being the “third-line defense of internal control”, the audit department monitors and examines the effectiveness of internal control.

During the Reporting Period, the Bank continued to optimize internal control system and comprehensively promote the implementation of the internal control and balance system, so as to improve market risk, credit risk and operational risk management system. Therefore, the internal control system operated effectively. In addition, the Bank has conducted self-assessment of the internal control in 2020 during the Reporting Period. After the inspection by the Board of Directors of the Bank, no significant deficiencies regarding the integrity, rationality and effectiveness of the internal control were found.

6.7 STATEMENT OF COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the Reporting Period, the Bank has applied the principles of the Corporate Governance Code. Except for the Code Provision A.5.1, the Bank strictly complied with all the code provisions as well as most of the recommended best practices of the Corporate Governance Code.

The current composition of the Nomination and Remuneration Committee of eight members, including four independent non-executive directors, does not comply with Rule 3.25 of the Hong Kong Listing Rules and Code Provision A.5.1 of the Corporate Governance Code which require the Nomination and Remuneration Committee comprising a majority of independent non-executive directors. The Bank is trying its best to identify a suitable candidate to fill the relevant vacancy as soon as possible to comply with the Hong Kong Listing Rules and Code Provision A.5.1 of the Corporate Governance Code as soon as practicable. For details of the changes on member of the Nomination and Remuneration Committee of the Bank, please refer to the Bank’s announcements dated 25 October 2019, 6 April 2021 and 12 April 2021.

6.8 CORPORATE GOVERNANCE PRACTICES

The current composition of the Board of Directors of the Bank of 13 members does not comply with the requirement of “The Board of Directors shall be composed of fifteen (15) to nineteen (19) directors” as set out in the Article 162 of the Articles of Association of the Bank. Mr. Ma Lingxiao and Mr. Wang Zhaoyuan have been elected as non-executive directors of the Bank at the 2020 annual general meeting of the Bank, whose qualifications once approved by the CBIRC Anhui Office will increase the members of the Board of Directors of the Bank to fifteen, thereby to comply with the requirement as set out in the Article 162 of the Articles of Association of the Bank. For details of the position changes of Mr. Ma Lingxiao and Mr. Wang Zhaoyuan, please refer to Section 5.2 “Appointment and Resignation during the Reporting Period” of this report.

Chapter VII Significant Events

7.1 HOLDING AND TRADING OF SHARES OF OTHER LISTED COMPANIES

During the Reporting Period, the Bank was ruled by the people's court in holding 13,704,900 shares of Shenzhen Feima International Supply Chain Co., Ltd. (深圳市飛馬國際供應鏈股份有限公司) (stock code: 002210), 12,165,000 shares of Antong Holdings Co., Ltd. (安通控股股份有限公司) (stock code: 600179), and 9,260,200 shares of Jiangsu Guoxin Corporation Limited (江蘇國信股份有限公司) (stock code: 002608) due to corporate bankruptcy reorganization and other matters.

Save as disclosed above, the Bank has not held nor traded shares of other listed companies during the Reporting Period.

7.2 PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE BANK

There was no purchase, sale or redemption by the Bank or its subsidiaries of the listed securities of the Bank during the Reporting Period.

7.3 INTERESTS AND SHORT POSITIONS HELD BY THE DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES UNDER HONG KONG LAWS AND REGULATIONS

As at 30 June 2021, the following directors, supervisors and chief executives of the Bank and their respective associates had the following interests or short positions 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 under section 352 of the SFO or as otherwise notified to the Bank and the Hong Kong Stock Exchange pursuant to the Model Code. The table below reflects the number of shares, any interests or short positions in underlying shares and debentures held by the directors, supervisors or chief executives of the Bank:

Name	Position	Type of shares	Capacity	Number of shares (share) (Long position)	Percentage of related issued shares (%)	Percentage of all issued ordinary shares (%)
Dai Peikun	Independent Non-executive Director	Domestic Shares	Interest of the Spouse	3,079	0.0000	0.0000
Wang Zhaoyuan ⁽¹⁾	Non-executive Director	Domestic Shares	Beneficial Owner	11,811	0.0001	0.0001
He Jiehua	Chairman of the Board of Supervisors, Employee Supervisor	Domestic Shares	Interest of the Spouse	8,928	0.0001	0.0001
Tang Chuan	Employee Supervisor	Domestic Shares	Beneficial Owner	56,009	0.0005	0.0004
Zhong Qiushi	Employee Supervisor	Domestic Shares	Beneficial Owner	32,133	0.0003	0.0002
Sun Zhen	Employee Supervisor	Domestic Shares	Beneficial Owner	38,085	0.0004	0.0003

Note: (1) For details of the position changes of Mr. Wang Zhaoyuan, please refer to "Appointment and Resignation during the Reporting Period" under section 5.2 of this report.

Save as disclosed above, as at 30 June 2021, the Bank was not aware that any of the directors, supervisors and chief executives of the Bank and their respective associates had any interests or short positions in the shares, underlying shares and debentures of the Bank or its associated corporations.

Chapter VII Significant Events

7.4 PENALTIES AND INVESTIGATIONS OF DIRECTORS AND SUPERVISORS OF THE BANK

During the Reporting Period, no director or supervisor of the Bank has been subject to penalties or investigations by competent authorities causing a material impact on the operations of the Bank.

7.5 MATERIAL LITIGATIONS AND ARBITRATIONS

Insofar as the Bank is aware, as at the end of June 2021, the Bank, as a plaintiff, was involved in the following litigation proceeding in its regular course of business: the number of material pending litigations and arbitrations involving the Bank amounted to 66, with a total amount of RMB5.749 billion. The number of pending litigations and arbitrations, to which the Bank is a defendant, each with an amount of more than RMB0.5 million, amounted to 11, totalling approximately RMB356 million. The Bank made full provisions for doubtful accounts of loans involved in the cases above according to expected losses prudently, which will have no material adverse effect on the Bank's financial position and operating results.

7.6 ASSET ACQUISITION, DISPOSAL AND REORGANIZATION

During the Reporting Period, some assets of the Bank had been pledged to other banks and the Ministry of Finance of the PRC as collaterals for a sale and repurchase agreement and treasury deposits.

Apart from above, the Bank has no other asset acquisition, disposal or reorganization outside the normal scope of business. Please refer to Note 41 to the financial statements of this interim report for details of the asset pledge of the Bank.

7.7 APPLICATION FOR LISTING OF A SHARES

The 2018 annual general meeting was convened by the Bank on 30 June 2019, at which, among others, the proposal for initial public offering and listing of A shares ("A Share Offering") was considered and approved. The Bank proposed issuing no more than 1.5 billion A shares. The Resolution on the extension of the validity period of the A Share Offering of the Bank and Resolution on the extension of the validity period of the authorization of the Board to deal with specific matters in respect of the A Share Offering was considered and approved at the 2019 annual general meeting held on 30 June 2020 and the 2020 annual general meeting held on 30 June 2021 of the Bank. The Bank will extend the validity period of A Share Offering Plan and the Authorization Resolution for twelve months from the next day immediately after the expiration of original validity period (namely, the extended period will be from 30 June 2021 to 29 June 2022). Other contents as set forth under the A Share Offering Plan and the Authorization Resolution remain unchanged. Please refer to the circulars of the Bank dated 15 May 2019, 15 May 2020 and 24 May 2021 for the details of the resolution on the aforesaid A Share Offering.

The Bank will publish announcements, in due course, to give the shareholders and potential investors the updates on the A Share Offering. The A Share Offering may or may not be completed, and the shareholders and potential investors are advised to exercise caution when dealing in the shares of the Bank.

Chapter VII Significant Events

7.8 NON-PUBLIC ISSUANCE

To supplement core tier 1 capital of the Bank, a Board meeting was convened by the Bank on 20 August 2020, at which, the proposal for non-public issuance of shares (“Non-public Issuance”) under the general mandate was considered and approved. The Bank intended to issue a total of not more than 1,735,000,000 Domestic Shares to Deposit Insurance Fund Management Co., Ltd. (“DIFM”) and Anhui Transportation Holding Group Co., Ltd. (“Anhui Transportation Holding”) (collectively, the “Subscribers”) under a general mandate. On 20 August 2020, the Bank and the Subscribers entered into relevant share subscription agreements, respectively, pursuant to which the Bank has conditionally agreed to issue and the Subscribers have conditionally agreed to subscribe for an aggregate of 1,735,000,000 Domestic Shares at the subscription price of RMB5.703 per Domestic Share (the closing price of the H Shares of the Bank as quoted on the Hong Kong Stock Exchange on 20 August 2020 (i.e. the date of the Share Subscription Agreements) was HK\$2.55 per H Share). The Subscribers completed contributions on 30 December 2020. On 4 January 2021, the registration of the subscription shares under the Non-public Issuance with a total of 1,735,000,000 Domestic Shares was completed through China Securities Depository and Clearing Corporation Limited. On 30 December 2020, Ernst & Young Hua Ming LLP (Special General Partnership) verified and issued a capital verification report, confirming that the net proceeds (after deducting relevant issuance expenses) from the Non-public Issuance was RMB9,893,752,170, namely net price per Domestic Share amounting to RMB5.702. All of the net proceeds have been used in supplementing the Bank’s core tier 1 capital. For details of the aforementioned proposal for the Non-public Issuance, subscription agreements and the completion of the non-public issuance, please refer to the Bank’s announcements dated 20 August 2020 and 4 January 2021.

7.9 THE PUBLIC FLOAT OF H SHARES

Based on the public information available to the Bank and to the knowledge of the Board of Directors, from April 2016 to the Latest Practicable Date, the Bank’s H share public float was below 25%, the minimum level as required in Rule 8.08(1)(a) of the Hong Kong Listing Rules. On 4 January 2021, the Bank’s public float increased from 15.66% to 16.08% as the Bank completed the non-public issuance of Domestic Shares under the general mandate. Please refer to the Bank’s announcement dated 4 January 2021 for details. As at the Latest Practicable Date, the Bank’s H share public float maintained at 16.08%.

According to the Board resolutions, the Bank will proactively promote the initial public offering and listing of A shares so as to restore its public float as soon as practicable. For details on the public float of the Bank’s H Shares, please refer to the announcements published by the Bank since 11 May 2016 in relation to the public float of the Bank’s H shares.

7.10 REVIEW ON INTERIM RESULTS

Ernst & Young, as the external auditor of the Bank, has reviewed the interim financial report (unaudited) of the Bank prepared in accordance with the International Accounting Standards and the disclosure requirements of the Hong Kong Listing Rules. In addition, the Audit Committee under the Board of Directors of the Bank has also reviewed and approved the interim results and financial report of the Bank for the six months ended 30 June 2021. Any discrepancies between the total amount and percentages and the sum of items shown in the tables in this report are due to rounding.

7.11 PUBLICATION OF INTERIM REPORT

The Bank has prepared its interim report under the International Financial Reporting Standards and the Hong Kong Listing Rules in both Chinese and English versions, which are available on the HKEXnews website of the Hong Kong Stock Exchange at www.hkexnews.hk and the website of the Bank at www.hsbank.com.cn.

In this report, the financial data for the six months ended 30 June 2020 and 2021 have not been audited; and the financial data for the year ended 31 December 2020 have been audited.

Chapter VIII

Interim Financial Report



Chapter VIII Interim Financial Report



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Report on Review of Interim Financial Information
To the Board of Directors of Huishang Bank Corporation Limited
(Established in the People's Republic of China with limited liability)

INTRODUCTION

We have reviewed the accompanying interim financial information set out on pages 73 to 180, which comprises the condensed consolidated statement of financial position of Huishang Bank Corporation Limited (the "Bank") and its subsidiaries (the "Group") as at 30 June 2021 and the related condensed consolidated statements of income, comprehensive income, changes in equity and 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 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.

Ernst & Young
Certified Public Accountants

Hong Kong
30 August 2021

Condensed Consolidated Income Statement

For the six month period ended 30 June 2021

(All amounts expressed in thousands of RMB unless otherwise stated)

	Notes	For the six month period ended 30 June	
		2021 Unaudited	2020 Unaudited
Interest income	4	28,035,212	25,102,697
Interest expense	4	(14,854,642)	(12,265,921)
Net interest income		13,180,570	12,836,776
Fee and commission income	5	2,134,268	2,031,153
Fee and commission expense	5	(178,794)	(84,605)
Net fee and commission income		1,955,474	1,946,548
Net trading gains	6	1,691,184	1,267,863
Net gains on financial investments	7	607,795	228,679
Other operating income net	8	134,139	119,011
Operating income		17,569,162	16,398,877
Operating expenses	9	(3,965,156)	(3,428,890)
Impairment losses on credits	11	(6,503,502)	(6,608,738)
Impairment losses on assets		3,629	–
Operating profit		7,104,133	6,361,249
Share of profits of associates		206,300	78,368
Profit before income tax		7,310,433	6,439,617
Income tax expense	12	(1,218,355)	(1,109,020)
Profit for the period		6,092,078	5,330,597
Net profit attributable to:			
Shareholders of the Bank		6,195,154	5,249,817
Non-controlling interests		(103,076)	80,780
Earnings per share attributable to the ordinary shareholders of the Bank (expressed in RMB per share)			
Basic/Diluted	13	0.45	0.43

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

Condensed Consolidated Statement of Comprehensive Income

For the six month period ended 30 June 2021
(All amounts expressed in thousands of RMB unless otherwise stated)

	Note	For the six month period ended 30 June	
		2021 Unaudited	2020 Unaudited
Profit for the period		6,092,078	5,330,597
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
– Net (losses)/gains on investments in equity instruments designated at fair value through other comprehensive income	38	(9,396)	23,964
Less: associated impact of income tax	38	2,349	(5,990)
Subtotal		(7,047)	17,974
Items that may be reclassified subsequently to profit or loss			
– Net gains on investments in debt instruments measured at fair value through other comprehensive income	38	314,368	443,314
Less: associated impact of income tax	38	(78,592)	(110,829)
Subtotal		235,776	332,485
Other comprehensive income for the year, net of tax		228,729	350,459
Total comprehensive income for the period		6,320,807	5,681,056
Total comprehensive income attributable to:			
Equity holders of the Bank		6,423,883	5,600,276
Non-controlling interests		(103,076)	80,780
		6,320,807	5,681,056

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

Condensed Consolidated Statement of Financial Position

As at 30 June 2021

(All amounts expressed in thousands of RMB unless otherwise stated)

	Notes	As at 30 June 2021 Unaudited	As at 31 December 2020 Audited
Assets			
Cash and balances with the central bank	14	117,788,657	98,384,201
Deposits with banks and other financial institutions	15	7,576,559	11,298,071
Precious metals		–	2,396,872
Placements with banks and other financial institutions	16	8,907,806	5,276,712
Derivative financial assets	17	117,014	137,998
Financial assets held under resale agreements	18	15,444,224	249,376
Loans and advances to customers, net	19	615,847,244	553,399,162
Financial investments			
– Financial assets at fair value through profit or loss	20	103,167,790	123,050,846
– Financial assets at fair value through other comprehensive income	20	126,141,103	120,566,048
– Financial assets at amortised cost	20	295,747,648	266,910,064
Investments in associates	21	4,666,646	4,474,260
Property, plant and equipment	22	4,535,306	4,638,273
Right-of-use assets	23	1,125,233	1,168,912
Deferred income tax assets	34	10,867,194	9,727,450
Finance lease receivables	24	57,140,204	49,053,964
Goodwill	25	14,567,826	14,567,826
Other assets	26	6,190,672	6,400,663
Total assets		1,389,831,126	1,271,700,698
Liabilities			
Borrowings from the central bank		69,214,990	69,583,283
Deposits from banks and other financial institutions	28	125,692,470	93,589,884
Placements from banks and other financial institutions	29	40,189,842	35,294,576
Derivative financial liabilities	17	107,697	140,781
Financial assets sold under repurchase agreements	30	42,807,509	40,399,371
Deposits from customers	31	796,946,019	726,742,778
Taxes payable	32	2,356,738	2,628,242
Debt securities issued	35	182,704,283	180,635,695
Other liabilities	33	17,822,852	17,013,449
Total liabilities		1,277,842,400	1,166,028,059

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

Condensed Consolidated Statement of Financial Position (Continued)

(All amounts expressed in thousands of RMB unless otherwise stated)

	Notes	As at 30 June 2021 Unaudited	As at 31 December 2020 Audited
Equity			
Share capital	36	13,889,801	13,889,801
Other equity instruments	36	15,989,901	15,989,901
Capital reserve	36	14,919,197	14,919,197
Surplus reserves	37	14,148,793	13,234,045
General reserves	37	13,379,448	12,295,832
Other comprehensive income	38	1,178,359	949,630
Retained earnings		35,959,451	31,762,661
Equity attributable to shareholders of the Bank		109,464,950	103,041,067
Non-controlling interests		2,523,776	2,631,572
Total equity		111,988,726	105,672,639
Total equity and liabilities		1,389,831,126	1,271,700,698

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

Approved and authorized for issue by the Board of Directors on 30 August 2021.

Yan Chen

Chairman

Zhang Renfu

President

Li Dawei

Financial Controller

Fang Lixin

Head of Finance Department

Condensed Consolidated Statement of Changes In Equity

For the six months period ended 30 June 2021

(All amounts expressed in thousands of RMB unless otherwise stated)

	Equity attributable to shareholders of the Bank								
	Share capital	Other equity instruments	Capital reserves	Surplus reserves	General reserves	Other comprehensive income	Retained earnings	Non-controlling interests	Total equity
	Note 36	Note 36	Note 36	Note 37	Note 37	Note 38			
As at 1 January 2021	13,889,801	15,989,901	14,919,197	13,234,045	12,295,832	949,630	31,762,661	2,631,572	105,672,639
(1) Comprehensive income									
Profit for the period	-	-	-	-	-	-	6,195,154	(103,076)	6,092,078
Fair value through other comprehensive income, net of tax	-	-	-	-	-	(41,249)	-	-	(41,249)
Asset impairment through other comprehensive benefits	-	-	-	-	-	269,978	-	-	269,978
Total comprehensive income for the period	-	-	-	-	-	228,729	6,195,154	(103,076)	6,320,807
(2) Profit distribution									
Dividends	-	-	-	-	-	-	-	(4,720)	(4,720)
Appropriation to surplus reserves	-	-	-	914,748	-	-	(914,748)	-	-
Appropriation to general reserves	-	-	-	-	1,083,616	-	(1,083,616)	-	-
As at 30 June 2021	13,889,801	15,989,901	14,919,197	14,148,793	13,379,448	1,178,359	35,959,451	2,523,776	111,988,726
As at 1 January 2020	12,154,801	15,989,901	6,760,445	11,365,283	11,115,027	1,825,127	27,998,413	2,284,632	89,493,629
(1) Comprehensive income									
Profit for the period	-	-	-	-	-	-	5,249,817	80,780	5,330,597
Fair value through other comprehensive income, net of tax	-	-	-	-	-	297,014	-	-	297,014
Asset impairment through other comprehensive benefits	-	-	-	-	-	53,445	-	-	53,445
Total comprehensive income for the period	-	-	-	-	-	350,459	5,249,817	80,780	5,681,056
(2) Profit distribution									
Dividends	-	-	-	-	-	-	(1,908,304)	(4,720)	(1,913,024)
Appropriation to surplus reserves	-	-	-	954,014	-	-	(954,014)	-	-
Appropriation to general reserves	-	-	-	-	1,179,863	-	(1,179,863)	-	-
As at 30 June 2020	12,154,801	15,989,901	6,760,445	12,319,297	12,294,890	2,175,586	29,206,049	2,360,692	93,261,661

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

Condensed Consolidated Statement of Cash Flows

For the six months period ended 30 June 2021
(All amounts expressed in thousands of RMB unless otherwise stated)

	For the six month period ended 30 June	
	2021 Unaudited	2020 Unaudited
Cash flows from operating activities:		
Profit before income tax	7,310,433	6,439,617
Adjustments:		
Impairment losses on credits	6,503,502	6,608,738
Impairment losses on assets	(3,629)	–
Recovery of loans	491,979	339,494
Depreciation and amortization	495,769	396,529
Net losses on disposals of property, plant and equipment	6,059	605
Net gains on financial investments	(607,795)	(228,679)
Fair value changes in financial assets at fair value through profit or loss and derivatives	(143,001)	291,557
Share of results of associates ventures	(206,300)	(78,368)
Interest income from financial investments	(9,180,924)	(9,221,498)
Interest expense from lease liabilities	124,596	44,805
Interest expense from debt securities issued	2,692,280	2,909,761
Subtotal	7,482,969	7,502,561
Net changes in operating assets:		
Net increase in balances with the central bank	(1,913,999)	(1,767,254)
Net (increase)/decrease in deposits and placements with banks and other financial institutions	(3,868,470)	1,915,251
Net decrease/(increase) in financial assets at fair value through profit or loss	41,128,647	(19,479,238)
Net (increase)/decrease in financial assets held under resale agreements	(15,237,466)	4,791,685
Net increase in loans and advances to customers	(65,605,312)	(63,418,191)
Net increase in finance lease receivables	(8,359,729)	(6,521,446)
Net (increase)/decrease in other assets	(2,655,083)	2,936,904
Net changes in operating liabilities:		
Net increase/(decrease) in deposits and placements from banks and other financial institutions	36,410,171	(37,936,864)
Net (decrease)/increase in borrowings from the central bank	(368,293)	6,376,262
Net increase in financial assets sold under repurchase agreements	2,382,583	6,292,620
Net increase in deposits from customers	69,424,514	95,509,738
Net increase in other liabilities	2,724,461	3,768,595
Income taxes paid	(2,773,650)	(3,101,906)
Net cash flows from operating activities	58,771,343	(3,131,283)

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

Condensed Consolidated Statement of Cash Flows (Continued)

(All amounts expressed in thousands of RMB unless otherwise stated)

	For the six month period ended 30 June	
	2021	2020
	Unaudited	Unaudited
Cash flows from investing activities:		
Proceeds from disposal of property, plant and equipment, and other long-term assets	33	(32,815)
Purchase of property, plant and equipment, intangible assets and other long-term assets	(217,504)	(242,394)
Interest income received from financial investments	10,044,962	9,255,820
Proceeds from disposal and maturity of financial investments	71,249,199	78,348,734
Investments in associates	–	(3,600,000)
Purchase of financial investments	(125,059,821)	(69,707,537)
Net cash flows from investing activities	(43,983,131)	14,021,808
Cash flows from financing activities:		
Proceeds from issuance of bonds	120,580,000	68,270,000
Dividends and interest paid on debts issued	(3,208,465)	(3,003,714)
Cash paid relating to lease liabilities	(214,011)	(141,580)
Cash paid relating to debt repayments	(118,101,971)	(83,422,674)
Net cash flows from financing activities	(944,447)	(18,297,968)
Impact on cash and cash equivalents resulted from exchange rate changes	(282,886)	(98,408)
Net increase/(decrease) in cash and cash equivalents	13,560,879	(7,505,851)
Cash and cash equivalents at beginning of the period	42,395,379	45,696,182
Cash and cash equivalents at end of the period (Note 44)	55,956,258	38,190,331

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

Notes to Condensed Consolidated Interim Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

1 BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

1.1 Basis of preparation

The interim financial statements have been prepared in accordance with International Accounting Standard (“IAS”) 34 “Interim Financial Reporting” and all applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

The unaudited interim financial statements contain selected explanatory notes, which provide explanations of events and transactions that are significant to the understanding of the changes in financial position and performance of the Group since the financial statements for the year ended 31 December 2020. The selected notes do not include all of the information and disclosures required for a full set of financial statements prepared in accordance with International Financial Reporting Standards (“IFRSs”), and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2020.

1.2 Use of estimates and assumptions

The preparation of the interim financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results in the future may differ from those reported as a result of the use of estimates and assumptions about future conditions.

1.3 Consolidation

The interim financial statements comprise the Bank and its subsidiaries and the Group’s interests in associates and joint ventures.

The financial results and performance of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Necessary adjustments on the accounting period and accounting policies of subsidiaries are made to comply with those of the Bank. Intragroup balances and transactions, and any profits or losses arising from intragroup transactions are eliminated in full in preparing the consolidated financial statements.

The Group’s interests in associates or joint ventures are included from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. Profits and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group’s interests in the associates or joint ventures.

Notes to Condensed Consolidated Interim Financial Statements (Continued)

(All amounts expressed in thousands of RMB unless otherwise stated)

1 BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

1.4 Changes in significant accounting policies

1.4.1 The Group has adopted the following amendments for the first time for the current interim period

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Stage 2

The adoption of the above amendments does not have a significant impact on the Group's consolidated financial statements.

Except for those described above, the significant accounting policies adopted by the Group for the interim financial statements are consistent with those applied in the preparation of the Group's annual financial statements for the year ended 31 December 2020.

1.4.2 Possible impact of amendments, new standards and interpretations issued but not yet effective

Up to the date of issue of the financial statements, the IASB has issued the following amendments, new standards and interpretations which are relevant to the Group. These amendments, new standards and interpretations are not yet effective for the period ended 30 June 2021 and have not been adopted in the financial statements.

		Standards Effective for annual periods beginning on or after
(1) Amendments to IFRS 3	<i>"Reference to the Conceptual Framework"</i>	1 January 2022
(2) Amendments to IAS 16	<i>"Property, Plant and Equipment: Proceeds before Intended Use"</i>	1 January 2022
(3) Amendments to IAS 37	<i>"Onerous Contracts – Costs of Fulfilling a Contract"</i>	1 January 2022
(4) Annual Improvements to IFRSs 2018-2020 Cycle		1 January 2022
(5) Amendments to IAS 1	<i>"Classification of Liabilities as Current or Non-current"</i>	1 January 2023
(6) IFRS 17	<i>"Insurance Contracts"</i>	1 January 2023
(7) Amendments to IAS 1	<i>"Disclosure of Accounting Policies" and amendments to IFRS Practice Statement 2 Materiality Judgements</i>	1 January 2023
(8) Amendments to IAS 8	<i>"Definition of Accounting Estimates"</i>	1 January 2023
(9) Amendments to IFRS 10 and IAS 28	<i>"Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"</i>	Effective date has been deferred indefinitely

The Group anticipates that the adoption of the new standards and amendments will not have a significant impact on the Group's consolidated financial statements.

Notes to Condensed Consolidated Interim Financial Statements (Continued)

(All amounts expressed in thousands of RMB unless otherwise stated)

1 BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

1.4 Changes in significant accounting policies (Continued)

1.4.2 Possible impact of amendments, new standards and interpretations issued but not yet effective (Continued)

(1) Amendments to IFRS 3 “Reference to the Conceptual Framework”

Amendments to IFRS 3 are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements issued in 1989 with a reference to the Conceptual Framework for Financial Reporting issued in March 2018, without significantly changing its requirements. The amendments add an exception to the recognition principle of IFRS 3 to avoid the issue of potential “day 2” gains or losses arising for liabilities and contingent liabilities, and clarify that contingent assets do not qualify for recognition at the acquisition date.

(2) Amendments to IAS 16 “Property, Plant and Equipment: Proceeds before Intended Use”

Amendments to IAS 16 prohibit entities from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss.

(3) Amendments to IAS 37 “Onerous Contracts – Costs of Fulfilling a Contract”

Amendments to IAS 37 specify that the “cost of fulfilling” a contract comprises the “costs that relate directly to the contract”. The costs that relate directly to a contract include both incremental costs (examples would be the costs of direct labour and materials) and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

(4) Annual Improvements to IFRSs 2018-2020 Cycle

Annual Improvements to IFRSs 2018-2020 Cycle was issued in May 2020. Those amendments affect IFRS 1 “First-time Adoption of International Financial Reporting Standards”, IFRS 9 “Financial Instruments”, IAS 41 “Agriculture” and IFRS 16 “Leases”.

Notes to Condensed Consolidated Interim Financial Statements (Continued)

(All amounts expressed in thousands of RMB unless otherwise stated)

1 BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

1.4 Changes in significant accounting policies (Continued)

1.4.2 Possible impact of amendments, new standards and interpretations issued but not yet effective (Continued)

(5) Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”

The IASB issued amendments to IAS 1 to specify the requirements for classifying liabilities as current or non-current.

The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

(6) IFRS 17 “Insurance Contracts”

IFRS 17 was issued in May 2017 as replacement for IFRS 4 “Insurance Contracts”. It requires a current measurement model where estimates are re-measured during each reporting period. Contracts are measured using the building blocks of:

- discounted probability-weighted cash flows
- an explicit risk adjustment, and
- a contractual service margin (“CSM”) representing the unearned profit of the contract which is recognised as revenue over the coverage period.

The standard allows a choice between recognising changes in discount rates either in the income statement or directly in other comprehensive income. The choice is likely to reflect how insurers account for their financial assets under IFRS 9.

An optional, simplified premium allocation approach is permitted for the liability for the remaining coverage for short duration contracts, which are often written by non-life insurers.

There is a modification of the general measurement model called the “variable fee approach” for certain contracts written by life insurers where policyholders share in the returns from underlying items. When applying the variable fee approach, the entity’s share of the fair value changes of the underlying items is included in the contractual service margin. The results of insurers using this model are therefore likely to be less volatile than under the general model.

Notes to Condensed Consolidated Interim Financial Statements (Continued)

(All amounts expressed in thousands of RMB unless otherwise stated)

1 BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

1.4 Changes in significant accounting policies (Continued)

1.4.2 Possible impact of amendments, new standards and interpretations issued but not yet effective (Continued)

- (7) Amendments to IAS 1 “Disclosure of Accounting Policies” and amendments to IFRS Practice Statement 2 Materiality Judgements

The amendments to IAS 1 replace the requirement to disclose ‘significant’ accounting policies with a requirement to disclose ‘material’ accounting policies. Guidance and illustrative examples are added in the Practice Statement 2 to assist in the application of the materiality concept when making judgements about accounting policy disclosures.

- (8) Amendments to IAS 8 “Definition of Accounting Estimates”

Amendments to IAS 8, introduces a new definition of ‘accounting estimates’. Accounting estimates are defined as “monetary amounts in financial statements that are subject to measurement uncertainty”. The amendments clarify what changes in accounting estimates are and how these differ from changes in accounting policies and corrections of errors

- (9) Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”

The narrow-scope amendments to IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” clarify the accounting treatment for sale or contribution of assets between an investor and its associates or joint ventures. They confirm that the accounting treatment depends on whether the non-monetary assets sold or contributed to an associate or joint venture constitute a “business” (as defined in IFRS 3 “Business Combinations”).

Where the non-monetary assets constitute a business, the investor will recognise the full gain or loss on the sale or contribution of assets. If the assets do not meet the definition of a business, the gain or loss is recognised by the investor only to the extent of the other investor’s investors in the associate or joint venture. The amendments apply prospectively.

2 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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 ended 31 December 2020.

Notes to Condensed Consolidated Interim Financial Statements (Continued)

(All amounts expressed in thousands of RMB unless otherwise stated)

3 THE BANK'S STATEMENT OF FINANCIAL POSITION AND STATEMENT OF CHANGES IN EQUITY

	As at 30 June 2021 Unaudited	As at 31 December 2020 Audited
Assets		
Cash and balances with the central bank	117,493,329	98,000,942
Deposits with banks and other financial institutions	5,873,549	7,420,981
Precious metals	–	2,396,872
Placements with banks and other financial institutions	12,255,263	9,629,279
Derivative financial assets	117,014	137,998
Financial assets held under resale agreements	15,444,224	249,376
Loans and advances to customers	613,023,408	550,439,715
Financial investments		
– Financial assets at fair value through profit or loss	101,022,647	122,616,638
– Financial assets at fair value through other comprehensive income	126,159,227	120,421,957
– Financial assets at amortised cost	295,747,648	266,910,064
Investments in subsidiaries	3,809,133	3,809,133
Investments in associates	4,666,646	4,474,260
Property, plant and equipment	4,438,800	4,538,219
Right-of-use assets	1,103,021	1,143,513
Deferred tax assets	10,224,270	9,132,601
Goodwill	14,567,826	14,567,826
Other assets	5,857,382	6,294,523
Total assets	1,331,803,387	1,222,183,897
Liabilities		
Borrowings from the central bank	69,143,379	69,463,123
Deposits from banks and other financial institutions	126,132,012	95,356,670
Placements from banks and other financial institutions	2,191,745	2,002,166
Derivative financial liabilities	107,697	140,781
Financial assets sold under repurchase agreements	42,807,509	40,399,371
Deposits from customers	791,969,240	722,366,381
Taxes payable	2,119,195	2,461,763
Debt securities issued	180,989,063	178,585,042
Other liabilities	8,451,195	9,608,141
Total liabilities	1,223,911,035	1,120,383,438
Equity		
Share capital	13,889,801	13,889,801
Other equity instruments	15,989,901	15,989,901
Capital reserve	14,909,793	14,909,793
Surplus reserve	14,148,793	13,234,045
General reserve	12,961,130	11,877,308
Other comprehensive Income	1,178,359	949,630
Retained earnings	34,814,575	30,949,981
Total equity	107,892,352	101,800,459
Total equity and liabilities	1,331,803,387	1,222,183,897

Yan Chen

Chairman

Zhang Renfu

President

Li Dawei

Financial Controller

Fang Lixin

Head of Finance Department

Notes to Condensed Consolidated Interim Financial Statements (Continued)

(All amounts expressed in thousands of RMB unless otherwise stated)

3 THE BANK'S STATEMENT OF FINANCIAL POSITION AND STATEMENT OF CHANGES IN EQUITY (CONTINUED)

	Share capital	Other equity instruments	Capital reserve	Surplus reserves	General reserves	Other comprehensive income	Retained earnings	Total equity
As at 1 January 2021	13,889,801	15,989,901	14,909,793	13,234,045	11,877,308	949,630	30,949,981	101,800,459
(1) Comprehensive income								
Profit for the period	-	-	-	-	-	-	5,863,164	5,863,164
Fair value through other comprehensive income, net of tax	-	-	-	-	-	(41,249)	-	(41,249)
Asset impairment through other comprehensive benefits	-	-	-	-	-	269,978	-	269,978
Total comprehensive income for the year	-	-	-	-	-	228,729	5,863,164	6,091,893
(2) Profit distribution								
Dividends	-	-	-	-	-	-	-	-
Appropriation to surplus reserves	-	-	-	914,748	-	-	(914,748)	-
Appropriation to general reserves	-	-	-	-	1,083,822	-	(1,083,822)	-
As at 30 June 2021	13,889,801	15,989,901	14,909,793	14,148,793	12,961,130	1,178,359	34,814,575	107,892,352
As at 1 January 2020	12,154,801	15,989,901	6,751,041	11,365,283	10,791,391	1,825,127	27,513,083	86,390,627
(3) Comprehensive income								
Profit for the period	-	-	-	-	-	-	5,120,111	5,120,111
Fair value through other comprehensive income, net of tax	-	-	-	-	-	297,014	-	297,014
Asset impairment through other comprehensive benefits	-	-	-	-	-	53,445	-	53,445
Total comprehensive income for the year	-	-	-	-	-	350,459	5,120,111	5,470,570
(4) Profit distribution								
Dividends	-	-	-	-	-	-	(1,908,304)	(1,908,304)
Appropriation to surplus reserves	-	-	-	954,014	-	-	(954,014)	-
Appropriation to general reserves	-	-	-	-	1,085,917	-	(1,085,917)	-
As at 30 June 2020	12,154,801	15,989,901	6,751,041	12,319,297	11,877,308	2,175,586	28,684,959	89,952,893

Notes to Condensed Consolidated Interim Financial Statements (Continued)

(All amounts expressed in thousands of RMB unless otherwise stated)

4 NET INTEREST INCOME

	For the six month period ended 30 June	
	2021 Unaudited	2020 Unaudited
Interest income		
Balances with the central bank	582,079	500,559
Deposits and placements with banks and other financial institutions	388,583	432,995
Loans and advances to customers	16,020,720	13,459,252
Investment securities	9,180,924	9,221,498
Finance leases	1,862,906	1,488,393
Subtotal	28,035,212	25,102,697
Unwinding of discount on allowance	48,221	36,147
Interest expense		
Borrowings from the central bank ^(a)	(890,929)	(630,841)
Deposits and placements from banks and other financial institutions	(3,352,162)	(2,686,053)
Deposits from customers	(7,919,271)	(6,039,266)
Debt securities issued	(2,692,280)	(2,909,761)
Subtotal	(14,854,642)	(12,265,921)
Net interest income	13,180,570	12,836,776

(a) Borrowings from the central bank include general borrowings from the PBOC, rediscounted bills held under repurchase agreements, closed anti-repo and lending facilities with the PBOC.

5 NET FEE AND COMMISSION INCOME

	For the six month period ended 30 June	
	2021 Unaudited	2020 Unaudited
Fee and commission income		
Settlement and clearing fees	52,109	54,752
Guarantee and commitment fees	213,263	165,580
Investment banking fees	356,574	378,251
Custody fees	417,337	340,787
Bank card fees	81,004	47,988
Acquiring business fees	16,698	7,361
Agency commissions	626,066	655,140
Finance lease fees	317,582	315,896
Others	53,635	65,398
Subtotal	2,134,268	2,031,153
Fee and commission expense	(178,794)	(84,605)
Net fee and commission income	1,955,474	1,946,548

Notes to Condensed Consolidated Interim Financial Statements (Continued)

(All amounts expressed in thousands of RMB unless otherwise stated)

6 NET TRADING GAINS

	For the six month period ended 30 June	
	2021 Unaudited	2020 Unaudited
Net gains from foreign exchange	23,392	80,207
Net gains from interest rate products ^(a)	1,678,078	1,188,423
Net losses from commodity products	(10,286)	(767)
Total	1,691,184	1,267,863

(a) Net gains from interest rate products mainly include gains arising from fair value changes of financial assets and liabilities at fair value through profit or loss.

7 NET GAINS/(LOSSES) ON FINANCIAL INVESTMENTS

	For the six month period ended 30 June	
	2021 Unaudited	2020 Unaudited
Net gains from financial assets at fair value through other comprehensive income	86,575	237,215
Net gains from financial assets at amortised cost	19,985	18
Net gains/(losses) from financial assets at fair value through profit or loss	498,492	(22,219)
Others	2,743	13,665
Total	607,795	228,679

All the net gains recognised from the derecognition of financial assets measured at amortised cost are resulted from trading for the six month period ended 30 June 2021.

8 OTHER OPERATING INCOME, NET

	For the six month period ended 30 June	
	2021 Unaudited	2020 Unaudited
Net gains on bills	32,017	49,063
Government subsidy	86,734	49,411
Others	15,388	20,537
Total	134,139	119,011

Notes to Condensed Consolidated Interim Financial Statements (Continued)

(All amounts expressed in thousands of RMB unless otherwise stated)

9 OPERATING EXPENSES

	For the six month period ended 30 June	
	2021 Unaudited	2020 Unaudited
Staff cost (Note 10)	(2,275,112)	(2,177,862)
Business tax and surcharges	(195,923)	(148,810)
General operating and administrative expenses	(921,602)	(634,864)
Operating lease rental expenses	(32,472)	(19,614)
Depreciation of property, plant and equipment (Note 22)	(199,945)	(139,017)
Depreciation of right-of-use assets (Note 23)	(174,194)	(153,637)
Amortization expenses for long-term prepaid expenses	(55,699)	(48,725)
Amortization expenses for intangible assets (Note 26(c))	(65,931)	(55,150)
Others	(44,278)	(51,211)
Total	(3,965,156)	(3,428,890)

10 STAFF COSTS

	For the six month period ended 30 June	
	2021 Unaudited	2020 Unaudited
Salaries, bonuses, allowances and subsidies	(1,685,163)	(1,773,436)
Pension costs	(254,947)	(130,438)
Labor union fee and staff education fee	(25,692)	(30,926)
Other social insurance and welfare costs	(309,310)	(243,062)
Total	(2,275,112)	(2,177,862)

Notes to Condensed Consolidated Interim Financial Statements (Continued)

(All amounts expressed in thousands of RMB unless otherwise stated)

11 IMPAIRMENT LOSSES ON CREDITS

	For the six month period ended 30 June	
	2021 Unaudited	2020 Unaudited
Loans and advances		
– At amortised cost	(3,590,191)	(3,861,433)
– Stage 1	(164,704)	(1,215,111)
– Stage 2	(2,448,719)	(1,348,714)
– Stage 3	(976,768)	(1,297,608)
– At fair value through other comprehensive income	(5,697)	73,040
– Stage 1	(5,697)	73,040
Financial investments		
– Financial assets at amortised cost	(2,033,024)	(2,085,184)
– Financial assets at fair value through other comprehensive income	(354,272)	(144,300)
Credit commitments	(13,027)	(2,401)
Deposits with banks and other financial institutions	10,990	(130,024)
Placements with and loans to banks and other financial institutions	(8,565)	8,756
Financial assets held under resale agreements	(44,365)	(34,966)
Finance lease receivables (note 24)	(430,785)	(578,238)
Other assets	(34,566)	146,012
Total	(6,503,502)	(6,608,738)

12 INCOME TAX EXPENSE

	For the six month period ended 30 June	
	2021 Unaudited	2020 Unaudited
Current income tax		
– Chinese mainland income tax	(2,434,341)	(2,611,612)
Deferred tax (Note 34)	1,215,986	1,502,592
Total	(1,218,355)	(1,109,020)

The provision for Chinese mainland income tax includes income tax based on the statutory tax rate of 25% of the taxable income of the Group as determined in accordance with the relevant PRC income tax rules and regulations.

Notes to Condensed Consolidated Interim Financial Statements (Continued)

(All amounts expressed in thousands of RMB unless otherwise stated)

12 INCOME TAX EXPENSE (CONTINUED)

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the taxation rate of 25%. The major reconciliation items are as follows:

	For the six month period ended 30 June	
	2021 Unaudited	2020 Unaudited
Profit before tax	7,310,433	6,439,617
Tax calculated at the applicable statutory tax rate of 25%	(1,827,608)	(1,609,904)
Tax effect arising from tax-exempt and half-taxed income ^(a)	783,880	603,697
Tax effect of items such as expenses not deductible for tax purposes ^(b)	(34,222)	(58,272)
Tax filing differences from previous years	(5,893)	(12,637)
Deductible losses from previous years ^(c)	(134,512)	(31,904)
Income tax expense	(1,218,355)	(1,109,020)

- (a) Non-taxable income mainly represents interest income arising from PRC treasury bonds which are tax free according to PRC tax regulations.
- (b) The items that are not deductible for tax purposes mainly represent marketing and entertainment expenses and loan amounts written off in excess of the relevant deductible threshold under the relevant PRC tax regulations.
- (c) The subsidiary of the Group, Wuwei Huiyin Village and Township Bank Co., Ltd. incurred tax losses for the current period, and the Group cannot reasonably assess if the subsidiary will have sufficient taxable income to realise the tax loss in the future, so the deferred tax assets of the tax loss are not recognized.

13 EARNINGS PER SHARE (BASIC AND DILUTED)

- (a) Basic earnings per share were computed by dividing the net profit attributable to the ordinary shareholders of the Bank by the weighted average number of ordinary shares in issue during the reporting period.

	For the six month period ended 30 June	
	2021 Unaudited	2020 Unaudited
Net profit attributable to shareholders of the Bank (in RMB thousands)	6,195,154	5,249,817
Weighted average number of ordinary shares in issue (in thousands)	13,889,801	12,154,801
Basic earnings per share (in RMB)	0.45	0.43

(b) **Diluted earnings per share**

There was no difference between basic and diluted earnings per share as there were no potentially dilutive shares outstanding for both six month periods ended 30 June 2021 and 30 June 2020.

When calculating basic earnings per share for ordinary shares, the dividend of preference shares issued in the current year shall be deducted from the net profit attributable to the shareholders of the Bank. In 2016, the Bank issued non-cumulative preference shares. The Bank has not yet declared a preferred stock dividend for the six month period ended 30 June 2021.

The preference shares are potentially convertible to ordinary shares available. As of 30 June 2021, there has been no trigger condition for the conversion had not occurred, and the convertible features of preference shares had no impact on the calculation of basic and diluted earnings per share for the six month period ended 30 June 2021.

Notes to Condensed Consolidated Interim Financial Statements (Continued)

(All amounts expressed in thousands of RMB unless otherwise stated)

14 CASH AND BALANCES WITH THE CENTRAL BANK

	As at 30 June 2021 Unaudited	As at 31 December 2020 Audited
Cash	1,312,050	1,215,801
Statutory reserves ^(a)	69,165,454	67,251,455
Surplus reserves ^(b)	47,277,880	29,881,507
Subtotal	117,755,384	98,348,763
Interest receivable	33,273	35,438
Total	117,788,657	98,384,201

- (a) The Group places statutory deposit reserves with the People's Bank of China ("the PBOC"). The statutory deposit reserves are not available for use in the Group's daily business.

As at the end of the reporting period, the statutory deposit reserve rates of the Bank were as follows:

	As at 30 June 2021 Unaudited	As at 31 December 2020 Audited
Statutory reserve rate for RMB deposits	9.0%	9.0%
Statutory reserve rate for foreign currency deposits	7.0%	5.0%

As at 30 June 2021, statutory reserve rates for Jinzhai Huiyin Village and Township Bank Co., Ltd. and Wuwei Huiyin Village and Township Bank Co., Ltd. were 5.0% and 6.0% (31 December 2020: 5.0% and 6.0%).

- (b) Surplus deposit reserves maintained with the PBOC are mainly for clearing purposes.

15 DEPOSITS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 30 June 2021 Unaudited	As at 31 December 2020 Audited
Banks in Mainland China	6,969,428	9,676,833
Other financial institutions in Mainland China	286,252	406,022
Banks in other countries and regions	793,152	1,661,360
Subtotal	8,048,832	11,744,215
Interest receivable	3,000	40,119
Less: allowances for impairment losses	(475,273)	(486,263)
Total	7,576,559	11,298,071

Deposits with banks and other financial institutions' allowances for impairment losses were RMB475,273 thousand (31 December 2020: RMB486,263 thousand).

Notes to Condensed Consolidated Interim Financial Statements (Continued)

(All amounts expressed in thousands of RMB unless otherwise stated)

16 PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 30 June 2021 Unaudited	As at 31 December 2020 Audited
Banks in Chinese mainland	–	100,000
Other financial institutions in Chinese mainland	8,852,543	5,120,433
Subtotal	8,852,543	5,220,433
Interest receivable	69,363	61,814
Less: allowances for impairment losses	(14,100)	(5,535)
Total	8,907,806	5,276,712

Placements with banks and other financial institutions were in Stage 1, and allowances for impairment losses were RMB14,100 thousand (31 December 2020: RMB5,535 thousand).

17 DERIVATIVE FINANCIAL INSTRUMENTS

	As at 30 June 2021 Unaudited		
	Notional Amount	Fair value	
		Assets	Liabilities
Derivative financial instruments held for trading			
– Currency forwards	1,156,321	14,620	(13,470)
– Currency swaps	456,824	7,549	(548)
– Interest rate swaps	51,610,000	94,845	(93,679)
Total	53,223,145	117,014	(107,697)
	As at 31 December 2020 Audited		
	Notional Amount	Fair value	
		Assets	Liabilities
Derivative financial instruments held for trading			
– Currency forwards	1,093,989	15,769	(16,871)
– Currency swaps	973,842	55,668	(4,194)
– Interest rate swaps	11,838,000	58,567	(72,911)
– Precious metal swaps	2,358,767	7,994	(46,805)
Total	16,264,598	137,998	(140,781)

Notes to Condensed Consolidated Interim Financial Statements (Continued)

(All amounts expressed in thousands of RMB unless otherwise stated)

18 FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

	As at 30 June 2021 Unaudited	As at 31 December 2020 Audited
By collateral type:		
Debt securities	11,885,329	250,221
Bills	3,604,358	–
Subtotal	15,489,687	250,221
Interest receivable	1,917	170
Less: allowances for impairment losses	(47,380)	(1,015)
Total	15,444,224	249,376

Financial assets held under resale agreements were in Stage 1, and allowances for impairment losses were RMB47.38 million (31 December 2020: RMB1.02 million).

19 LOANS AND ADVANCES TO CUSTOMERS

(a) Analysis of loans and advances to customers:

	As at 30 June 2021 Unaudited	As at 31 December 2020 Audited
Loans and advances measured at amortised cost		
– Corporate loans	379,481,103	325,112,287
– Personal loans	232,125,019	220,082,263
Subtotal	611,606,122	545,194,550
Loans and advances measured at fair value through other comprehensive income		
– Discounted bills	26,367,002	27,759,091
Subtotal	26,367,002	27,759,091
Total	637,973,124	572,953,641
Interest receivable	1,482,394	1,097,655
Total loans and advances	639,455,518	574,051,296
Less: allowance for loans at amortised cost	(23,608,274)	(20,652,134)
Loans and advances to customers, net	615,847,244	553,399,162
Allowance for loans at fair value through other comprehensive income	(13,749)	(8,052)

Notes to Condensed Consolidated Interim Financial Statements (Continued)

(All amounts expressed in thousands of RMB unless otherwise stated)

19 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(b) Loans and advances to customers are assessed as follows (excluding interest receivable):

	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL – impaired)	Total
As at 30 June 2021				
Total loans and advances to customers	613,794,890	13,593,949	10,584,285	637,973,124
Allowance for impairment losses				
Loans and advances measured at amortised cost	(7,671,706)	(6,616,175)	(9,320,393)	(23,608,274)
As at 31 December 2020				
Total loans and advances to customers	552,542,909	9,052,671	11,358,061	572,953,641
Allowance for impairment losses				
Loans and advances measured at amortised cost	(8,182,365)	(3,428,632)	(9,041,137)	(20,652,134)

Notes to Condensed Consolidated Interim Financial Statements (Continued)

(All amounts expressed in thousands of RMB unless otherwise stated)

19 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(c) Reconciliation of allowance for impairment losses on loans and advances to customers

(1) Reconciliation of allowance for impairment losses measured at amortised cost:

	For the six month period ended 30 June 2021			
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL – impaired)	Total
As at 1 January 2021	8,182,365	3,428,632	9,041,137	20,652,134
Impairment losses for the period	164,704	2,448,719	976,768	3,590,191
Stage conversion				
Transfers to Stage 1	176,887	(95,217)	(81,670)	–
Transfers to Stage 2	(839,632)	964,142	(124,510)	–
Transfers to Stage 3	(12,618)	(130,101)	142,719	–
Write-off and transfer out	–	–	(1,077,809)	(1,077,809)
Recovery of loans and advances written off	–	–	491,979	491,979
Unwinding of discount on allowance	–	–	(48,221)	(48,221)
As at 30 June 2021	7,671,706	6,616,175	9,320,393	23,608,274

By the six month ended 30 June 2021, the domestic branch adjusted the five-level classification and customer rating of customer loans and advances, and the loan principal of RMB4.9 billion of Stage 1 was transferred to Stage 2 and Stage 3, the loan principal transferred from Stage 2 to Stage 3 is RMB0.5 billion, the principal of the loan transferred from Stage 2 to Stage 1 was RMB0.2 billion, the principal of the loan transferred from Stage 3 to Stage 1 and Stage 2 is RMB0.7 billion.

	Year ended 31 December 2020			
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL – impaired)	Total
As at 1 January 2020	5,377,937	4,814,007	4,329,449	14,521,393
Impairment losses for the year	2,882,387	(599,240)	8,380,650	10,663,797
Stage conversion				
Transfers to Stage 1	49,038	(13,629)	(35,409)	–
Transfers to Stage 2	(101,216)	109,947	(8,731)	–
Transfers to Stage 3	(25,781)	(882,453)	908,234	–
Write-off and transfer out	–	–	(5,330,456)	(5,330,456)
Recovery of loans and advances written off	–	–	860,902	860,902
Unwinding of discount on allowance	–	–	(63,502)	(63,502)
As at 31 December 2020	8,182,365	3,428,632	9,041,137	20,652,134

Notes to Condensed Consolidated Interim Financial Statements (Continued)

(All amounts expressed in thousands of RMB unless otherwise stated)

19 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(c) Reconciliation of allowance for impairment losses on loans and advances to customers (Continued)

(1) Reconciliation of allowance for impairment losses measured at amortised cost: (Continued)

In this year, the domestic branch adjusted the five-level classification and customer rating of customer loans and advances, and the loan principal of Stage 1 was transferred to Stage 2 and Stage 3 of RMB3 billion, the loan principal from Stage 2 to Stage 3 is RMB2.4 billion, and the principal of the loan transferred from Stage 2 to Stage 1 is RMB0.1 billion. The principal of the loan transferred from Stage 3 to Stage 1 and Stage 2 is not significant.

(2) Reconciliation of allowance for impairment losses measured at fair value through other comprehensive income:

	For the six month period ended 30 June 2021			
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL – impaired)	Total
As at 1 January 2021	8,052	–	–	8,052
Impairment losses for the period	5,697	–	–	5,697
Stage conversion				
Transfers to Stage 1	–	–	–	–
Transfers to Stage 2	–	–	–	–
Transfers to Stage 3	–	–	–	–
Write-off and transfer out	–	–	–	–
Recovery of loans and advances written off	–	–	–	–
Unwinding of discount on allowance	–	–	–	–
As at 30 June 2021	13,749	–	–	13,749

	Year ended 31 December 2020			
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL – impaired)	Total
As at 1 January 2020	108,455	–	–	108,455
Impairment losses for the year	(100,403)	–	–	(100,403)
Stage conversion				
Transfers to Stage 1	–	–	–	–
Transfers to Stage 2	–	–	–	–
Transfers to Stage 3	–	–	–	–
Write-off and transfer out	–	–	–	–
Recovery of loans and advances written off	–	–	–	–
Unwinding of discount on allowance	–	–	–	–
As at 31 December 2020	8,052	–	–	8,052

Notes to Condensed Consolidated Interim Financial Statements (Continued)

(All amounts expressed in thousands of RMB unless otherwise stated)

20 INVESTMENT SECURITIES

Financial assets at fair value through profit or loss

	As at 30 June 2021 Unaudited	As at 31 December 2020 Audited
Listed outside Hong Kong		
– Government bonds	6,426,386	2,966,945
– Other debt securities	6,468,398	11,709,692
– Interbank certificates of deposits	361,624	883,749
Subtotal	13,256,408	15,560,386
Unlisted		
– Beneficial rights in trust and asset management plans	78,033,886	93,062,234
– Non-guaranteed wealth management products managed by other banks	11,012,071	13,508,907
Subtotal	89,045,957	106,571,141
Interest receivable	865,425	919,319
Total	103,167,790	123,050,846

As at 30 June 2021 and 31 December 2020, there was no significant limitation on the ability of the Group and the Bank to dispose of financial assets at fair value through profit or loss. Debt securities traded on the China Domestic Interbank Bond Market are included in the category “Listed outside Hong Kong”.

Financial assets at fair value through other comprehensive income

	As at 30 June 2021 Unaudited	As at 31 December 2020 Audited
Debt securities		
Listed outside Hong Kong		
– Debt securities	123,543,098	118,548,262
Subtotal	123,543,098	118,548,262
Equity securities		
Unlisted		
– Equity investments	225,367	234,765
Subtotal	225,367	234,765
Interest receivable	2,372,638	1,783,021
Total	126,141,103	120,566,048

Notes to Condensed Consolidated Interim Financial Statements (Continued)

(All amounts expressed in thousands of RMB unless otherwise stated)

20 INVESTMENT SECURITIES (CONTINUED)

Financial assets at amortised cost	As at 30 June 2021 Unaudited	As at 31 December 2020 Audited
Listed outside Hong Kong		
– Debt securities	121,041,962	98,879,314
Unlisted		
– Beneficial rights in trust and asset management plans	184,359,706	175,343,103
Subtotal	305,401,668	274,222,417
Interest receivable	4,511,330	4,819,973
Less: allowance for impairment losses	(14,165,350)	(12,132,326)
Financial assets at amortised cost, net	295,747,648	266,910,064

Beneficial rights in trust and asset management plans invested by the Group are the usufruct in trusts or asset management plans organized by security companies. The investment decisions of these products are made by the third-party asset managers or custodians, who mainly invest in collective investment products including: (a) liquid assets: deposits, repurchase agreements, money market funds and other cash management products, bond funds; bonds traded in exchange and inter-bank market, convertible bonds, ABS and ABN, or other qualified highly-liquid assets, (b) financing assets: the financing forms including entrusted loans, loan assets bought from other financial institutions, specific asset usufruct and etc. and (c) products issued by other financial institutions mainly including non-cash management fixed return products issued by investment funds, trusts, insurance companies, securities companies, commercial banks and etc. The details of unconsolidated structured entities invested by the Group are set out in Note 43.

Investment securities analyzed by issuer are as follows:

Financial assets at FVTPL	As at 30 June 2021 Unaudited	As at 31 December 2020 Audited
By issuers		
– Government	6,426,386	2,966,945
– Banks and other financial institutions	95,472,934	117,413,255
– Legal entities	403,045	1,751,327
Subtotal	102,302,365	122,131,527
Interest receivable	865,425	919,319
Total	103,167,790	123,050,846

Notes to Condensed Consolidated Interim Financial Statements (Continued)

(All amounts expressed in thousands of RMB unless otherwise stated)

20 INVESTMENT SECURITIES (CONTINUED)

Investment securities analyzed by issuer are as follows: (Continued)

Financial assets at FVOCI	As at 30 June 2021 Unaudited	As at 31 December 2020 Audited
Debt instruments		
By issuer		
– Government	69,130,820	75,188,885
– Banks and other financial institutions	15,934,332	24,800,805
– Legal entities	38,477,946	18,558,572
Subtotal	123,543,098	118,548,262
Equity instruments	225,367	234,765
Interest receivable	2,372,638	1,783,021
Total	126,141,103	120,566,048

Financial assets at AC	As at 30 June 2021 Unaudited	As at 31 December 2020 Audited
By issuer		
– Government	96,373,321	74,958,983
– Banks and other financial institutions	199,079,018	191,762,267
– Legal entities	9,949,329	7,501,167
Subtotal	305,401,668	274,222,417
Interest receivable	4,511,330	4,819,973
Less: allowance for impairment losses	(14,165,350)	(12,132,326)
Financial assets at AC, net	295,747,648	266,910,064

21 INVESTMENTS IN ASSOCIATES

Investments in associates of the Group comprising ordinary shares of unlisted companies are as follows:

As at 30 June 2021

Associates	Principal place of business	Location of registration	Percentage of shares	Registered capital	Principal activities
Chery Huiyin Motor Finance Service Co., Ltd.	Anhui Province	Anhui Province	20%	1,500,000	Auto financing
Mengshang Bank Co., Ltd.	Inner Mongolia Autonomous Region	Inner Mongolia Autonomous Region	15%	20,000,000	Commercial banking

Notes to Condensed Consolidated Interim Financial Statements (Continued)

(All amounts expressed in thousands of RMB unless otherwise stated)

21 INVESTMENTS IN ASSOCIATES (CONTINUED)

As at 31 December 2020

Associates	Principal place of business	Location of registration	Percentage of shares	Registered capital	Principal activities
Chery Huiyin Motor Finance Service Co., Ltd.	Anhui Province	Anhui Province	20%	1,500,000	Auto financing
Mengshang Bank Co., Ltd.	Inner Mongolia Autonomous Region	Inner Mongolia Autonomous Region	15%	20,000,000	Commercial banking

Investment in associates	Six month ended	Year ended
	30 June 2021	31 December 2020
	Unaudited	Audited
Balance at beginning of the period/year	4,474,260	1,242,338
Additions	–	3,600,000
Cash dividends received	(13,914)	(11,560)
Share of results, net of tax	206,300	(356,518)
Balance at end of the period/year	4,666,646	4,474,260

The book value of investment in associates	Six month ended	Year ended
	30 June 2021	31 December 2020
	Unaudited	Audited
Chery Huiyin Motor Finance Service Co., Ltd.	1,448,696	1,383,810
Mengshang Bank Co., Ltd.	3,217,950	3,090,450
Balance at end of the period/year	4,666,646	4,474,260

Chery Huiyin Motor Finance Service Co., Ltd. was established in 2009 with registered capital of RMB500 million, among which the Group accounted for RMB100 million or 20% of the total capital. With the approval of CBRC Anhui Branch on 24 December 2012, the authorised registered capital of Chery Huiyin Motor Finance Service Co., Ltd. was increased to RMB1 billion. As at 31 December 2014, the Group's share in this associate was RMB200 million or 20%. On 30 September 2014, this associate completed its shareholding reform, and was renamed as Chery Huiyin Motor Finance Service Corporation Limited. In December 2017, the three shareholders of the associate subscribed for 500 million shares in the associate with a capital injection of RMB1.52 billion, in proportion to their respective shareholding ratios. After the capital increase, the registered capital of the associate increased from RMB1 billion to RMB1.5 billion. After the capital increase, the Group's share in this associate was RMB300 million or 20% of the total capital.

The Group participated in the establishment of Mengshang Bank Co., Ltd. in 2020. The registered capital of the invested enterprise was RMB20 billion, and the Group invested RMB3.6 billion (including RMB3 billion included in the share capital and RMB600 million included in the capital reserve), accounting for 15% of the shares. Mengshang Bank Co., Ltd. was established in accordance with the law on 30 April 2020. One of the current board members is nominated by the Group and the Group can exert significant influence on the company, so it is accounted as an associated company.

Notes to Condensed Consolidated Interim Financial Statements (Continued)

(All amounts expressed in thousands of RMB unless otherwise stated)

22 PROPERTY, PLANT AND EQUIPMENT

	Buildings	Motor vehicles	Electronic and other equipment	Construction in progress	Total
Cost					
As at 1 January 2021	3,916,038	54,247	1,898,621	1,103,919	6,972,825
Additions	10,310	–	39,795	74,005	124,110
Transfers in/(out)	61,957	–	694	(66,377)	(3,726)
Disposals	(355)	(2,651)	(43,734)	–	(46,740)
Other transfers out	–	–	–	(17,265)	(17,265)
As at 30 June 2021	3,987,950	51,596	1,895,376	1,094,282	7,029,204
Accumulated depreciation					
As at 1 January 2020	(996,634)	(46,912)	(1,291,006)	–	(2,334,552)
Depreciation charge	(90,551)	(2,644)	(106,750)	–	(199,945)
Disposals	344	2,571	37,684	–	40,599
As at 30 June 2021	(1,086,841)	(46,985)	(1,360,072)	–	(2,493,898)
Net book value	2,901,109	4,611	535,304	1,094,282	4,535,306

	Buildings	Motor vehicles	Electronic and other equipment	Construction in progress	Total
Cost					
As at 1 January 2020	1,732,975	55,631	1,709,722	709,826	4,208,154
Business integration	2,162,204	4,929	24,960	–	2,192,093
Additions	37,080	376	270,898	430,915	739,269
Transfers in/(out)	386	–	5,271	(23,926)	(18,269)
Disposals	(16,607)	(6,689)	(112,230)	–	(135,526)
Other transfers out	–	–	–	(12,896)	(12,896)
As at 31 December 2020	3,916,038	54,247	1,898,621	1,103,919	6,972,825
Accumulated depreciation					
As at 1 January 2020	(934,799)	(51,228)	(1,163,013)	–	(2,149,040)
Depreciation charge	(76,380)	(2,173)	(232,913)	–	(311,466)
Disposals	14,545	6,489	104,920	–	125,954
As at 31 December 2020	(996,634)	(46,912)	(1,291,006)	–	(2,334,552)
Net book value	2,919,404	7,335	607,615	1,103,919	4,638,273

All land and buildings of the Group are located outside Hong Kong.

Notes to Condensed Consolidated Interim Financial Statements (Continued)

(All amounts expressed in thousands of RMB unless otherwise stated)

23 RIGHT-OF-USE ASSETS

	Buildings	Motor vehicles	Electronic and other equipment	Land use rights	Total
Cost					
As at 1 January 2021	1,513,282	9,245	4,248	170,863	1,697,638
Additions	162,915	2,198	–	–	165,113
Disposals and transfers out	(54,353)	(364)	–	–	(54,717)
Revaluation of lease liabilities	(30,797)	–	–	–	(30,797)
As at 30 June 2021	1,591,047	11,079	4,248	170,863	1,777,237
Accumulated depreciation					
As at 1 January 2021	(484,442)	(3,853)	(492)	(39,939)	(528,726)
Depreciation charge	(166,476)	(2,146)	(589)	(4,983)	(174,194)
Transfers out	50,552	364	–	–	50,916
As at 30 June 2021	(600,366)	(5,635)	(1,081)	(44,922)	(652,004)
Net book value	990,681	5,444	3,167	125,941	1,125,233
	Buildings	Motor vehicles	Electronic and other equipment	Land use rights	Total
Cost					
As at 1 January 2020	1,176,463	5,346	–	171,785	1,353,594
Additions	451,632	6,033	4,248	–	461,913
Disposals and transfers out	(114,648)	(2,132)	–	(922)	(117,702)
Revaluation of lease liabilities	(165)	(2)	–	–	(167)
As at 31 December 2020	1,513,282	9,245	4,248	170,863	1,697,638
Accumulated depreciation					
As at 1 January 2020	(262,503)	(2,069)	–	(30,779)	(295,351)
Depreciation charge	(305,317)	(3,876)	(492)	(9,160)	(318,845)
Transfers out	83,378	2,092	–	–	85,470
As at 31 December 2020	(484,442)	(3,853)	(492)	(39,939)	(528,726)
Net book value	1,028,840	5,392	3,756	130,924	1,168,912

All land and buildings of the Group are located outside Hong Kong.

Notes to Condensed Consolidated Interim Financial Statements (Continued)

(All amounts expressed in thousands of RMB unless otherwise stated)

24 FINANCE LEASE RECEIVABLES

The Group's finance lease receivables are analyzed by maturity date as follows:

As at 30 June 2021	Within 1 year	1 to 3 years	Over 3 years	Total
Finance lease receivables	32,614,928	27,631,135	6,046,797	66,292,860
Unrealised revenue	(4,201,681)	(2,973,835)	(358,844)	(7,534,360)
Allowance	(223,979)	(761,086)	(1,415,022)	(2,400,087)
Interest receivable of finance leases	781,791	–	–	781,791
Net	28,971,059	23,896,214	4,272,931	57,140,204

As at 31 December 2020	Within 1 year	1 to 3 years	Over 3 years	Total
Finance lease receivables	18,246,266	26,915,273	11,823,021	56,984,560
Unrealised revenue	(3,529,556)	(2,690,459)	(365,774)	(6,585,789)
Allowance	(118,043)	(955,490)	(895,769)	(1,969,302)
Interest receivable of finance leases	624,495	–	–	624,495
Net	15,223,162	23,269,324	10,561,478	49,053,964

The changes of the allowance for the financing lease receivables are as follows:

	Six month period ended 30 June 2021			Total
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL – impaired)	
As at 1 January 2021	222,955	546,395	1,199,952	1,969,302
Impairment losses for the period (Note 27)	52,482	430,326	(52,023)	430,785
Stage conversion				
Transfers to Stage 1	79,771	(79,771)	–	–
Transfers to Stage 2	(4,946)	4,946	–	–
Transfers to Stage 3	–	(228,099)	228,099	–
Write-off and transfer out	–	–	–	–
As at 30 June 2021	350,262	673,797	1,376,028	2,400,087

Notes to Condensed Consolidated Interim Financial Statements (Continued)

(All amounts expressed in thousands of RMB unless otherwise stated)

24 FINANCE LEASE RECEIVABLES (CONTINUED)

	Year ended 31 December 2020			Total
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL – impaired)	
As at 1 January 2020	478,825	20,966	1,022,331	1,522,122
Impairment losses for the period (Note 27)	(251,880)	139,022	1,390,780	1,277,922
Stage conversion				
Transfers to Stage 1	–	–	–	–
Transfers to Stage 2	(3,453)	403,336	(399,883)	–
Transfers to Stage 3	(537)	(16,929)	17,466	–
Write-off and transfer out	–	–	(830,742)	(830,742)
As at 31 December 2020	222,955	546,395	1,199,952	1,969,302

The Group's finance lease receivables are all managed by its subsidiary, HuiShang Bank Financial Leasing Co., Ltd. For the six month period ended 30 June 2021, the principal of the Group's five largest finance lease receivables and the related allowance were RMB1,779,603 thousand and RMB1,471 thousand, respectively, which accounted for 3.04% and 0.61% of the total balance, respectively (31 December 2020: the principal of the Group's five largest finance lease receivables and the related allowance were RMB1,652,885 thousand and RMB6,693 thousand, respectively, which accounted for 3.28% and 0.34% of the total balance, respectively).

25 GOODWILL

	As at 1 January 2021	Increase in the current period	Decrease in the current period	As at 30 June 2021	allowances for impairment losses
Goodwill	14,567,826	–	–	14,567,826	–

	As at 1 January 2020	Increase in current year	Decrease in current year	As at 31 December 2020	allowances for impairment losses
Goodwill	–	14,567,826	–	14,567,826	–

The Group completed a business combination in November 2020 with resultant goodwill of RMB14,567,826 thousand.

The Group conducts impairment tests at the end of each year. The Group assessed and determined that provision for the impairment losses of goodwill is not required as at 30 June 2021.

Notes to Condensed Consolidated Interim Financial Statements (Continued)

(All amounts expressed in thousands of RMB unless otherwise stated)

26 OTHER ASSETS

	As at 30 June 2021 Unaudited	As at 31 December 2020 Audited
Interest receivable ^(a)	137,544	182,701
Other receivables ^(b)	1,557,160	1,779,556
Less: impairment allowance ^(b)	(377,116)	(400,024)
Funds to be settled	1,749,058	1,652,237
Long-term prepaid expenses	177,924	218,986
Foreclosed assets	256,899	300,047
Less: impairment allowance	(93,649)	(97,278)
Intangible assets ^(c)	443,619	450,560
Continued involvement in assets	2,090,090	2,052,257
Others	250,533	263,006
Less: impairment allowance	(1,390)	(1,385)
Total	6,190,672	6,400,663

(a) Interest receivable

	As at 30 June 2021 Unaudited	As at 31 December 2020 Audited
Loans and advances to customers	136,134	182,701
Finance leases	1,410	-
Total	137,544	182,701

The interest receivable disclosed by the Group during the year was interest receivable on the relevant financial instruments that are due but not received at the end of the reporting period, and interest on financial instruments based on the effective interest rate method is included as part of the carrying value of the financial assets.

Notes to Condensed Consolidated Interim Financial Statements (Continued)

(All amounts expressed in thousands of RMB unless otherwise stated)

26 OTHER ASSETS (CONTINUED)

(b) Other receivables

The Group's other receivables are analysed by age as follows:

As at 30 June 2021	Within 1 year	1 to 3 years	Over 3 years	Total
Other receivables	873,524	639,937	43,699	1,557,160
Allowance for impairment losses	(11,628)	(326,674)	(38,814)	(377,116)
Net	861,896	313,263	4,885	1,180,044

As at 31 December 2020	Within 1 year	1 to 3 years	Over 3 years	Total
Other receivables	958,875	780,511	40,170	1,779,556
Allowance for impairment losses	(97,321)	(266,104)	(36,599)	(400,024)
Net	861,554	514,407	3,571	1,379,532

(c) Intangible assets

Intangible assets of the Group are mainly computer software.

	As at 30 June 2021 Unaudited	As at 31 December 2020 Audited
Cost		
Balance at beginning of the period/year	882,607	735,493
Addition initiated by the business integration	–	24,852
Additions	55,297	104,035
Transfers construction in process	3,726	18,270
Disposals	(294)	(43)
Balance at end of the period/year	941,336	882,607
Accumulated amortisation		
Balance at beginning of the period/year	(432,047)	(317,208)
Additions	(65,931)	(114,882)
Disposals	261	43
Balance at end of the period/year	(497,717)	(432,047)
Net book value		
At end of the period/year	443,619	450,560

Notes to Condensed Consolidated Interim Financial Statements (Continued)

(All amounts expressed in thousands of RMB unless otherwise stated)

27 IMPAIRMENT ALLOWANCE (EXCEPT FOR LOANS AND ADVANCES)

	As at 1 January 2021	Additions/ Deductions	Recovery	Utilised	As at 30 June 2021
Deposits with banks and other financial institutions	(486,263)	10,990	-	-	(475,273)
Placements with banks and other financial institutions	(5,535)	(8,565)	-	-	(14,100)
Financial assets held under resale agreements	(1,015)	(44,365)	(2,000)	-	(47,380)
Financial investments measured at fair value whose changes are included in other comprehensive income	(284,708)	(354,272)	-	-	(638,980)
Financial assets at amortised cost	(12,132,326)	(2,033,024)	-	-	(14,165,350)
Finance lease receivables	(1,969,302)	(430,785)	-	-	(2,400,087)
Foreclosed assets	(97,278)	3,629	-	-	(93,649)
Other assets – bad debts	(401,409)	(34,566)	-	57,469	(378,506)
Total	(15,377,836)	(2,890,958)	(2,000)	57,469	(18,213,325)

	As at 1 January 2020	Additions/ Deductions	Recovery	Utilised	As at 31 December 2020
Deposits with banks and other financial institutions	(376,409)	(109,854)	-	-	(486,263)
Placements with banks and other financial institutions	(13,387)	7,852	-	-	(5,535)
Financial assets held under resale agreements	(84,474)	83,459	-	-	(1,015)
Financial investments measured at fair value and whose changes are included in other comprehensive income	(531,000)	86,292	-	160,000	(284,708)
Financial assets at amortised cost	(11,414,277)	(718,049)	-	-	(12,132,326)
Finance lease receivables	(1,522,122)	(1,277,922)	-	830,742	(1,969,302)
Foreclosed assets	(199,949)	61,911	-	40,760	(97,278)
Other assets – bad debts	(454,072)	175,468	(122,805)	-	(401,409)
Total	(14,595,690)	(1,690,843)	(122,805)	1,031,502	(15,377,836)

28 DEPOSITS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 30 June 2021 Unaudited	As at 31 December 2020 Audited
Banks in Chinese mainland	5,921,133	10,942,229
Other financial institutions in Chinese mainland	118,135,005	81,568,497
Interest payable	1,636,332	1,079,158
Total	125,692,470	93,589,884

Notes to Condensed Consolidated Interim Financial Statements (Continued)

(All amounts expressed in thousands of RMB unless otherwise stated)

29 PLACEMENTS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 30 June 2021 Unaudited	As at 31 December 2020 Audited
Banks in Chinese mainland	39,794,793	34,930,034
Interest payable	395,049	364,542
Total	40,189,842	35,294,576

30 FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

	As at 30 June 2021 Unaudited	As at 31 December 2020 Audited
Securities sold under repurchase agreements	16,836,476	18,286,563
Bills sold under repurchase agreements	7,814,138	4,477,941
Precious metals sold under repurchase agreements	17,931,583	17,435,110
Interest payable	225,312	199,757
Total	42,807,509	40,399,371

31 DEPOSITS FROM CUSTOMERS

	As at 30 June 2021 Unaudited	As at 31 December 2020 Audited
Demand deposits		
– Corporate deposits	286,580,594	251,060,743
– Personal deposits	78,961,753	68,065,877
Time deposits (including deposits at call)		
– Corporate deposits	175,253,499	188,696,940
– Personal deposits	201,778,521	167,480,939
Pledged deposits held as collateral	38,967,581	35,705,737
Remittances payable	706,556	1,241,184
Other deposits	129,107	701,677
Interest payable	14,568,408	13,789,681
Total	796,946,019	726,742,778

32 TAXES PAYABLE

	As at 30 June 2021 Unaudited	As at 31 December 2020 Audited
Corporate income tax	1,658,231	1,997,540
Value-added tax	587,963	515,431
Business tax and surcharges	73,906	63,630
Others	36,638	51,641
Total	2,356,738	2,628,242

Notes to Condensed Consolidated Interim Financial Statements (Continued)

(All amounts expressed in thousands of RMB unless otherwise stated)

33 OTHER LIABILITIES

	As at 30 June 2021 Unaudited	As at 31 December 2020 Audited
Dividends payable ^(a)	174,897	276,921
Unearned rent and deposits under lease arrangements ^(b)	4,656,606	4,031,194
Funds to be settled	1,009,567	835,133
Continued involvement in liabilities	2,090,091	2,052,257
Asset securitization	367,968	1,157,748
Salary and welfare payable ^(c)	1,984,675	2,399,710
Entrusted services	48,021	86,699
Long term suspension of customer deposits	410	272
Provision	723,334	706,474
– Allowance for litigation losses (Note 40)	231,140	231,851
– Provision for impairment of credit commitments ^(d)	434,946	421,919
Project funds payable	47,404	50,413
Lease liabilities ^(e)	954,350	964,166
Others	5,765,529	4,452,462
Total	17,822,852	17,013,449

(a) Dividends payable

It has been approved by the shareholders in a general meeting that no dividend is to be paid for the year ended 31 December 2020. Details are listed in note 39.

(b) Unearned rent and deposits under lease arrangements

As at 30 June 2021, the Group's unearned rent and deposits under lease arrangements were all relating to its subsidiary, Huishang Bank Financial Leasing Co., Ltd., which include the deposits and deferred income on finance leases.

(c) Salary and welfare payable

	As at 30 June 2021 Unaudited	As at 31 December 2020 Audited
Short-term employee benefits	1,928,715	2,352,008
Termination benefits	26,303	17,640
Defined contribution plans	29,657	30,062
Total	1,984,675	2,399,710

Notes to Condensed Consolidated Interim Financial Statements (Continued)

(All amounts expressed in thousands of RMB unless otherwise stated)

33 OTHER LIABILITIES (CONTINUED)

(c) Salary and welfare payable (Continued)

Short-term employee benefits

	As at 1 January 2021	Increase in the current period	Decrease in the current period	As at 30 June 2021
Wages, bonuses, allowances and subsidies	1,962,503	1,685,163	(2,116,308)	1,531,358
Employee benefits	16	88,445	(88,461)	–
Social insurance	2,657	93,182	(92,050)	3,789
Including:				
Medical insurance	2,490	91,542	(90,477)	3,555
Occupational injury insurance	82	964	(957)	89
Maternity insurance	85	676	(616)	145
Housing fund	1,351	123,731	(119,025)	6,057
Labour union fee and staff education fee	71,712	25,692	(23,661)	73,743
Other short-term employee benefits	313,769	9	(10)	313,768
Total	2,352,008	2,016,222	(2,439,515)	1,928,715

	As at 1 January 2020	Increase in the current year	Decrease in the current year	As at 31 December 2020
Wages, bonuses, allowances and subsidies	1,964,287	3,178,831	(3,180,615)	1,962,503
Employee benefits	75	285,201	(285,260)	16
Social insurance	846	145,212	(143,401)	2,657
Including:				
Medical insurance	750	143,922	(142,182)	2,490
Occupational injury insurance	46	211	(175)	82
Maternity insurance	50	1,079	(1,044)	85
Housing fund	7,046	223,131	(228,826)	1,351
Labour union fee and staff education fee	59,488	91,768	(79,544)	71,712
Other short-term employee benefits	313,769	18	(18)	313,769
Total	2,345,511	3,924,161	(3,917,664)	2,352,008

Notes to Condensed Consolidated Interim Financial Statements (Continued)

(All amounts expressed in thousands of RMB unless otherwise stated)

33 OTHER LIABILITIES (CONTINUED)

(c) Salary and welfare payable (Continued)

Defined contribution plans

	As at 1 January 2021	Increase in the current period	Decrease in the current period	As at 30 June 2021
Basic pension insurance	11,519	139,583	(137,772)	13,330
Unemployment Insurance	370	3,943	(3,921)	392
Annuity scheme	5,751	115,364	(108,534)	12,581
Total	17,640	258,890	(250,227)	26,303

	As at 1 January 2020	Increase in the current year	Decrease in the current year	As at 31 December 2020
Basic pension insurance	6,182	31,971	(26,634)	11,519
Unemployment Insurance	214	491	(335)	370
Annuity scheme	6,675	248,946	(249,870)	5,751
Total	13,071	281,408	(276,839)	17,640

Retirement benefits

	As at 30 June 2021	As at 31 December 2020
Early retirement benefits	29,657	30,062

Notes to Condensed Consolidated Interim Financial Statements (Continued)

(All amounts expressed in thousands of RMB unless otherwise stated)

33 OTHER LIABILITIES (CONTINUED)

(d) Provision – Provision for impairment of credit commitments

	Six month period ended 30 June 2021			
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL – impaired)	Total
As at 1 January 2021	397,810	3,170	20,939	421,919
Impairment losses for the period	21,778	12,143	(20,894)	13,027
Stage conversion				
Transfers to Stage 1	937	(937)	–	–
Transfers to Stage 2	(13)	13	–	–
Transfers to Stage 3	–	–	–	–
As at 30 June 2021	420,512	14,389	45	434,946

	Year ended 31 December 2020			
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL – impaired)	Total
As at 1 January 2020	351,178	73,649	7,982	432,809
Impairment losses for the year	46,634	(70,481)	(33,530)	(57,377)
Business integration	–	–	46,487	46,487
Stage conversion				
Transfers to Stage 1	–	–	–	–
Transfers to Stage 2	(2)	2	–	–
Transfers to Stage 3	–	–	–	–
As at 31 December 2020	397,810	3,170	20,939	421,919

(e) Lease liabilities

	As at 30 June 2021 Unaudited	As at 31 December 2020 Audited
Within 1 year	300,742	309,556
1 to 2 years	251,850	246,158
2 to 5 years	390,289	404,411
Over 5 years	99,442	101,548
Total undiscounted lease liabilities	1,042,323	1,061,673
Lease liabilities	954,350	964,166

Notes to Condensed Consolidated Interim Financial Statements (Continued)

(All amounts expressed in thousands of RMB unless otherwise stated)

34 DEFERRED INCOME TAXES

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities related to income taxes levied by the same taxation authority. The movements in the deferred income tax account are as follows:

	For the six month period ended 30 June 2021 Unaudited	As at 31 December 2020 Audited
Balance at beginning of the period/year	9,727,450	8,161,629
Charged to the income statement	1,215,986	1,273,990
Credited to other comprehensive income	(76,242)	291,831
Balance at end of the period/year	10,867,194	9,727,450

Items included in deferred tax assets and liabilities are as follows:

	As at 30 June 2021 Unaudited	As at 31 December 2020 Audited
Deferred tax assets		
Impairment allowance for assets	10,122,844	8,843,222
Salary and welfare payable	393,247	497,608
Fair value changes of financial instruments at fair value through profit or loss and derivative financial instruments	48,274	84,825
Impairment of financial assets at fair value through other comprehensive income	159,745	71,177
Fair value changes of customer loans and advances made at fair value whose changes are included in other comprehensive income	–	3,391
Impairment of loans and advances to customers at fair value through other comprehensive income	3,437	2,013
Credit commitment impairment	108,737	105,480
Others	423,696	439,669
Total deferred income tax assets	11,259,980	10,047,385
Deferred income tax liabilities		
Fair value changes of financial assets at fair value through other comprehensive income	(227,725)	(246,746)
Fair value changes of customer loans and advances made at fair value whose changes are included in other comprehensive income	(1,879)	–
Impairment of financial assets at fair value through other comprehensive income	(159,745)	(71,176)
Impairment of loans and advances to customer at fair value through other comprehensive income	(3,437)	(2,013)
Total deferred income tax liabilities	(392,786)	(319,935)
Net	10,867,194	9,727,450

Notes to Condensed Consolidated Interim Financial Statements (Continued)

(All amounts expressed in thousands of RMB unless otherwise stated)

34 DEFERRED INCOME TAXES (CONTINUED)

Deferred taxes recorded in the income statements for the year comprise the following temporary differences:

	Six month ended 30 June	
	2021 Unaudited	2020 Unaudited
Impairment allowance for assets	1,279,622	1,266,567
Salary and welfare payable	(104,361)	91,494
Fair value changes of financial instruments and derivative financial instruments at fair value through profit or loss	(36,551)	104,907
Impairment changes of financial assets at fair value through other comprehensive income	88,568	36,076
Impairment changes of loans and advances to customer at fair value through other comprehensive income	1,424	(18,260)
Credit commitment impairment	3,257	600
Others	(15,973)	21,208
Total	1,215,986	1,502,592

35 DEBT SECURITIES ISSUED

	As at 30 June 2021 Unaudited	As at 31 December 2020 Audited
11 Subordinated debts with fixed rate ^(a)	–	3,995,806
16 Financial bonds 02 ^(b)	2,999,995	2,999,949
18 Green financial bonds ^(c)	–	3,999,347
19 Financial bonds 01 ^(d)	9,000,000	9,000,000
19 Financial bonds 02 ^(e)	1,000,000	1,000,000
20 Small and micro bonds 01 ^(f)	9,999,503	9,999,282
20 Tier 2 capital bonds ^(g)	8,000,000	8,000,000
20 Huiyin Financial Leasing bonds 01 ^(h)	1,700,000	2,000,000
Interbank certificates of deposit issued ⁽ⁱ⁾	149,482,568	138,709,653
Interest payable	522,217	931,658
Total	182,704,283	180,635,695

Notes to Condensed Consolidated Interim Financial Statements (Continued)

(All amounts expressed in thousands of RMB unless otherwise stated)

35 DEBT SECURITIES ISSUED (CONTINUED)

- (a) The Group issued subordinated debts of RMB4 billion on 2 April 2011 on China Interbank Bond Market, with a maturity of 15 years and a fixed coupon rate of 6.55%, paid annually. The Group has an option to redeem these debts at face value on 2 April 2021.

Claims on subordinated debts are subordinate to other liabilities but prior to the Group's share capital. From 1 January 2013, they have been qualified for inclusion as Tier 2 capital in the calculation of capital adequacy ratio in accordance with "The Trial Measures for Capital Management of Commercial Banks" promulgated by the CBRC. The bond is redeemed before the due date on 2 April 2021.

- (b) The Group issued financial bonds of RMB3 billion on 12 August 2016 on the China Interbank Bond Market, with a maturity of 5 years and a fixed coupon rate of 3.09%, paid annually.
- (c) The Group issued financial bonds of RMB4 billion on 29 May 2018 in China Interbank Bond Market, with a maturity of 3 years and a fixed coupon rate of 4.5%, paid annually. The bond is redeemed on 29 May, 2021.
- (d) The Group issued financial bonds of RMB9 billion on 8 March 2019 in China Interbank Bond Market, with a maturity of 3 years and a fixed coupon rate of 3.52%, paid annually.
- (e) The Group issued financial bonds of RMB1 billion on 8 March 2019 in China Interbank Bond Market, with a maturity of 5 years and a fixed coupon rate of 3.8%, paid annually.
- (f) The Group issued financial bonds of RMB10 billion on 27 April 2020 in China Interbank Bond Market, with a maturity of 3 years and a fixed coupon rate of 2.3%, paid annually.
- (g) The Group issued financial bonds of RMB8 billion on 28 September 2020 in China Interbank Bond Market, with a maturity of 10 years and a fixed coupon rate of 4.5%, paid annually. The Group has an option to redeem part or all of the bonds at face value on 28 September 2025, subject to regulatory approval. Claims on Tier 2 capital bonds are subordinate to depositors and ordinary debts and is superior to equity, other tier 1 capital instruments and mixed capital debts.
- (h) The Group issued financial bonds of RMB2 billion on 16 April 2020 in China Interbank Bond Market, with a maturity of 3 years and a fixed coupon rate of 2.9%, paid annually.
- (i) The Group issued 94 interbank certificates of deposit at discount with a total face value of RMB142.65 billion with maturity ranging from one month to one year. As at 30 June 2021, the face value of the undue interbank certificates of deposit issued was RMB151.43 billion.

For the six month period ended 30 June 2021, there were no defaults on principal and interest or other breaches to the agreements with respect to these debt securities.

Notes to Condensed Consolidated Interim Financial Statements (Continued)

(All amounts expressed in thousands of RMB unless otherwise stated)

36 SHARE CAPITAL, OTHER EQUITY INSTRUMENTS AND CAPITAL RESERVE

(a) Share capital

The Bank's share capital is comprised of fully paid ordinary shares in issue, with par value of RMB1 per share. The number of shares is as follows:

	As at 30 June 2021 Unaudited	As at 31 December 2020 Audited
Number of authorized shares fully paid in issue (in thousands)	13,889,801	13,889,801

(b) Other equity instruments

1. Preference shares outstanding as at 30 June 2021 and 31 December 2020

Preference shares	Issue date	Classification	Initial interest rate	Issue price	Quantity (million)	Original currency (USD)	Amount (RMB)	Maturity date	Conversion conditions
30 June 2020 Offshore preference shares	10 November 2016	Equity instruments	5.50%	\$20/share	44.4	888,000	6,028,188	No maturity date	None
Total amount							6,028,188		
Less: issuance fee							(38,098)		
Carrying amount							5,990,090		

Changes in preference shares outstanding

	1 January 2021		Increase		30 June 2021	
	Amount (million shares)	Carrying value	Amount (million shares)	Carrying value	Amount (million shares)	Carrying value
Offshore preference shares	44.4	5,990,090	-	-	44.4	5,990,090

	1 January 2020		Increase		31 December 2020	
	Amount (million shares)	Carrying value	Amount (million shares)	Carrying value	Amount (million shares)	Carrying value
Offshore preference shares	44.4	5,990,090	-	-	44.4	5,990,090

Notes to Condensed Consolidated Interim Financial Statements (Continued)

(All amounts expressed in thousands of RMB unless otherwise stated)

36 SHARE CAPITAL, OTHER EQUITY INSTRUMENTS AND CAPITAL RESERVE (CONTINUED)

(b) Other equity instruments (Continued)

1. Preference shares outstanding as at 30 June 2021 and 31 December 2020 (Continued)

The key terms are as follows:

(1) Dividend

The initial annual dividend rate is 5.50% and is subsequently adjusted of per agreement. Subject to a resolution to be passed at a shareholders' general meeting of the Bank, the Bank may elect to cancel (in whole or in part) any dividend otherwise scheduled to be paid on a dividend payment date. The Bank may at its discretion use the funds arising from the cancellation of such dividend to repay other indebtedness that is due and payable. Dividend payment method is non-cumulative.

(2) Redemption

The Bank may, subject to obtaining China Banking and Insurance Regulatory Commission ("CBIRC") approval and compliance with the redemption preconditions, upon prior notice to the offshore preference shareholders and the fiscal agent, redeem in whole or in part of the offshore preference shares on the first reset date or on any dividend payment date thereafter. The redemption price for the Offshore Preference Shares shall be the aggregate of their liquidation priority amount and any declared but unpaid dividends.

(3) Compulsory conversion of preference shares

If any trigger event occurs, the Bank shall (having notified and obtained the consent of the CBIRC but without the need for the consent of holders of preference shares or the holders of ordinary shares): irrevocably and compulsorily convert all or some of the Offshore Preference Shares into same number of H Shares.

Offshore preference shares issued by the Bank are classified as equity instruments and listed in equity of the condensed consolidated statement of financial position. The capital raised by the aforesaid overseas preference shares is used to supplement other first-class capital of the Bank and to increase the capital adequacy ratio of the Bank after deducting the issuance expenses.

Notes to Condensed Consolidated Interim Financial Statements (Continued)

(All amounts expressed in thousands of RMB unless otherwise stated)

36 SHARE CAPITAL, OTHER EQUITY INSTRUMENTS AND CAPITAL RESERVE (CONTINUED)

(b) Other equity instruments (Continued)

2. Perpetual bonds issued on 30 June 2021 and 31 December 2020

Perpetual bonds	Issue date	Classification	Initial	Issue price	Amount	RMB	Maturity	Method
			interest		(100 million			
			rate	(RMB)	RMB)	(thousand)	date	
2019 Huishang Bank Perpetual bonds	29 November 2019	Equity instruments	4.90%	RMB 100/share	100	10,000,000	No maturity date	floating interest rates
Total amount						10,000,000		
Less: issuance fee						(189)		
Carrying amount						9,999,811		

Huishang Bank separately obtained approval on 5 August and 5 November 2019, from the Anhui office of China Banking and Insurance Regulatory Commission and the People's Bank of China to issue capital bonds of no more than RMB10 billion with fixed maturities in the national interbank bond market; at the end of November 2019, Huishang Bank successfully issued Huishang Bank Co., Ltd. 2019 No Fixed-Term Capital Bonds, and completed bond registration and custody at the Central Government Bonds Registration and Clearing Co., Ltd. The bond was filed on 29 November 2019, and issued on 3 December 2019. The bond issuance has a scale of RMB10 billion, and the unit face value is RMB100. It was issued at par with par value and coupon rate is 4.9%.

The duration of the bonds is consistent with the Bank's continuing operations. Five years after the date of issuance, the bank has the right to redeem all or part of the bonds at annual interest payment date (including the fifth anniversary of the interest paying day) on the premise that the redemption prerequisites are met and the CBIRC approved. When the write-down triggering conditions are met, the Bank has the right to write down all or part of the above-mentioned bonds that have been issued and surviving according to the total face value of the bonds if they are reported to the CBRC and agreed, but without the consent of the bondholders. The principal of the bond is settled in the order of depositors, general creditors and subordinated debts higher than the bonds, but before all classes of shares held by shareholders; the bonds rank the same as other tier 1 capital instruments with the same repayment order be compensated.

The aforesaid bonds are paid by non-cumulative interest, and the Bank has the right to cancel part or all of the dividends of the bonds, which does not constitute a default event. The Bank is free to dispose of the proceeds of the cancellation of dividends for repayment of other due debts, but the Bank will not distribute profits to ordinary shareholders until the full interest payment is resumed.

Notes to Condensed Consolidated Interim Financial Statements (Continued)

(All amounts expressed in thousands of RMB unless otherwise stated)

36 SHARE CAPITAL, OTHER EQUITY INSTRUMENTS AND CAPITAL RESERVE (CONTINUED)

(b) Other equity instruments (Continued)

2. Perpetual bonds issued on 30 June 2021 and 31 December 2020 (Continued)

Related information attributable to equity instrument holders:

	As at 30 June 2021 Unaudited	As at 31 December 2020 Audited
1. Total equity attributable to equity holders of the Bank	109,464,950	103,041,067
(1) Equity attributable to ordinary equity holders of the Bank	93,475,049	87,051,166
(2) Equity attributable to other equity holders of the Bank	15,989,901	15,989,901
2. Total equity attributable to noncontrolling interests	2,523,776	2,631,572

(c) Capital reserve

Transactions of the following natures are recorded in the capital reserve:

- (i) share premium arising from the issuance of shares at prices in excess of their par value;
- (ii) donations received from shareholders; and
- (iii) any other items required by the PRC regulations.

Capital surplus can be utilized for the issuance of stock dividends or the increase of paid-up capital as approved by the shareholders.

The Group's capital surplus is as follows:

	As at 30 June 2021 Unaudited	As at 31 December 2020 Audited
Share premium	14,919,197	14,919,197

Notes to Condensed Consolidated Interim Financial Statements (Continued)

(All amounts expressed in thousands of RMB unless otherwise stated)

37 SURPLUS RESERVES AND GENERAL AND REGULATORY RESERVES

	Surplus reserves (a)	General reserves (b)
As at 1 January 2020	11,365,283	11,115,027
Appropriation to surplus reserves (a)	1,868,762	–
Appropriation to general reserves (b)	–	1,180,805
As at 31 December 2020	13,234,045	12,295,832
Appropriation to surplus reserves (a)	914,748	–
Appropriation to general reserves (b)	–	1,083,616
As at 30 June 2021	14,148,793	13,379,448

(a) Surplus reserves

Pursuant to the “Company Law of the PRC” and the Group’s Articles of Association, the Group is required to appropriate 10% of its net profit in the statutory consolidated financial statements to the non-distributable statutory surplus reserves. Appropriation to the statutory surplus reserves may cease when the balance of such reserves has reached 50% of the share capital. The Group in the withdrawal of statutory surplus reserve, can be withdrawn arbitrary surplus reserve. Subject to the approval of the shareholders’ meeting, arbitrary surplus reserve can be used to make up the loss of previous years or to increase the share capital.

As at 30 June 2021 and 31 December 2020, the Bank’s statutory surplus reserve balances were RMB7,283.73 million and RMB7,283.73 million.

(b) General reserves

Pursuant to Cai Jin [2012] No. 20 “Requirements on Impairment Allowance for Financial Institutions” (the “Requirements”) issued by the Ministry of Finance on 20 March 2012, the general reserve should not be less than 1.5% of the aggregate amount of risk assets and shall be raised within five years. The Requirements became effective from 1 July 2012.

38 OTHER COMPREHENSIVE INCOME

	Fair value change of equity instruments at FVOCI		Fair value change of debt instruments at FVOCI		Impairment change of debt instruments at FVOCI		Total
	Amount before tax	income tax impact	Amount before tax	income tax impact	Amount before tax	income tax impact	
As at 1 January 2020	171,376	(42,844)	1,622,672	(405,667)	639,455	(159,865)	1,825,127
Changes in amount for the previous year	53,888	(13,472)	(874,522)	218,630	(346,695)	86,674	(875,497)
As at 31 December 2020	225,264	(56,316)	748,150	(187,037)	292,760	(73,191)	949,630
Changes in amount for the period	(9,396)	2,349	(45,602)	11,400	359,970	(89,992)	228,729
As at 30 June 2021	215,868	(53,967)	702,548	(175,637)	652,730	(163,183)	1,178,359

Notes to Condensed Consolidated Interim Financial Statements (Continued)

(All amounts expressed in thousands of RMB unless otherwise stated)

39 DIVIDENDS

(a) Dividends for ordinary shares

	For the six month period ended 30 June 2021 Unaudited	2020 Audited
Dividends declared for the period/year	–	1,908,304
Dividends per ordinary share (in RMB)	–	0.157
Dividends paid during the period/year	102,024	1,768,869

The final unpaid dividend of the year ended 31 December 2020 has been approved by the shareholders in a general meeting.

Under the “Company Law of the PRC” and the Bank’s Articles of Association, the net profit after tax as reported in the PRC statutory consolidated financial statements can only be distributed as dividends after allowances for the following:

- (i) Making up cumulative losses from prior years, if any;
- (ii) Allocations to the non-distributable statutory reserve of 10% of the net profit of the Bank;
- (iii) Appropriation to general reserve;
- (iv) Payment of preference share dividends; and
- (v) Allocations to the discretionary reserve with approval from the general meetings of shareholders. These reserves form part of the shareholders’ equity.

In accordance with the relevant regulations, the net profit after tax of the Bank for the purpose of profit distribution is deemed to be the lesser of (i) the retained profits determined in accordance with the PRC Generally Accepted Accounting Principles and (ii) the retained profits determined in accordance with IFRS.

Notes to Condensed Consolidated Interim Financial Statements (Continued)

(All amounts expressed in thousands of RMB unless otherwise stated)

40 FINANCIAL GUARANTEES AND CREDIT COMMITMENTS, OTHER COMMITMENTS AND CONTINGENT LIABILITIES

(a) Financial guarantees and credit commitments

The following tables indicate the contractual amounts of the Group's financial guarantees and credit commitments:

	As at 30 June 2021 Unaudited	As at 31 December 2020 Audited
Bank acceptance	44,551,251	40,303,011
Letters of credit issued	9,471,188	6,262,490
Letters of guarantee issued	19,770,191	15,645,344
Loan commitments	1,824,262	1,711,011
Unused credit card lines	48,703,571	42,218,513
Total	124,320,463	106,140,369
Impairment allowance for credit commitments (Note 33(d))	434,946	421,919

(b) Capital commitments

	As at 30 June 2021 Unaudited	As at 31 December 2020 Audited
Contracted but not provided for	159,985	101,681

(c) Treasury bond redemption commitments

The Group is entrusted by the MOF to underwrite certain treasury bonds. The investors of these treasury bonds have a right to redeem the bonds at any time prior to maturity and the Group is committed to redeem these treasury bonds. The redemption price is the principal value of the bonds plus unpaid interest in accordance with the early redemption arrangement.

As at 30 June 2021 and 31 December 2020, the nominal values of treasury bonds the Group was obligated to redeem prior to maturity were RMB4.58 billion and RMB4.29 billion respectively.

(d) Legal proceedings

During the reporting period, the Group was involved as defendants in certain lawsuits arising from its normal business operations. At 30 June 2021, provision for litigation losses as advised by in-house or external legal professionals was RMB0.23 billion (31 December 2020: RMB0.23 billion). Based on legal advice, the management of the Group believes that the final result of these lawsuits will not have a material impact on the financial position or operations of the Group.

Notes to Condensed Consolidated Interim Financial Statements (Continued)

(All amounts expressed in thousands of RMB unless otherwise stated)

41 COLLATERAL

(a) Pledged assets

Assets are pledged as collateral under repurchase agreements, borrowed from the central bank, treasury deposits with other banks and the Ministry of Finance.

	As at 30 June 2021 Unaudited	As at 31 December 2020 Audited
Fair value changes of financial assets at fair value through other comprehensive income	37,205,994	51,935,487
Financial assets at amortised cost	33,395,590	44,329,848
Fair value changes of financial assets at fair value through profit or loss	6,550,940	10,654,768
Discounted bills	7,825,192	4,482,042
Total	84,977,716	111,402,145

The carrying value of financial assets sold under repurchase agreements by the Group as at 30 June 2021 was RMB42.81 billion (as at 31 December 2020: RMB40.4 billion) as set out in Note 30. Repurchase agreements are primarily due within 12 months from the effective dates of these agreements.

In addition, the Group has no debt securities and deposits with banks and other financial institutions pledged in accordance with regulatory requirements or as collateral for derivative transactions.

(b) Collateral accepted

The Group accepted debt securities, bills and other assets as collateral in the purchase of assets under resale agreements. Certain collateral can be resold or re-pledged. The Group has accepted collateral that can be resold or re-pledged with a carrying amount of RMB0.1 billion as at 30 June 2021 (31 December 2020: none). The Group had no collateral that was re-pledged and obligated to return as at 30 June 2021 (31 December 2020: none).

Notes to Condensed Consolidated Interim Financial Statements (Continued)

(All amounts expressed in thousands of RMB unless otherwise stated)

42 CREDIT RISK WEIGHTED AMOUNT OF FINANCIAL GUARANTEES AND CREDIT COMMITMENTS

	As at 30 June 2021	As at 31 December 2020
Financial guarantees and credit related commitments	37,340,351	29,192,706

The credit risk weighted amount refers to the amount as computed in accordance with the formula promulgated by the CBRC and depends on the status of the counterparty and the maturity characteristics. The risk weights used range from 0% to 100% for contingent liabilities and credit related commitments.

43 STRUCTURED ENTITIES

(a) Unconsolidated structured entities managed by the Group

The unconsolidated structure entities managed by the Group are mainly wealth management products (“WMP”) issued and managed by the Bank. The Group had not provided any guarantee or undertaking with regard to principal or returns for these products. Wealth management products were mainly invested in money market instruments, bonds and loan assets. The raised funds were invested in related financial markets or financial products in accordance with the product contracts. Returns would be allocated to investors based on the performance of the assets. The Group receives management fee as the manager of these wealth management products. For the six month period ended 30 June 2021 and the year of 2020, total wealth commission income the Group received were RMB589.12 million and RMB1,426.56 million respectively. The Group considered its variable returns from the structured entities are insignificant and hence they were not consolidated.

As at 30 June 2021, the carrying value of non-guaranteed wealth management products that the Group issued and managed was RMB208.32 billion (31 December 2020: RMB201.83 billion). As at 30 June 2021 the Group’s maximum exposure to these unconsolidated structured entities was 0 (31 December 2020: 0). As at 30 June 2021, the Group purchased financial assets from wealth management products not included in the scope of consolidation at a total of RMB0 (31 December 2020: 0).

There were no contractual liquidity arrangements, guarantees or other commitments among or between the Group, WMP vehicles or any third parties that could increase the level of the Group’s risk or reduce its interest in WMP vehicles disclosed above.

(b) Unconsolidated structured entities invested by the Group

To maximize the usage of capital, the Group entered into transactions with unconsolidated structured entities which included wealth management products, the trust fund and asset management plan schemes issued and managed by other independent third parties during the period ended 30 June 2021 and 31 December 2020. The Group classifies these assets into “investments at amortised cost” or “financial assets at fair value through profit or loss” based on their nature. As the investor of these entities, the Group earns interest from these transactions.

Notes to Condensed Consolidated Interim Financial Statements (Continued)

(All amounts expressed in thousands of RMB unless otherwise stated)

43 STRUCTURED ENTITIES (CONTINUED)

(b) Unconsolidated structured entities invested by the Group (Continued)

The table below shows the carrying value and scale of unconsolidated structured entities invested by the Group (including interest receivable), as well as its maximum exposure to loss in relation to those interests.

At 30 June 2021	Carrying value	Maximum exposure to loss
Financial investments – at FVTPL		
– Non-guaranteed wealth management products	11,012,071	11,012,071
– Trust fund and asset management plan	77,648,036	77,648,036
Financial assets at amortised cost		
– Trust fund and asset management plan	170,504,077	170,504,077
<hr/>		
At 31 December 2020	Carrying value	Maximum exposure to loss
Financial investments – at FVTPL		
– Non-guaranteed wealth management products	13,508,907	13,508,907
– Trust fund and asset management plan	92,676,384	92,676,384
Financial assets at amortised cost		
– Trust fund and asset management plan	163,351,036	163,351,036

(c) Consolidated structured entities

Consolidated structured entities include guaranteed wealth management products established and managed by the Group and the beneficial rights in trust and asset management plans over which the Group exercises investment decisions.

The Group did not provide liquidity support to these consolidated structured entities during the period ended 30 June 2021 and the year ended 31 December 2020.

Notes to Condensed Consolidated Interim Financial Statements (Continued)

(All amounts expressed in thousands of RMB unless otherwise stated)

44 CASH AND CASH EQUIVALENTS

- (a) For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprises the following balances with an original maturity of less than three months:

	As at 30 June 2021 Unaudited	As at 3 1 December 2020 Audited
Cash	1,312,050	1,215,801
Surplus reserve with the central bank	47,277,880	29,881,507
Deposits with banks and other financial institutions	7,366,328	11,298,071
Total	55,956,258	42,395,379

- (b) Changes in liabilities arising from financing activities

	Debt securities issued	Dividends payable	Lease liabilities
At 1 January 2021	180,635,695	276,921	964,166
Proceeds from issuance of debt securities	120,580,000	–	–
Interest paid on debt issued	(3,101,721)	–	–
Cash paid relating to debt repayments	(118,101,971)	–	–
Dividends paid on debt issued	–	(102,024)	–
Interest expense	2,692,280	–	124,596
Dividends declared	–	–	–
Cash paid relating to lease liabilities	–	–	(214,011)
Other changes in lease liabilities	–	–	79,599
At 30 June 2021	182,704,283	174,897	954,350
	Debt securities issued	Dividends payable	Lease liabilities
At 1 January 2020	183,242,708	137,486	851,241
Proceeds from issuance of debt securities	257,680,000	–	–
Interest paid on debt issued	(5,386,091)	–	–
Cash paid relating to debt repayments	(260,437,563)	–	–
Dividends paid on debt issued	–	(1,768,869)	–
Interest expense	5,536,641	–	147,142
Dividends declared	–	1,908,304	–
Cash paid relating to lease liabilities	–	–	(379,182)
Other changes in lease liabilities	–	–	344,965
At 31 December 2020	180,635,695	276,921	964,166

Notes to Condensed Consolidated Interim Financial Statements (Continued)

(All amounts expressed in thousands of RMB unless otherwise stated)

45 CREDIT ASSETS SECURITIZATION TRANSACTIONS

The Group enters into credit asset transfers in the normal course of business during which it transfers credit assets to special purpose entities which in turn issue asset-backed securities or fund shares to investors. The Group may acquire some asset-backed securities and fund shares at the subordinated tranche level and accordingly, may retain parts of the risks and rewards of the transferred credit assets. The Group would determine whether or not to derecognise the associated credit assets by evaluating the extent to which it retains the risks and rewards of the assets.

With respect to the credit assets that were securitized and qualified for derecognition, the Group derecognized the transferred credit assets in their entirety. The corresponding total carrying amount of asset-backed securities held by the Group in the securitization transactions was RMB0.87 billion as at 30 June 2021 (31 December 2020: RMB0.89 billion), which also approximates the Group's maximum exposure to loss.

For those in which the Group has neither transferred nor retained substantially all the risks and rewards of the transferred credit assets, and retained control of the credit assets, the transferred credit assets are recognized in the statement of financial position to the extent of the Group's continuing involvement. For the period ended 30 June 2021, the carrying amount at the time of transfer of the original credit assets, in which the Group determined that it has continuing involvement through acquiring some tranches, was 0 (for the year ended 31 December 2020: RMB8.88 billion) and the carrying amount of assets that the Group continues to recognise in the statement of financial position was RMB2.09 billion as at 30 June 2021 (31 December 2020: RMB2.05 billion).

Notes to Condensed Consolidated Interim Financial Statements (Continued)

(All amounts expressed in thousands of RMB unless otherwise stated)

46 RELATED PARTY TRANSACTIONS

(1) Related parties

The table below lists the major related legal entities of the Group with a shareholding ratio greater than 5% as at 30 June 2021:

Major related legal entities with the Group	Relationship with the Group	Location of registration	Legal representative	Registered capital	Principal activities	Share percentage (%)
Deposit Insurance Fund Management Co., Ltd.	Substantial shareholder	Beijing	Huang Xiaolong	10,000,000	Equity, creditor's rights, funds and other investments	11.22%
Zhongjing Xinhua asset management Co., Ltd.	Substantial shareholder	Huangshan, Anhui	GAO YANG	2,875,000	Enterprise investment management, merger and acquisition	10.59%
Anhui Province Energy Group Co., Ltd.	Substantial shareholder	Hefei, Anhui	Chen Xiang	4,375,000	Financing and investment management of energy construction	9.70%
China Vanke Co., Ltd.	Substantial shareholder	Shenzhen, Guangdong	Yu Liang	10,995,210	Real estate development	7.00%
Anhui Guoyuan Financial Holding Group Co., Ltd.	Substantial shareholder	Hefei, Anhui	Fang Xu	6,000,000	Capital operation and asset management	6.29%
Anhui Credit Guaranty Group Co., Ltd.	Substantial shareholder	Hefei, Anhui	Wu Xuemin	18,686,000	Financing guarantees	5.98%
Anhui Communications Holding Group Co., Ltd.	Substantial shareholder	Hefei, Anhui	Xiang Xiaolong	16,000,000	Infrastructure investment and construction	5.01%

Note 1: The substantial shareholder Anhui Province Energy Group Co., Ltd. has changed the legal representative to Chen Xiang on April 21, 2021

Note 2: The substantial shareholder Anhui Credit Guaranty Group Co., Ltd. has changed the legal representative to Wu Xuemin on May 11, 2021. And Anhui Credit Guaranty Group Co., Ltd. has been renamed Anhui Credit Financing Guaranty Group Co., Ltd. on July 26, 2021.

The table below listed the major related legal entities of the Group with a shareholding ratio greater than 5% in as at 31 December 2020:

Major related legal entities with the Group	Relationship with the Group	Location of registration	Legal representative	Registered capital	Principal activities	Share percentage (%)
Zhongjing Xinhua asset management Co., Ltd.	Substantial shareholder	Huangshan, Anhui	GAO YANG	2,875,000	Enterprise investment management, merger and acquisition	12.10%
Anhui Province Energy Group Co., Ltd.	Substantial shareholder	Hefei, Anhui	Zhu Yicun	4,375,000	Financing and investment management of energy construction	11.08%
China Vanke Co., Ltd.	Substantial shareholder	Shenzhen, Guangdong	Yu Liang	10,995,210	Real estate development	8.00%
Anhui Guoyuan Financial Holding Group Co., Ltd.	Substantial shareholder	Hefei, Anhui	Fang Xu	6,000,000	Capital operation and asset management	7.19%
Anhui Credit Guaranty Group Co., Ltd.	Substantial shareholder	Hefei, Anhui	Yan Chen	18,686,000	Financing guarantee	6.83%

Note: The Group issued 1,735,000,000 domestic shares on 30 December 2020 for a consideration of RMB9,893.75 million. The raised funds have been verified by Ernst & Young Hua Ming Certified Public Accountants and capital verification reports were issued. The shares corresponding to the capital increase mentioned above were registered with CSDC on 4 January 2021.

After the completion of the capital increase, the substantial shareholders directly or indirectly hold 5% or more of the Bank's shares and their shareholding ratio are Deposit Insurance Fund Management Co., Ltd. (11.22%), Zhongjing Xinhua asset management Co., Ltd. (10.59%), Anhui Province Energy Group Co., Ltd. (9.70%), China Vanke Co., Ltd. (7.00%), Anhui Guoyuan Financial Holding Group Co., Ltd. (6.29%), Anhui Credit Guaranty Group Co., Ltd. (5.98%), and Anhui Communications Holding Group Co., Ltd. (5.01%).

Notes to Condensed Consolidated Interim Financial Statements (Continued)

(All amounts expressed in thousands of RMB unless otherwise stated)

46 RELATED PARTY TRANSACTIONS (CONTINUED)

(2) Related party transactions and balances

Related-party transactions of the Group mainly refer to loans and deposits, which are entered into in the normal course and terms of business, with consistent pricing policies as in transactions with independent third parties.

(a) Transactions with major shareholders and balances

As at balance sheet dates, the balances and interest rate ranges of transactions with major shareholders of the Group are as follows:

	As at 30 June 2021		As at 31 December 2020	
	Amount	Percentage of total similar transactions	Amount	Percentage of total similar transactions
Loans and advances to customers	3,706,604	0.60%	2,977,575	0.54%
Financial assets	554,500	0.11%	30,000	0.01%
Placements from banks and other financial institutions	135,917	0.11%	92,014	0.10%
Deposits from customers	31,085,032	3.90%	30,868,858	4.25%
Bank acceptance	62,580	0.14%	37,648	0.09%
Letters of guarantee issued	25,721	0.13%	–	–
Letters of credit issued	60,000	0.63%	–	–
Total	35,630,354	1.67%	34,006,095	1.75%

	As at 30 June 2021	As at 31 December 2020
Loans and advances to customers	3.85%-6.31%	4.70%-5.70%
Placements from banks and other financial institutions	0.72%-1.01%	0.30%-3.00%
Deposits from customers	0.30%-4.18%	0.30%-1.89%

As for the periods stated below, the interest income and expense of loans and deposits and management fee of asset management plans with respect to major shareholders are as follows:

	For the six month period ended 30 June			
	2021		2020	
	Amount	Percentage of total similar transactions	Amount	Percentage of total similar transactions
Interest income	89,706	0.32%	57,586	0.23%
Interest expense	840,912	5.66%	5,377	0.04%
Management fee of asset management plans	2,276	1.27%	1,253	1.48%

Notes to Condensed Consolidated Interim Financial Statements (Continued)

(All amounts expressed in thousands of RMB unless otherwise stated)

46 RELATED PARTY TRANSACTIONS (CONTINUED)

(2) Related party transactions and balances (Continued)

(b) Transactions with other related parties and balances

As at the balance sheet date stated below, the balances and interest rate ranges of transactions with other related parties of the Group are as follow:

	As at 30 June 2021		As at 31 December 2020	
	Amount	Percentage of total similar transactions	Amount	Percentage of total similar transactions
Loans and advances to customers	2,423,320	0.39%	1,928,790	0.35%
Financial assets	670,000	0.13%	950,000	0.19%
Placements from banks and other financial institutions	2,885	0.01%	3,100,454	3.30%
Deposits from customers	10,843,044	1.36%	3,474,918	0.48%
Bank acceptance	506,390	1.14%	595,000	1.48%
Letters of guarantee issued	569	0.01%	672	0.01%
Letters of credit issued	100,000	1.06%	1,915,000	30.58%
Total	14,546,208	0.68%	11,964,834	0.61%

	As at	As at
	30 June 2021	31 December 2020
Loans and advances to customers	2.90%-5.97%	4.70%-5.70%
Placements from banks and other financial institutions	0.72%-1.35%	0.30%-3.00%
Deposits from customers	0.30%-4.18%	0.30%-1.89%

The interest income and expense of loans and deposits with respect to other related parties are as follows:

	For the six month period ended 30 June			
	2021		2020	
	Amount	Percentage of total similar transactions	Amount	Percentage of total similar transactions
Interest income	59,812	0.21%	61,253	0.25%
Interest expense	85,235	0.57%	58,234	0.47%

Notes to Condensed Consolidated Interim Financial Statements (Continued)

(All amounts expressed in thousands of RMB unless otherwise stated)

46 RELATED PARTY TRANSACTIONS (CONTINUED)

(2) Related party transactions and balances (Continued)

(c) Transactions with associates

As at balance sheet dates stated below, the balances and interest rate ranges of transactions with associates of the Group are as follows:

	As at 30 June 2021		As at 31 December 2020	
	Amount	Percentage of total similar transactions	Amount	Percentage of total similar transactions
Placements with and loans to banks and other financial institutions	1,000,000	11.23%	1,000,000	18.95%
Financial assets	460,298	0.09%	876,000	0.17%
Placements from banks and other financial institutions	106,685	0.08%	68,032	0.07%
Total	1,566,983	0.24%	1,944,032	0.32%

	As at 30 June 2021	As at 31 December 2020
Placements with and loans to banks and other financial institutions	4.10-4.30%	3.50%
Placements from banks and other financial institutions	0.72%-1.08%	0.72%-1.08%

The interest expense of deposits with respect to associates are as follows:

	For the six month period ended 30 June			
	2021		2020	
	Amount	Percentage of total similar transactions	Amount	Percentage of total similar transactions
Interest expense	118	0.01%	38	0.01%

Notes to Condensed Consolidated Interim Financial Statements (Continued)

(All amounts expressed in thousands of RMB unless otherwise stated)

46 RELATED PARTY TRANSACTIONS (CONTINUED)

(2) Related party transactions and balances (Continued)

(d) Balances and transactions between the Group and these major shareholders and entities under their control

	For the six month period ended 30 June	
	2021	2020
Emoluments for directors, supervisors and senior management	7,231	7,332
	As at 30 June 2021	As at 31 December 2020
Balances at the end of the year/period		
Loans and advances to customers	5,121	5,345
Deposits from customers	5,850	2,111
	For the six month period ended 30 June	
	2021	2020
Transactions during the year/period		
Interest income	903	406
Interest expense	17	729

Notes to Condensed Consolidated Interim Financial Statements (Continued)

(All amounts expressed in thousands of RMB unless otherwise stated)

47 SEGMENT ANALYSIS

The Group manages the business from both the business and geographic perspectives. From the business perspective, the Group provides services through four main business segments listed below:

Corporate banking

Services to corporate customers, government authorities and financial institutions including current accounts, deposits, overdrafts, loans, trade related products and other credit facilities, foreign currency, and wealth management products.

Retail banking

Services to retail customers including savings deposits, personal loans and advances, credit cards and debit cards, payments and settlements, wealth management products and funds and insurance agency services.

Treasury

Conducts Securities investment, money market and repurchase transactions. The results of this segment include the intersegment funding income and expenses, resulting from interest bearing assets and liabilities and foreign currency translation gains and losses.

Others

Comprise Investment holding and other miscellaneous activities, with none of which constituting a separately reportable segment.

Geographically, the Group mainly conducts its business in the PRC with its branches open in and out of Anhui Province. When presenting information based on geographic areas, revenue is divided by the location where the branches are located; assets and liabilities and capital expense of segments are divided by the branch they belong to.

Notes to Condensed Consolidated Interim Financial Statements (Continued)

(All amounts expressed in thousands of RMB unless otherwise stated)

47 SEGMENT ANALYSIS (CONTINUED)

	For the six month period ended 30 June 2021				
	Corporate banking	Retail banking	Treasury	Others	Total
Net interest income from external customers	11,661,878	6,803,827	9,569,507	-	28,035,212
Net interest expense to external customers	(4,392,974)	(3,526,297)	(6,935,371)	-	(14,854,642)
Intersegment net interest income/(expense)	579,812	542,346	(1,122,158)	-	-
Net interest income	7,848,716	3,819,876	1,511,978	-	13,180,570
Net fee and commission income	1,338,373	82,526	534,575	-	1,955,474
Net trading gains	-	-	1,691,184	-	1,691,184
Net gains from investment securities	-	-	607,795	-	607,795
Other operating income	-	-	37,879	96,260	134,139
Operating expenses	(2,229,568)	(1,296,877)	(259,427)	(179,284)	(3,965,156)
– Depreciation and amortization	(340,259)	(151,939)	(2,085)	(1,486)	(495,769)
Impairment losses on credits	(2,926,607)	(1,192,027)	(2,384,868)	-	(6,503,502)
Impairment losses on assets	3,629	-	-	-	3,629
Share of profits of associates	-	-	-	206,300	206,300
Profit before income tax	4,034,543	1,413,498	1,739,116	123,276	7,310,433
Capital expenditure	140,477	75,258	1,033	736	217,504

	As at 30 June 2021				
	Corporate banking	Retail banking	Treasury	Others	Total
Segment assets	457,261,625	273,785,401	643,250,260	4,666,646	1,378,963,932
<i>Including: investments in associates</i>	-	-	-	4,666,646	4,666,646
Deferred tax assets					10,867,194
Total assets					1,389,831,126
Segment liabilities	(524,448,525)	(279,690,336)	(465,640,085)	(8,063,454)	(1,277,842,400)
Off-balance sheet credit commitments	75,616,892	48,703,571	-	-	124,320,463

Notes to Condensed Consolidated Interim Financial Statements (Continued)

(All amounts expressed in thousands of RMB unless otherwise stated)

47 SEGMENT ANALYSIS (CONTINUED)

	For the year ended 31 December 2020				
	Corporate banking	Retail banking	Treasury	Others	Total
Net interest income from external customers	20,433,378	11,654,888	19,221,693	–	51,309,959
Net interest expense to external customers	(7,645,010)	(5,549,689)	(12,363,059)	–	(25,557,758)
Intersegment net interest income/(expense)	973,362	368,375	(1,341,737)	–	–
Net interest income	13,761,730	6,473,574	5,516,897	–	25,752,201
Net fee and commission income	2,541,804	98,848	975,893	–	3,616,545
Net trading gains	–	–	2,496,536	–	2,496,536
Net gains from investment securities	–	–	169,099	–	169,099
Dividend income	–	–	1,440	–	1,440
Other operating income	–	–	104,377	150,200	254,577
Operating expenses	(1,487,311)	(383,690)	(5,578,935)	(204,388)	(7,654,324)
– Depreciation and amortization	(573,034)	(233,781)	(32,901)	(2,598)	(842,314)
Impairment losses on credits	(8,088,007)	(3,437,007)	(733,757)	–	(12,258,771)
Impairment losses on assets	61,911	–	–	–	61,911
Share of profits of associates	–	–	–	(356,518)	(356,518)
Profit before income tax	6,790,127	2,751,725	2,951,550	(410,706)	12,082,696
Capital expenditure	612,601	308,914	43,475	3,433	968,423

	As at 31 December 2020				
	Corporate banking	Retail banking	Treasury	Others	Total
Segment assets	399,401,943	253,959,614	604,137,431	4,474,260	1,261,973,248
<i>Including: investments in associates</i>	–	–	–	4,474,260	4,474,260
Deferred tax assets					9,727,450
Total assets					1,271,700,698
Segment liabilities	(503,411,145)	(231,789,207)	(425,088,082)	(5,739,625)	(1,166,028,059)
Off-balance sheet credit commitments	81,168,093	24,972,276	–	–	106,140,369

Notes to Condensed Consolidated Interim Financial Statements (Continued)

(All amounts expressed in thousands of RMB unless otherwise stated)

47 SEGMENT ANALYSIS (CONTINUED)

	For the six month period ended 30 June 2021					
	Anhui Province	Jiangsu Province	Head Office	Other areas	Intersegment eliminations	Total
Net interest income from external customers	16,503,042	1,542,882	9,351,963	637,325	-	28,035,212
Net interest expense to external customers	(8,511,948)	(795,788)	(4,823,560)	(723,346)	-	(14,854,642)
Intersegment net interest income/(expense)	620,892	75,460	(1,122,158)	425,806	-	-
Net interest income	8,611,986	822,554	3,406,245	339,785	-	13,180,570
Net fee and commission income	1,132,128	105,844	641,556	75,946	-	1,955,474
Net trading gains	1,018,198	95,192	576,994	800	-	1,691,184
Net gains from investment securities	30,439	34,227	17,249	525,880	-	607,795
Other operating income	80,290	7,506	45,499	844	-	134,139
Operating expenses	(2,149,269)	(200,937)	(1,217,951)	(396,999)	-	(3,965,156)
– Depreciation and amortization	(235,090)	(21,979)	(133,221)	(105,479)	-	(495,769)
Impairment losses on credits	(3,308,528)	(308,978)	(1,872,825)	(1,013,171)	-	(6,503,502)
Impairment losses on assets	3,629	-	-	-	-	3,629
Share of profits of associates	-	-	206,300	-	-	206,300
Profit before income tax	5,418,873	555,408	1,803,067	(466,915)	-	7,310,433
Capital expenditure	127,400	11,911	72,195	5,998	-	217,504

	As at 30 June 2021					
	Anhui Province	Jiangsu Province	Head Office	Other areas	Intersegment eliminations	Total
Segment assets	825,652,968	49,270,343	463,169,980	48,841,905	(7,971,264)	1,378,963,932
<i>Including: investments in associates</i>	-	-	<i>4,666,646</i>	-	-	<i>4,666,646</i>
Deferred tax assets						10,867,194
Total assets						1,389,831,126
Segment liabilities	(813,434,699)	(48,926,473)	(370,367,498)	(49,246,861)	4,133,131	(1,277,842,400)
Off-balance sheet credit commitments	112,904,963	11,400,889	14,611	-	-	124,320,463

Notes to Condensed Consolidated Interim Financial Statements (Continued)

(All amounts expressed in thousands of RMB unless otherwise stated)

47 SEGMENT ANALYSIS (CONTINUED)

	For the year ended 31 December 2020					
	Anhui Province	Jiangsu Province	Head Office	Other areas	Intersegment eliminations	Total
Net interest income from external customers	37,314,285	2,067,482	11,749,878	178,314	-	51,309,959
Net interest expense to external customers	(19,950,292)	(920,683)	(4,500,607)	(186,176)	-	(25,557,758)
Intersegment net interest income/(expense)	1,281,845	59,892	(1,341,737)	-	-	-
Net interest income	18,645,838	1,206,691	5,907,534	(7,862)	-	25,752,201
Net fee and commission income	2,836,375	132,525	647,825	(180)	-	3,616,545
Net trading gains	1,957,868	91,478	447,174	16	-	2,496,536
Net gains from investment securities	132,614	6,196	(113,822)	144,111	-	169,099
Dividend income	1,129	53	258	-	-	1,440
Other operating income	198,850	9,291	45,417	1,019	-	254,577
Operating expenses	(5,740,536)	(268,216)	(1,311,131)	(334,441)	-	(7,654,324)
<i>- Depreciation and amortization</i>	<i>(222,647)</i>	<i>(2,147)</i>	<i>(616,902)</i>	<i>(618)</i>	-	<i>(842,314)</i>
Impairment losses on credits	(8,936,458)	(414,647)	(2,026,935)	(880,731)	-	(12,258,771)
Impairment losses on assets	61,911	-	-	-	-	61,911
Share of profits of associates	-	-	(356,518)	-	-	(356,518)
Profit before income tax	9,157,591	763,371	3,239,802	(1,078,068)	-	12,082,696
Capital expenditure	748,470	35,485	173,463	11,005	-	968,423

	As at 31 December 2020					
	Anhui Province	Jiangsu Province	Head Office	Other areas	Intersegment eliminations	Total
Segment assets	763,576,680	45,418,730	409,003,974	54,394,388	(10,420,524)	1,261,973,248
<i>Including: investments in associates</i>	<i>-</i>	<i>-</i>	<i>4,474,260</i>	<i>-</i>	<i>-</i>	<i>4,474,260</i>
Deferred tax assets						9,727,450
Total assets						1,271,700,698
Segment liabilities	(750,248,169)	(44,307,862)	(323,196,230)	(54,814,746)	6,538,948	(1,166,028,059)
Off-balance sheet credit commitments	91,098,914	15,015,881	25,574	-	-	106,140,369

There were no material transactions with a single external customer that the Group mainly relies on.

Notes to Condensed Consolidated Interim Financial Statements (Continued)

(All amounts expressed in thousands of RMB unless otherwise stated)

48 FINANCIAL RISK MANAGEMENT

Overview

The Group's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risks or combination of risks. Taking risk is core to the financial business, and the operational risks are an inevitable consequence of being in the business. The Group's aim is therefore to achieve an appropriate balance between risks and return and minimize potential adverse effects on the Group's financial performance.

The Group's risk management policies are designed to identify and analyze these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems.

The most important types of risks are credit risk, liquidity risk and market risk which also includes currency risk and interest rate risk.

The Board of Directors is the responsible for establishing the overall risk appetite of the Group. Management establishes corresponding risk management policies and procedures covering areas of credit risk, market risk and liquidity risk under the risk appetite approved by the Board of Directors.

48.1 Credit risk

The Group takes on exposure to credit risk, which is the risk that counterparty will cause a financial loss for the Group by failing to discharge an obligation. Credit risk increases when counterparties are within similar industry segments or geographical regions. Credit exposures arise principally in loans and advances to banks, customers and securities. There is also credit risk in off-balance sheet financial arrangements such as loan commitments. The Group mainly conducts its business in Anhui Province of the PRC, indicating a concentration risk in the Group's credit portfolio which makes it vulnerable to economic changes in the region. Management therefore carefully manages its exposure to credit risks. The credit risk management and control are centralized in the Risk Management Department of Head Office and reported to management regularly.

Notes to Condensed Consolidated Interim Financial Statements (Continued)

(All amounts expressed in thousands of RMB unless otherwise stated)

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

48.1 Credit risk (Continued)

48.1.1 Credit risk measurement

(i) *Loans and advances and off-balance sheet commitments*

The Group measures and manages the credit quality of its credit assets through five-category system based on the “Guideline for Loan Credit Risk Classification” (the “Guideline” issued by the CBRC. The Guideline requires commercial banks to classify their credit assets into five categories, namely pass, special-mention, sub-standard, doubtful and loss categories, among which loan classified in sub-standard, doubtful and loss categories are regarded as non-performing loans.

The five categories are defined by the Guideline as follows:

Pass: loans for which borrowers can honor the terms of the contracts, and there is no reason to doubt their ability to repay principal and interest of loans in full and on a timely basis.

Special-mention: loans for which borrowers are still able to service the loans currently, although the repayment of loans might be adversely affected by some factors.

Substandard: loans for which borrowers’ ability to service the loans is apparently in question and borrowers cannot depend on their normal business revenues to pay back the principal and interest of loans. Certain losses might be incurred by the Group even when guarantees are executed.

Doubtful: The borrower is unable to repay the loan principal and interest in full, and even if the guarantee is executed, it will certainly cause a great loss.

Loss: After all possible measures or all necessary legal proceedings have been taken, the principal and interest remain uncollectible or can only be recovered in very few parts.

(ii) *Debt securities and other bills*

The Group manages the credit risk through restriction on the types of and management of issuers of debt securities and other bills invested. So far, the Group holds no foreign currency bonds.

(iii) *Deposits with banks and other financial institutions, placements with banks and other financial institutions and financial assets held under resale agreements*

The Group’s Head Office executes regular review and management of credit risk related to individual financial institutions, and sets credit lines for individual banks and other financial institutions that it conducts business with.

(iv) *Other financial assets classified as measured at amortized costs*

Other financial assets classified as measured at amortized cost include interbank financial products, fund trust schemes and asset management schemes issued by bank financial institutions. The Group implements a rating access system for cooperating trust companies, securities companies and fund companies, and conducts regular follow-up risk management.

Notes to Condensed Consolidated Interim Financial Statements (Continued)

(All amounts expressed in thousands of RMB unless otherwise stated)

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

48.1 Credit risk (Continued)

48.1.2 Risk limit control and mitigation policies

The Group cautiously manages and controls concentrations of credit risk wherever they are identified in particular of individual counterparties and groups, and of industries and regions. The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to each borrower. Such risks are monitored on a revolving basis and subject to an annual or more frequent review.

The Group takes first-level legal person management system and grants branches and business departments operational authority from Head Office. Based on the status of geographical economy, management level of branches, types of credit products, types of credit rating, collateral types, and scale of customers, Head Office gives dynamic authorities to its branches with respect to credit business. Such authorities are monitored on a revolving basis and subject to a regular review to make sure operations of the branches are within limits of authority granted.

(i) Credit risk mitigation policies

The Group employs a range of policies and practices to mitigate credit risk. The most prevalent of these taken by the Group include the taking of physical or cash collateral, cash deposit and corporate or individual guarantees.

The Group implements guidelines on the acceptability of specific classes of collateral. The principal collateral types are:

- Property and land use rights
- General movable assets
- Time deposit certificates, debt securities and commodity warehouse receipts.

The fair value of collateral should be assessed by professional valuation firms appointed by the Group. The Group has set maximum loan-to-value ratio (ratio of loan balances against fair value of collateral) for different collateral to reduce credit risk. The principal collateral types and maximum loan-to-value ratio for corporate and personal loans and advances are as follows:

Collateral	Maximum loan-to-value ratio
Residential property, commercial property, and construction land use rights	70%
Office buildings	60%
General movable assets	50%
RMB deposit receipts, bank notes, government bonds	90%
Debt securities issued by financial institutions	80%
Commodity warehouse receipts	60%

For loans guaranteed by a third-party guarantor, the Group will assess the financial condition and credit history of the guarantor and its ability to meet obligations.

Notes to Condensed Consolidated Interim Financial Statements (Continued)

(All amounts expressed in thousands of RMB unless otherwise stated)

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

48.1 Credit risk (Continued)

48.1.2 Risk limit control and mitigation policies (Continued)

(ii) Credit-related off-balance sheet commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees are irrevocable commitments made by the Group for which the Group must make payments to the third party when its customers fail to satisfy this obligation. Hence, the Group carries the same credit risks as loans. The Group usually takes cash collateral to mitigate such credit risk. The Group's maximum exposure to credit risk equals the total amount of credit-related off-balance sheet commitments.

48.1.3 Maximum exposure to credit risk before collateral held or other credit enhancements

	As at 30 June 2021	As at 31 December 2020
Credit risk exposures relating to on-balance sheet financial assets are as follows:		
Balances with the central bank	116,476,607	97,168,400
Deposits with banks and other financial institutions	7,576,559	11,298,071
Placements with banks and other financial institutions	8,907,806	5,276,712
Derivative financial assets	117,014	137,998
Financial assets held under resale agreements	15,444,224	249,376
Loans and advances to customers	615,847,244	553,399,162
Investment securities – financial assets at fair value through profit or loss	103,167,790	123,050,846
Investment securities – financial assets at fair value through other comprehensive income	125,915,736	120,331,283
Investment securities – financial assets at amortised cost	295,747,648	266,910,064
Finance lease receivables	57,140,204	49,053,964
Other financial assets	3,066,646	3,214,469
Total	1,349,407,478	1,230,090,345
Credit risk exposures in relation to off-balance sheet items are as follows:		
Bank acceptance	44,551,251	40,303,011
Letters of credit	9,471,188	6,262,490
Letters of guarantee	19,770,191	15,645,344
Loan commitments	1,824,262	1,711,011
Unused credit card lines	48,703,571	42,218,513
Total	124,320,463	106,140,369

Notes to Condensed Consolidated Interim Financial Statements (Continued)

(All amounts expressed in thousands of RMB unless otherwise stated)

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

48.1 Credit risk (Continued)

48.1.3 Maximum exposure to credit risk before collateral held or other credit enhancements (Continued)

The above table represents the worst-case scenario of credit risk exposure to the Group at 30 June 2021 and 31 December 2020, without taking into account any collateral held or other credit enhancements attached. For on-balance-sheet assets, the exposures set out above are based on net carrying amounts as reported in the consolidated statement of financial position.

As mentioned above, 45.64% of on-balance-sheet exposure is attributable to loans and advances to customers (31 December 2020: 44.99%).

Management is confident in its ability to continue to control and sustain the Group's minimal exposure to credit risk from its loans and advances portfolio based on the following:

- 96.78% of the loans and advances are categorized as Pass in the five-category system (31 December 2020: 96.82%);
- Collateralized loans and mortgage loans, which represent the largest group in the corporate and retail portfolio respectively, are secured by collateral;
- 98.04% of the loans and advances are considered to be neither past due nor impaired (31 December 2020: 97.65%).

48.1.4 Deposits with banks and other financial institutions, placements with and loans to banks and other financial institutions and financial assets held under resale agreements

The credit risk can be evaluated based on the credibility of the counterparties.

	As at 30 June 2021	As at 31 December 2020
Commercial banks in Chinese mainland	6,481,569	9,219,486
Other financial institutions in Chinese mainland	24,657,573	5,946,109
Commercial banks outside Chinese mainland	789,447	1,658,564
Total	31,928,589	16,824,159

Notes to Condensed Consolidated Interim Financial Statements (Continued)

(All amounts expressed in thousands of RMB unless otherwise stated)

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

48.1 Credit risk (Continued)

48.1.5 Loans and advances to customers

Loans and advances three-staging exposure

Loans and advances to customers (excluding interest receivable) by five-category loan classification and three-staging are analyzed as follows:

	As at 30 June 2021			Total
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL – impaired)	
Pass	613,794,890	3,616,272	–	617,411,162
Special-mention	–	9,977,677	–	9,977,677
Loss	–	–	10,584,285	10,584,285
Total	613,794,890	13,593,949	10,584,285	637,973,124

	As at 31 December 2020			Total
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL – impaired)	
Pass	552,542,909	2,200,463	–	554,743,372
Special-mention	–	6,852,208	–	6,852,208
Loss	–	–	11,358,061	11,358,061
Total	552,542,909	9,052,671	11,358,061	572,953,641

Notes to Condensed Consolidated Interim Financial Statements (Continued)

(All amounts expressed in thousands of RMB unless otherwise stated)

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

48.1 Credit risk (Continued)

48.1.5 Loans and advances to customers (Continued)

(a) Analysis of loans and advances to customers by industry

Concentrations of credit risk of loans and advances to customers(excluding interest receivable) are analyzed by industry as follows:

	As at 30 June 2021		As at 31 December 2020	
	Amount	%	Amount	%
Corporate loans				
Commerce and service	66,117,163	10	53,886,196	9
Manufacturing	59,207,187	9	53,325,454	9
Public utilities	151,964,340	23	137,275,043	22
Real estate	34,456,519	5	26,944,583	5
Construction	30,897,133	5	26,722,318	5
Transportation	9,155,558	1	7,321,525	1
Energy and chemistry	17,093,309	3	12,000,230	2
Catering and travelling	731,544	1	874,917	1
Education and media	2,402,495	1	2,269,525	1
Financial services	6,494,479	1	2,914,720	1
Others	961,376	1	1,577,776	1
Discounted bills	26,367,002	4	27,759,091	5
Subtotal	405,848,105	64	352,871,378	62
Personal loans and advances				
Mortgages	122,714,813	19	112,373,339	19
Revolving loans for private business	4,440,222	1	6,460,324	1
Others	104,969,984	16	101,248,600	18
Subtotal	232,125,019	36	220,082,263	38
Total loans and advances to customers, before impairment allowance	637,973,124	100	572,953,641	100

Notes to Condensed Consolidated Interim Financial Statements (Continued)

(All amounts expressed in thousands of RMB unless otherwise stated)

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

48.1 Credit risk (Continued)

48.1.5 Loans and advances to customers (Continued)

(b) Analysis of loans and advances to customers by collateral type

The contractual amounts of loans and advances to customers (excluding interest receivable) are analyzed by security type as follows:

	As at 30 June 2021	As at 31 December 2020
Unsecured	136,795,094	116,125,407
Guaranteed	114,533,949	102,482,864
Collateralized	219,802,615	201,989,631
Pledged	166,841,466	152,355,739
Total loans and advances to customers	637,973,124	572,953,641

(c) Analysis of loans and advances to customers (excluding interest receivable) by geographical area

	As at 30 June 2021			As at 31 December 2020		
	Total	%	NPL ratio	Total	%	NPL ratio
Anhui province	556,372,416	87.20%	1.34%	504,557,431	88.06%	1.55%
Jiangsu province	49,025,995	7.68%	3.57%	46,398,552	8.10%	3.60%
Others	32,574,713	5.12%	4.17%	21,997,658	3.84%	8.50%
Total loans and advances to customers	637,973,124	100.00%	1.66%	572,953,641	100.00%	1.98%

(d) Analysis of loans and advances to customers (excluding interest receivable) by overdue and impaired status

	As at 30 June 2021		As at 31 December 2020	
	Corporate loans	Personal loans and advances	Corporate loans	Personal loans and advances
Neither overdue nor impaired ^(e)	396,605,908	228,836,797	342,055,311	217,407,576
Overdue but not impaired ^(f)	561,389	1,384,745	987,161	1,145,532
Impaired ^(g)	8,680,808	1,903,477	9,828,906	1,529,155
Total	405,848,105	232,125,019	352,871,378	220,082,263
Less: impairment allowance	(17,770,488)	(5,837,786)	(14,658,567)	(5,993,567)
Total impairment allowance	(17,770,488)	(5,837,786)	(14,658,567)	(5,993,567)
Net	388,077,617	226,287,233	338,212,811	214,088,696

Notes to Condensed Consolidated Interim Financial Statements (Continued)

(All amounts expressed in thousands of RMB unless otherwise stated)

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

48.1 Credit risk (Continued)

48.1.5 Loans and advances to customers (Continued)

(e) Loans and advances neither past due nor impaired

As at 30 June 2021

Neither overdue nor impaired	Five-category classification		
	Pass	Special-mention	Total
Corporate loans			
– Commercial loans	361,681,797	8,557,109	370,238,906
– Discounted bills	26,367,002	–	26,367,002
Subtotal	388,048,799	8,557,109	396,605,908
Personal loans and advances	228,679,011	157,786	228,836,797
Total	616,727,810	8,714,895	625,442,705

As at 31 December 2020

Neither overdue nor impaired	Five-category classification		
	Pass	Special-mention	Total
Corporate loans			
– Commercial loans	309,107,774	5,188,446	314,296,220
– Discounted bills	27,759,091	–	27,759,091
Subtotal	336,866,865	5,188,446	342,055,311
Personal loans and advances	217,195,490	212,086	217,407,576
Total	554,062,355	5,400,532	559,462,887

Notes to Condensed Consolidated Interim Financial Statements (Continued)

(All amounts expressed in thousands of RMB unless otherwise stated)

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

48.1 Credit risk (Continued)

48.1.5 Loans and advances to customers (Continued)

(f) Loans and advances overdue but not impaired

Analysis of loans and advances overdue but not impaired by number of overdue days:

As at 30 June 2021

	Up to 30 days	30 to 60 days	60 to 90 days	Over 90 days	Total
Corporate loans	387,060	174,329	–	–	561,389
Personal loans and advances	897,376	487,011	358	–	1,384,745
Total	1,284,436	661,340	358	–	1,946,134

As at 31 December 2020

	Up to 30 days	30 to 60 days	60 to 90 days	Over 90 days	Total
Corporate loans	585,202	374,959	27,000	–	987,161
Personal loans and advances	774,436	371,096	–	–	1,145,532
Total	1,359,638	746,055	27,000	–	2,132,693

The Group is of the view that these past due loans can be recovered by the operating income from borrowers, the payment from guarantors or disposal of collateral and are therefore not impaired.

As at 30 June 2021 and 31 December 2020, the fair values of collateral for corporate loans that were past due but not impaired amounted to RMB2,697,154 thousand and RMB3,110,257 thousand. The fair values of collateral for retail loans that were past due but not impaired amounted to RMB699,297 thousand and RMB425,003 thousand.

Fair values of collateral were determined by management based on the latest available external valuation results, taking into account experience adjustments for current market conditions and estimated expenses to be incurred in the disposal process.

Notes to Condensed Consolidated Interim Financial Statements (Continued)

(All amounts expressed in thousands of RMB unless otherwise stated)

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

48.1 Credit risk (Continued)

48.1.5 Loans and advances to customers (Continued)

(g) Impaired loans and advances

The breakdown of the gross amount of impaired loans and advances by class, along with the fair value of the related collateral held by the Group as security, is as follows:

	As at 30 June 2021	As at 31 December 2020
Corporate loans	8,680,808	9,828,906
Personal loans and advances	1,903,477	1,529,155
Total	10,584,285	11,358,061
Fair value of collateral		
Corporate loans	11,004,374	12,946,235
Personal loans and advances	1,022,035	973,453
Total	12,026,409	13,919,688

The fair values of collateral are estimated based on the latest external valuations available, considering the liquidity of the current collateral and the market conditions.

(h) Restructured loans and advances

Restructured loans and advances represent the loans whose original contract repayment terms have been modified as a result of the deterioration of borrowers' financial conditions or inability to repay the loans according to contractual terms. As at 30 June 2021, the carrying value of the restructured loans held by the Group amounted to RMB1,873 million (31 December 2020: RMB638 million).

Notes to Condensed Consolidated Interim Financial Statements (Continued)

(All amounts expressed in thousands of RMB unless otherwise stated)

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

48.1 Credit risk (Continued)

48.1.5 Loans and advances to customers (Continued)

(i) Overdue loans and advances by number of overdue days and by collateral type

As at 30 June 2021					
	Overdue 1 to 90 days (inclusive)	Overdue 90 days to 1 year (inclusive)	Overdue 1 year to 3 years (inclusive)	Overdue over 3 years	Total
Unsecured	976,111	3,877,515	409,320	1,193	5,264,139
Guaranteed	311,565	1,246,598	1,392,849	2,495	2,953,507
Collateralized	1,099,900	1,080,868	826,190	75,322	3,082,280
Pledged	70,551	118,129	35,371	–	224,051
Total	2,458,127	6,323,110	2,663,730	79,010	11,523,977

As at 31 December 2020					
	Overdue 1 to 90 days (inclusive)	Overdue 90 days to 1 year (inclusive)	Overdue 1 year to 3 years (inclusive)	Overdue over 3 years	Total
Unsecured	1,108,631	3,337,577	171,882	802	4,618,892
Guaranteed	1,176,169	1,540,313	986,149	2,417	3,705,048
Collateralized	1,285,585	1,496,698	567,765	54,466	3,404,514
Pledged	416,935	598,667	3,940	–	1,019,542
Total	3,987,320	6,973,255	1,729,736	57,685	12,747,996

Notes to Condensed Consolidated Interim Financial Statements (Continued)

(All amounts expressed in thousands of RMB unless otherwise stated)

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

48.1 Credit risk (Continued)

48.1.6 Financial investments

The table below presents an analysis of financial assets at amortised cost (excluding interest receivable) by rating from independent credit agencies:

	As at 30 June 2021			
	Stage 1	Stage 2	Stage 3	Total
AAA	59,891,441	127,973	–	60,019,414
AA- to AA+	3,694,944	258,095	–	3,953,039
A- to A+	900,000	–	–	900,000
Unrated ^(a)	227,740,693	3,402,806	9,385,716	240,529,215
Total	292,227,078	3,788,874	9,385,716	305,401,668
Less: allowance for impairment losses	(3,065,816)	(1,726,501)	(9,373,033)	(14,165,350)
Net balance	289,161,262	2,062,373	12,683	291,236,318

	As at 31 December 2020			
	Stage 1	Stage 2	Stage 3	Total
AAA	48,024,917	127,939	–	48,152,856
AA- to AA+	1,921,494	–	–	1,921,494
Unrated ^(a)	212,226,060	2,536,291	9,385,716	224,148,067
Total	262,172,471	2,664,230	9,385,716	274,222,417
Less: allowance for impairment losses	(2,391,052)	(996,204)	(8,745,070)	(12,132,326)
Net balance	259,781,419	1,668,026	640,646	262,090,091

Notes to Condensed Consolidated Interim Financial Statements (Continued)

(All amounts expressed in thousands of RMB unless otherwise stated)

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

48.1 Credit risk (Continued)

48.1.6 Financial investments (Continued)

The movements of financial assets at amortised cost are as follows:

	Six month period ended 30 June 2021			
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL-impaired)	Total
As at 1 January 2021	2,391,052	996,204	8,745,070	12,132,326
Addition	1,677,871	(272,810)	627,963	2,033,024
Stage conversion				
Transfers to Stage 1	–	–	–	–
Transfers to Stage 2	(1,003,107)	1,003,107	–	–
Transfers to Stage 3	–	–	–	–
Write-off and transfer out	–	–	–	–
Recovery of loans and advances written off	–	–	–	–
At 30 June 2021	3,065,816	1,726,501	9,373,033	14,165,350

	Year ended 31 December 2020			
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL-impaired)	Total
As at 1 January 2020	2,917,406	3,592,054	4,904,817	11,414,277
Addition	(723,420)	(241,944)	1,683,413	718,049
Stage conversion				
Transfers to Stage 1	200,157	(200,157)	–	–
Transfers to Stage 2	(3,091)	3,091	–	–
Transfers to Stage 3	–	(2,156,840)	2,156,840	–
Write-off and transfer out	–	–	–	–
At 31 December 2020	2,391,052	996,204	8,745,070	12,132,326

Notes to Condensed Consolidated Interim Financial Statements (Continued)

(All amounts expressed in thousands of RMB unless otherwise stated)

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

48.1 Credit risk (Continued)

48.1.6 Financial investments (Continued)

The table below presents an analysis of debt instruments of financial assets at fair value through other comprehensive income (excluding interest receivable) by rating from independent credit agencies:

	As at 30 June 2021			
	Stage 1	Stage 2	Stage 3	Total
AAA	28,919,416	–	–	28,919,416
AA- to AA+	14,520,302	110,644	–	14,630,946
A- to A+	149,995	–	–	149,995
Unrated ^(b)	79,132,042	710,699	–	79,842,741
Total	122,721,755	821,343	–	123,543,098
Allowance for impairment losses	(405,339)	(233,641)	–	(638,980)

	As at 31 December 2020			
	Stage 1	Stage 2	Stage 3	Total
AAA	35,097,285	–	–	35,097,285
AA- to AA+	6,933,718	111,184	–	7,044,902
A- to A+	299,553	–	–	299,553
Unrated ^(b)	75,424,871	681,651	–	76,106,522
Total	117,755,427	792,835	–	118,548,262
Allowance for impairment losses	(216,239)	(68,469)	–	(284,708)

Notes to Condensed Consolidated Interim Financial Statements (Continued)

(All amounts expressed in thousands of RMB unless otherwise stated)

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

48.1 Credit risk (Continued)

48.1.6 Financial investments (Continued)

The movements of debt instruments of financial assets at fair value through other comprehensive income are as follows:

	Six month period ended 30 June 2021			
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL-impaired)	Total
As at 1 January 2021	216,239	68,469	–	284,708
Addition	189,100	165,172	–	354,272
Stage conversion				
Transfers to Stage 1	–	–	–	–
Transfers to Stage 2	–	–	–	–
Transfers to Stage 3	–	–	–	–
At 30 June 2021	405,339	233,641	–	638,980

	As at 31 December 2020			
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL-impaired)	Total
As at 1 January 2020	243,265	137,251	150,484	531,000
Addition	(19,749)	(76,059)	9,516	(86,292)
Stage conversion				
Transfers to Stage 1	–	–	–	–
Transfers to Stage 2	(7,277)	7,277	–	–
Transfers to Stage 3	–	–	–	–
Write-off and transfer out	–	–	(160,000)	(160,000)
At 31 December 2020	216,239	68,469	–	284,708

Notes to Condensed Consolidated Interim Financial Statements (Continued)

(All amounts expressed in thousands of RMB unless otherwise stated)

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

48.1 Credit risk (Continued)

48.1.6 Financial investments (Continued)

The table below presents an analysis of debt instruments of financial assets at fair value through profit or loss (excluding interest receivable) by rating from independent credit agencies:

	As at 30 June 2021	As at 31 December 2020
AAA	2,159,835	1,068,813
AA- to AA+	165,439	642,502
A- to A+	–	29,874
Unrated ^(c)	99,977,091	120,390,338
Total	102,302,365	122,131,527

- (a) The unrated financial assets at amortised cost held by the Group mainly represent investments issued by the Ministry of Finance of the PRC (“MOF”), policy banks and creditworthy issuers in the market, as well as investments of asset management schemes, trusts and principal-guaranteed wealth management products issued by other financial institutions.
- (b) The unrated debt instruments of financial assets at fair value through other comprehensive income held by the Group mainly represent investments issued by the MOF, policy banks, creditworthy issuers in the market and other financial institutions.
- (c) The unrated debt instruments of financial assets at fair value through profit or loss held by the Group mainly represent investments and trading securities issued by the MOF, policy banks and creditworthy issuers in the market, as well as investments of asset management schemes, trusts and wealth management products issued by other financial institutions.

48.1.7 Foreclosed collateral

	As at 30 June 2021	As at 31 December 2020
Property and land use rights	180,600	151,320
Others	76,299	148,727
Total	256,899	300,047
Allowance for impairment losses (Note 26)	(93,649)	(97,278)
Net balance	163,250	202,769

Foreclosed properties are sold as soon as practicable with the proceeds used to reduce the outstanding indebtedness. Foreclosed property cannot be used for operating activities. Foreclosed property is classified within other assets at the end of reporting period.

Notes to Condensed Consolidated Interim Financial Statements (Continued)

(All amounts expressed in thousands of RMB unless otherwise stated)

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

48.1 Credit risk (Continued)

48.1.8 Concentration of risks of financial assets with credit risk exposure

Geographical sectors

As at 30 June 2021	Chinese mainland	Hong Kong	Others	Total
Financial assets				
Balances with the central bank	116,476,607	-	-	116,476,607
Deposits with banks and other financial institutions	6,815,413	86,609	674,537	7,576,559
Placements with banks and other financial institutions	8,907,806	-	-	8,907,806
Derivative financial assets	117,014	-	-	117,014
Financial assets held under resale agreements	15,444,224	-	-	15,444,224
Loans and advances to customers	615,847,244	-	-	615,847,244
Financial investments				
– financial assets at fair value through profit or loss	103,167,790	-	-	103,167,790
Financial investments				
– financial assets at fair value through other comprehensive income	125,915,736	-	-	125,915,736
Financial investments				
– financial assets at amortised cost	295,607,633	140,015	-	295,747,648
Finance lease receivables	57,140,204	-	-	57,140,204
Other financial assets	3,066,646	-	-	3,066,646
Total	1,348,506,317	226,624	674,537	1,349,407,478

Notes to Condensed Consolidated Interim Financial Statements (Continued)

(All amounts expressed in thousands of RMB unless otherwise stated)

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

48.1 Credit risk (Continued)

48.1.8 Concentration of risks of financial assets with credit risk exposure (Continued)

Geographical sectors (Continued)

As at 31 December 2020	Mainland China	Hong Kong	Others	Total
Financial assets				
Balances with the central bank	97,168,400	–	–	97,168,400
Deposits with banks and other financial institutions	10,051,085	212,880	1,034,106	11,298,071
Placements with banks and other financial institutions	5,156,712	–	120,000	5,276,712
Derivative financial assets	137,998	–	–	137,998
Financial assets held under resale agreements	249,376	–	–	249,376
Loans and advances to customers	553,399,162	–	–	553,399,162
Financial investments				
– financial assets at fair value through profit or loss	123,050,846	–	–	123,050,846
Financial investments				
– financial assets at fair value through other comprehensive income	120,331,283	–	–	120,331,283
Financial investments				
– financial assets at amortised cost	266,509,901	400,163	–	266,910,064
Finance lease receivables	49,053,964	–	–	49,053,964
Other financial assets	3,214,469	–	–	3,214,469
Total	1,228,323,196	613,043	1,154,106	1,230,090,345

Notes to Condensed Consolidated Interim Financial Statements (Continued)

(All amounts expressed in thousands of RMB unless otherwise stated)

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

48.2 Market risk

48.2.1 Overview

The Group has exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. It mainly represents volatility risk arising from interest rates, foreign exchange rates, stocks, commodities and their implied volatility.

The Group's market risk mainly includes trading risks arising from trading portfolio and interest rate and foreign exchange rate risks for non-trading portfolio resulted from changes in interest rates, foreign exchange rates and term structures.

The board of directors of the Group takes the ultimate responsibility for the oversight of market risk management and is responsible for the identification, measurement, monitoring, control and reporting of market risks on a Group basis. Within the authorization of the board of directors, the management is fully responsible for implementing the market risk management strategy, policies and decisions that are adopted by the board of directors. The Risk Management Department of the Head Office is the unified management department of market risk, institutionally manages the market risks of the whole bank and supervises the implementation of relevant departments.

48.2.2 Market risk measurement techniques

The Group mainly measures and controls market risk by conducting sensitivity analysis, foreign exchange exposure analysis, gap analysis, duration analysis, stress testing and the VaR (value at risk). The Group establishes strict authorization and exposure limits based on its overall ability to afford market risk, the types of products and the Group's business strategy. The Group sets different exposure limits and takes different quantitative measurements to manage different types of market risk of trading book and banking book. The Group also improves its funding risk management system, adjusts the related risk parameter and refines the risk measurement model in accordance with regulatory requirements.

48.2.3 Interest rate risk

Interest rate risk refers to the risk of fluctuation in interest rates which results in adverse impact on the financial position of the Bank. Interest rate risk of the Bank primarily arises from the structural mismatch of maturity or re-pricing periods for our banking portfolio. Such structural mismatch of durations may cause the Bank interest income to be affected by changes in the prevailing interest rate. In addition, different pricing benchmarks for different products may also lead to interest rate risk for our assets and liabilities within the same re-pricing period. Currently, the Bank primarily assesses its exposure to interest rate risk through gap analysis, sensitivity analysis and duration analysis. The Bank manages its interest rate risk exposure primarily by adjusting the duration of our banking portfolio based on its assessment of potential changes in the interest rate environment.

Notes to Condensed Consolidated Interim Financial Statements (Continued)

(All amounts expressed in thousands of RMB unless otherwise stated)

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

48.2 Market risk (Continued)

48.2.3 Interest rate risk (Continued)

The table below summarizes the Group's exposure to interest rate risk. It includes the Group's on-balance sheet assets and liabilities at carrying amounts, categorized by the earlier of contractual re-pricing and maturity dates and are presented at book value.

As at 30 June 2021	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Non-interest - bearing	Total
Assets							
Cash and balances with the central bank	116,443,334	-	-	-	-	1,345,323	117,788,657
Deposits with banks and other financial institutions	7,363,559	45,000	165,000	-	-	3,000	7,576,559
Placements with banks and other financial institutions	-	1,297,595	7,540,848	-	-	69,363	8,907,806
Derivative financial assets	-	-	-	-	-	117,014	117,014
Financial assets held under resale agreements	15,444,211	-	-	-	-	13	15,444,224
Loans and advances to customers	202,856,461	177,798,010	72,853,995	22,694,004	137,538,207	2,106,567	615,847,244
Financial Investments							
- financial assets at fair value through profit or loss	37,892,474	1,975,222	18,086,870	21,175,943	2,978,544	21,058,737	103,167,790
- financial assets at fair value through other comprehensive income	7,070,414	2,592,427	11,206,631	79,216,240	23,455,669	2,599,722	126,141,103
- financial assets at amortised cost	4,378,352	4,514,370	18,741,733	193,179,181	70,422,682	4,511,330	295,747,648
Finance lease receivables	51,299,349	341,729	2,117,519	2,598,406	-	783,201	57,140,204
Other financial assets	-	-	-	-	-	3,066,646	3,066,646
Total assets	442,748,154	188,564,353	130,712,596	318,863,774	234,395,102	35,660,916	1,350,944,895
Liabilities							
Borrowings from the central bank	(9,092,139)	(23,632,773)	(35,612,683)	-	-	(877,395)	(69,214,990)
Deposits from banks and other financial institutions	(40,124,847)	(18,912,564)	(41,398,542)	(17,620,185)	(6,000,000)	(1,636,332)	(125,692,470)
Placements from banks and other financial institutions	(7,455,055)	(7,417,542)	(25,125,500)	(190,000)	-	(1,745)	(40,189,842)
Derivative financial liabilities	-	-	-	-	-	(107,697)	(107,697)
Financial assets sold under repurchase agreements	(25,856,614)	(2,345,940)	(14,379,643)	-	-	(225,312)	(42,807,509)
Deposits from customers	(411,097,455)	(24,824,752)	(122,233,574)	(223,221,814)	(1,000,016)	(14,568,408)	(796,946,019)
Debt securities issued	(10,887,584)	(26,445,755)	(124,149,224)	(12,699,503)	(8,000,000)	(522,217)	(182,704,283)
Other financial liabilities	-	(130)	(11,636)	(609,096)	(333,488)	(3,516,057)	(4,470,407)
Total liabilities	(504,513,694)	(103,579,456)	(362,910,802)	(254,340,598)	(15,333,504)	(21,455,163)	(1,262,133,217)
Total interest rate sensitivity gap	(61,765,540)	84,984,897	(232,198,206)	64,523,176	219,061,598	14,205,753	88,811,678

Notes to Condensed Consolidated Interim Financial Statements (Continued)

(All amounts expressed in thousands of RMB unless otherwise stated)

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

48.2 Market risk (Continued)

48.2.3 Interest rate risk (Continued)

As at 31 December 2020	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Non-interest - bearing	Total
Assets							
Cash and balances with central bank	97,132,962	-	-	-	-	1,251,239	98,384,201
Deposits with banks and other financial institutions	11,257,952	-	-	-	-	40,119	11,298,071
Placements with banks and other financial institutions	-	2,771,757	2,443,141	-	-	61,814	5,276,712
Derivative financial assets	-	-	-	-	-	137,998	137,998
Financial assets held under resale agreements	249,206	-	-	-	-	170	249,376
Loans and advances to customers	183,469,481	156,722,865	54,759,472	28,491,650	127,051,101	2,904,593	553,399,162
Financial Investments							
- financial assets at fair value through profit or loss	46,948,025	7,862,697	13,464,345	26,036,186	2,464,315	26,275,278	123,050,846
- financial assets at fair value through other comprehensive income	1,137,962	4,248,800	15,320,174	67,374,165	30,467,161	2,017,786	120,566,048
- financial assets at amortised cost	4,751,478	9,861,128	21,784,893	170,041,365	55,651,227	4,819,973	266,910,064
Finance lease receivables	38,663,665	231,815	5,872,685	3,661,304	-	624,495	49,053,964
Other financial assets	-	-	-	-	-	3,214,469	3,214,469
Total assets	383,610,731	181,699,062	113,644,710	295,604,670	215,633,804	41,347,934	1,231,540,911
Liabilities							
Borrowings from central bank	(4,340,754)	(9,228,292)	(55,499,956)	-	-	(514,281)	(69,583,283)
Deposits from banks and other financial institutions	(26,374,458)	(23,359,018)	(24,701,001)	(18,076,249)	-	(1,079,158)	(93,589,884)
Placements from banks and other financial institutions	(6,400,599)	(7,428,500)	(20,900,933)	(200,000)	-	(364,544)	(35,294,576)
Derivative financial liabilities	-	-	-	-	-	(140,781)	(140,781)
Financial assets sold under repurchase agreements	(24,318,675)	(2,108,180)	(13,772,759)	-	-	(199,757)	(40,399,371)
Deposits from customers	(390,507,215)	(37,570,885)	(95,329,707)	(168,996,623)	(20,548,667)	(13,789,681)	(726,742,778)
Debt securities issued	(7,985,690)	(42,538,250)	(95,185,657)	(21,999,282)	(11,995,158)	(931,658)	(180,635,695)
Other financial liabilities	(45)	(110)	(14,961)	(567,654)	(381,397)	(4,132,108)	(5,096,275)
Total liabilities	(459,927,436)	(122,233,235)	(305,404,974)	(209,839,808)	(32,925,222)	(21,151,968)	(1,151,482,643)
Total interest rate sensitivity gap	(76,316,705)	59,465,827	(191,760,264)	85,764,862	182,708,582	20,195,966	80,058,268

Notes to Condensed Consolidated Interim Financial Statements (Continued)

(All amounts expressed in thousands of RMB unless otherwise stated)

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

48.2 Market risk (Continued)

48.2.3 Interest rate risk (Continued)

The Group narrows its interest rate sensitivity gap between assets and liabilities mainly through shorter durations for investments and resetting loan price.

The currency for the majority of Group's interest-bearing assets and liabilities is RMB. The potential impact on net interest income as at the end of reporting period with 100 basis points changes along the yield curve is as follows:

	Estimated changes in net interest income	
	As at 30 June 2021	As at 31 December 2020
100 bps up along the yield curve	2,061,494	1,577,532
100 bps down along the yield curve	(2,061,494)	(1,577,532)

The sensitivity analysis on other comprehensive income reflects only the effect of changes in fair value of those financial instruments classified as "other comprehensive income", whose fair values changes are recorded as an element of other comprehensive income. The potential impacts are as follows:

	As at 30 June 2021	As at 31 December 2020
100 bps up	(3,251,081)	(2,829,305)
100 bps down	3,433,299	3,001,527

During the interest rate sensitivity analysis, the Group adopts the following assumptions when determining business conditions and financial index:

- The fluctuation rates of different interest-bearing assets and liabilities are the same;
- Demand deposits will not be re-priced;
- All assets and liabilities are re-priced during relevant periods;
- Analysis is based on static gap on balance sheet date, regardless of subsequent changes;
- No consideration of impact on customers' behaviour resulting from interest rate changes;
- No consideration of impact on market price resulting from interest rate changes; and
- No consideration of actions taken by the Group.

Therefore, the actual changes of net profit may differ from the analysis above.

Notes to Condensed Consolidated Interim Financial Statements (Continued)

(All amounts expressed in thousands of RMB unless otherwise stated)

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

48.2 Market risk (Continued)

48.2.4 Currency risk

The Group takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows.

The major principle for controlling the currency risk of the Group is to match assets and liabilities in different currencies and to keep currency risk within limits. Based on the guidelines provided by the Risk Management Committee, relevant laws and regulations as well as evaluation on the current market, the Group sets its risk limits and minimize the possibility of mismatch through more reasonable allocation of foreign currency source and deployment. Authorization management of foreign currency exposure is categorized by business type and trader's limit of authority.

Tables below summarize the Group's exposure to foreign currency exchange rate risk at balance sheet date. Included in tables below are the Group's assets and liabilities at carrying amounts in RMB, categorized by the original currency:

	RMB	USD	EURO	Others	Total
As at 30 June 2021					
Assets					
Cash and balances with the central bank	117,554,609	230,693	394	2,961	117,788,657
Deposits with banks and other financial institutions	3,293,484	2,450,835	1,675,974	156,266	7,576,559
Placements with banks and other financial institutions	8,907,806	-	-	-	8,907,806
Derivative financial assets	94,845	14,350	861	6,958	117,014
Financial assets held under resale agreements	15,444,224	-	-	-	15,444,224
Loans and advances to customers	611,281,165	4,547,456	18,623	-	615,847,244
Financial investments					
- financial assets at fair value through profit or loss	103,158,512	9,278	-	-	103,167,790
- financial assets at fair value through other comprehensive income	126,141,103	-	-	-	126,141,103
- financial assets at amortised cost	295,607,633	140,015	-	-	295,747,648
Finance lease receivables	57,140,204	-	-	-	57,140,204
Other financial assets	3,066,000	646	-	-	3,066,646
Total assets	1,341,689,585	7,393,273	1,695,852	166,185	1,350,944,895

Notes to Condensed Consolidated Interim Financial Statements (Continued)

(All amounts expressed in thousands of RMB unless otherwise stated)

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

48.2 Market risk (Continued)

48.2.4 Currency risk (Continued)

	RMB	USD	EURO	Others	Total
Liabilities					
Borrowings from the central bank	(69,214,990)	-	-	-	(69,214,990)
Deposits from banks and other financial institutions	(125,434,933)	(248,265)	(8,542)	(730)	(125,692,470)
Placements from banks and other financial institutions	(40,189,842)	-	-	-	(40,189,842)
Derivative financial liabilities	(93,679)	(13,185)	(833)	-	(107,697)
Financial assets sold under repurchase agreements	(42,807,509)	-	-	-	(42,807,509)
Deposits from customers	(792,431,283)	(3,783,455)	(28,496)	(702,785)	(796,946,019)
Debt securities issued	(182,704,283)	-	-	-	(182,704,283)
Other financial liabilities	(4,470,267)	(137)	-	(3)	(4,470,407)
Total liabilities	(1,257,346,786)	(4,045,042)	(37,871)	(703,518)	(1,262,133,217)
Net on-balance sheet financial position	84,342,799	3,348,231	1,657,981	(537,333)	88,811,678
Financial guarantees and credit commitments	110,807,511	12,909,478	320,111	283,363	124,320,463

Notes to Condensed Consolidated Interim Financial Statements (Continued)

(All amounts expressed in thousands of RMB unless otherwise stated)

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

48.2 Market risk (Continued)

48.2.4 Currency risk (Continued)

Tables below summarize the Group's exposure to foreign currency exchange rate risk at balance sheet date. Included in tables below are the Group's assets and liabilities at carrying amounts in RMB, categorized by the original currency: (Continued)

	RMB	USD	EUR	Others	Total
As at 31 December 2020					
Assets					
Cash and balances with central bank	98,170,137	212,642	412	1,010	98,384,201
Deposits with banks and other financial institutions	6,647,129	3,931,501	45,667	673,774	11,298,071
Placements with banks and other financial institutions	5,276,712	-	-	-	5,276,712
Derivative financial assets	66,561	68,732	2,705	-	137,998
Financial assets held under resale agreements	249,376	-	-	-	249,376
Loans and advances to customers	548,974,127	4,424,102	933	-	553,399,162
Financial investments					
- financial assets at fair value through profit or loss	123,041,408	9,438	-	-	123,050,846
- financial assets at fair value through other comprehensive income	120,566,048	-	-	-	120,566,048
- financial assets at amortised cost	266,509,901	400,163	-	-	266,910,064
Finance lease receivables	49,053,964	-	-	-	49,053,964
Other financial assets	3,203,195	11,274	-	-	3,214,469
Total assets	1,221,758,558	9,057,852	49,717	674,784	1,231,540,911
Liabilities					
Borrowings from central bank	(69,583,283)	-	-	-	(69,583,283)
Deposits from banks and other financial institutions	(93,205,264)	(384,426)	-	(194)	(93,589,884)
Placements from banks and other financial institutions	(33,269,683)	(2,024,893)	-	-	(35,294,576)
Derivative financial liabilities	(119,717)	(16,837)	(2,611)	(1,616)	(140,781)
Financial assets sold under repurchase agreements	(40,399,371)	-	-	-	(40,399,371)
Deposits from customers	(722,208,530)	(3,723,374)	(22,574)	(788,300)	(726,742,778)
Debt securities issued	(180,635,695)	-	-	-	(180,635,695)
Other financial liabilities	(5,096,108)	(164)	-	(3)	(5,096,275)
Total liabilities	(1,144,517,651)	(6,149,694)	(25,185)	(790,113)	(1,151,482,643)
Net on-balance sheet financial position	77,240,907	2,908,158	24,532	(115,329)	80,058,268
Financial guarantees and credit commitments	94,081,148	11,342,961	386,566	329,694	106,140,369

Notes to Condensed Consolidated Interim Financial Statements (Continued)

(All amounts expressed in thousands of RMB unless otherwise stated)

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

48.2 Market risk (Continued)

48.2.4 Currency risk (Continued)

The Group's foreign currency exposure is not material. The major foreign currency exposure is with USD and EUR. The potential impact of 1% fluctuation of foreign currency against RMB on net profits resulted from foreign currency translation gain or loss is as follows:

	Estimated change in net profit/(loss)	
	As at 30 June 2021	As at 31 December 2020
1% of appreciation of foreign exchange against RMB	47,346	34,643
1% of depreciation of foreign exchange against RMB	(47,346)	(34,643)

During the sensitivity analysis, the Group adopts the following assumptions when determining the business conditions and financial index, regardless of the following:

- Analysis is based on static gap on the balance sheet date, regardless of subsequent changes;
- No consideration of impact on the customers' behaviour resulted from interest rate changes;
- No consideration of impact on market price resulted from interest rate changes; and
- No consideration of actions taken by the Group.

Therefore, the actual changes of net profit may differ from the analysis above.

48.3 Liquidity risk

48.3.1 Overview

Keeping a match between the maturity dates of assets and liabilities and maintaining an effective control over mismatches are of great importance to the Group. Due to the uncertainty of terms and types of business, it is difficult for banks to keep a perfect match. Unmatched position may increase revenues but it also exposes the Group to greater risks of losses.

The match between the maturity dates of assets and liabilities as well as a bank's ability to replace due liabilities with acceptable costs are both key factors when evaluating its exposure to liquidity, interest rate and foreign exchange rate risks.

The Group is exposed to daily calls on its available cash resources from overnight deposits, demand accounts, time deposits fall due, debt securities payable, loan drawdowns, guarantees and other calls on cash-settled derivatives. According to previous experience, a large portion of matured deposits were not withdrawn on the maturity date and are retained by the Group. The Group sets limits on the minimum proportion of funds to be made available to cover different levels of unexpected withdrawals.

Notes to Condensed Consolidated Interim Financial Statements (Continued)

(All amounts expressed in thousands of RMB unless otherwise stated)

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

48.3 Liquidity risk (Continued)

48.3.2 Cash flow of non-derivatives

The table below presents the cash flows receivable and payable by the Group under non-derivative financial liabilities and assets held for managing liquidity risk by remaining contractual maturity at the end of reporting period. The amounts disclosed in the table are the contractual undiscounted cash flows, and the Group manages the liquidity risk based on the estimation of future cash flows.

As at 30 June 2021	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Liabilities						
Borrowings from the central bank	(9,217,390)	(24,691,144)	(36,729,721)	-	-	(70,638,255)
Deposits from banks and other financial institutions	(40,284,445)	(19,175,343)	(42,034,831)	(20,488,815)	(7,062,409)	(129,045,843)
Placements from banks and other financial institutions	(7,470,185)	(7,491,223)	(25,764,704)	(199,265)	-	(40,925,377)
Financial assets sold under repurchase agreements	(25,898,128)	(2,405,916)	(14,738,750)	-	-	(43,042,794)
Deposits from customers	(412,761,498)	(25,702,973)	(130,091,630)	(247,151,058)	(1,213,709)	(816,920,868)
Debt securities issued	(10,947,595)	(27,440,381)	(127,258,214)	(21,214,000)	-	(186,860,190)
Other financial liabilities	(3,516,057)	(130)	(11,636)	(609,096)	(333,488)	(4,470,407)
Total liabilities (contractual maturity)	(510,095,298)	(106,907,110)	(376,629,486)	(289,662,234)	(8,609,606)	(1,291,903,734)
Assets						
Cash and balances with the central bank	117,788,657	-	-	-	-	117,788,657
Deposits with banks and other financial institutions	7,367,463	45,049	165,181	-	-	7,577,693
Placements with banks and other financial institutions	742,001	693,253	7,802,477	-	-	9,237,731
Financial assets held under resale agreements	15,444,249	-	-	-	-	15,444,249
Loans and advances to customers	57,777,800	30,248,452	161,978,444	182,510,776	414,803,247	847,318,719
Financial investments						
- Financial assets at fair value through profit or loss	59,332,003	2,118,887	18,545,516	21,439,534	3,168,014	104,603,954
- Financial assets at fair value through other comprehensive income	9,686,218	3,521,475	15,090,919	92,172,409	25,797,846	146,268,867
- Financial assets at amortised cost	10,129,996	6,795,241	28,115,958	228,739,868	81,107,142	354,888,205
Finance lease receivables	5,065,730	3,127,511	14,895,008	43,927,904	58,635	67,074,788
Other financial assets	2,351,420	34,996	362,080	276,070	42,080	3,066,646
Financial assets held for managing liquidity risk (contractual maturity)	285,685,537	46,584,864	246,955,583	569,066,561	524,976,964	1,673,269,509
Net liquidity	(224,409,761)	(60,322,246)	(129,673,903)	279,404,327	516,367,358	381,365,775

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(All amounts expressed in thousands of RMB unless otherwise stated)

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

48.3 Liquidity risk (Continued)

48.3.2 Cash flow of non-derivatives (Continued)

The table below presents the cash flows receivable and payable by the Group under non-derivative financial liabilities and assets held for managing liquidity risk by remaining contractual maturity at the end of reporting period. The amounts disclosed in the table are the contractual undiscounted cash flows, and the Group manages the liquidity risk based on the estimation of future cash flows. (Continued)

As at 31 December 2020	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Liabilities						
Borrowings from central bank	(4,912,301)	(9,338,714)	(57,429,050)	-	-	(71,680,065)
Deposits from banks and other financial institutions	(27,466,616)	(23,492,917)	(25,046,056)	(20,226,749)	-	(96,232,338)
Placements from banks and other financial institutions	(6,497,063)	(7,714,016)	(21,558,118)	(213,949)	-	(35,983,146)
Financial assets sold under repurchase agreements	(24,379,397)	(2,159,514)	(14,077,458)	-	-	(40,616,369)
Deposits from customers	(405,484,662)	(37,787,216)	(96,895,398)	(182,142,072)	(21,584,655)	(743,894,003)
Debt securities issued	(8,003,917)	(43,419,360)	(114,577,787)	(12,932,800)	(8,140,700)	(187,074,564)
Other financial liabilities	(4,132,153)	(110)	(14,961)	(567,654)	(381,397)	(5,096,275)
Total liabilities (contractual maturity)	(480,876,109)	(123,911,847)	(329,598,828)	(216,083,224)	(30,106,752)	(1,180,576,760)
Assets						
Cash and balances with central bank	98,384,201	-	-	-	-	98,384,201
Deposits with banks and other financial institutions	11,298,110	-	-	-	-	11,298,110
Placements with banks and other financial institutions	1,225,575	1,624,195	2,550,395	-	-	5,400,165
Financial assets held under resale agreements	249,624	-	-	-	-	249,624
Loans and advances to customers	55,424,439	43,242,309	115,843,806	166,369,977	386,533,696	767,414,227
Financial investments						
- Financial assets at fair value through profit or loss	73,353,977	8,108,348	14,893,020	29,364,435	11,860,459	137,580,239
- Financial assets at fair value through other comprehensive income	2,994,498	4,836,155	18,592,332	80,530,158	34,583,470	141,536,613
- Financial assets at amortised cost	9,600,534	12,207,752	31,535,004	204,640,715	60,173,290	318,157,295
Finance lease receivables	3,164,891	2,528,516	13,672,330	37,618,823	-	56,984,560
Other financial assets	2,219,038	503,096	375,051	101,169	16,115	3,214,469
Financial assets held for managing liquidity risk (contractual maturity)	257,914,887	73,050,371	197,461,938	518,625,277	493,167,030	1,540,219,503
Net liquidity	(222,961,222)	(50,861,476)	(132,136,890)	302,542,053	463,060,278	359,642,743

Notes to Condensed Consolidated Interim Financial Statements (Continued)

(All amounts expressed in thousands of RMB unless otherwise stated)

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

48.3 Liquidity risk (Continued)

48.3.3 Cash flow of derivative financial instruments

Derivatives settled on a gross basis

The Group's derivatives that will be settled on a gross basis include foreign exchange forward contracts and commodity derivatives. The table below analyses the Group's derivative financial instruments that will be settled on a gross basis into relevant maturity groupings based on the remaining periods from 30 June 2021 and 31 December 2020 to the contractual maturity date. The figures disclosed in the table are the contractual undiscounted cash flows.

As at 30 June 2021	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
Foreign exchange derivatives						
– Outflow	(521,706)	(154,238)	(921,916)	–	–	(1,597,860)
– Inflow	528,399	154,426	923,254	–	–	1,606,079
Total	6,693	188	1,338	–	–	8,219

As at 31 December 2020	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
Foreign exchange derivatives						
– Outflow	(94,929)	(813,131)	(1,084,805)	–	–	(1,992,865)
– Inflow	94,899	868,156	1,082,479	–	–	2,045,534
Total	(30)	55,025	(2,326)	–	–	52,669

Notes to Condensed Consolidated Interim Financial Statements (Continued)

(All amounts expressed in thousands of RMB unless otherwise stated)

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

48.3 Liquidity risk (Continued)

48.3.3 Cash flow of derivative financial instruments (Continued)

Derivatives settled on a gross basis (Continued)

The Group's derivatives that will be settled on a gross basis include foreign exchange forward contracts. The table below analyses the Group's derivative financial instruments that will be settled on a gross basis into relevant maturity groupings based on the remaining period from 30 June 2021 and 31 December 2020 to the contractual maturity date. The figures disclosed in the table are the contractual undiscounted cash flows. (Continued)

As at 30 June 2021	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
Commodity derivatives						
– Outflow	–	–	–	–	–	–
– Inflow	–	–	–	–	–	–
Total	–	–	–	–	–	–

As at 31 December 2020	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
Commodity derivatives						
– Outflow	(1,186,429)	(1,226,253)	–	–	–	(2,412,682)
– Inflow	1,162,415	1,196,352	–	–	–	2,358,767
Total	(24,014)	(29,901)	–	–	–	(53,915)

Derivative financial instruments with net delivery

As at 30 June 2021	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
Interest rate derivatives	225	318	(429)	950	–	1,064
As at 31 December 2020	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
Interest rate derivatives	(397)	722	(7,637)	(7,345)	–	(14,657)

Notes to Condensed Consolidated Interim Financial Statements (Continued)

(All amounts expressed in thousands of RMB unless otherwise stated)

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

48.3 Liquidity risk (Continued)

48.3.4 Maturity analysis

The table below analyses the Group's net assets and liabilities into relevant maturity groupings based on the remaining periods from the balance sheet date to the contractual maturity date.

As at 30 June 2021	Repayable on demand	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Overdue	Indefinite	Total
Cash and balances with the central bank	47,751,605	33,273	-	-	-	-	-	70,003,779	117,788,657
Deposits with banks and other financial institutions	7,256,224	110,121	45,044	165,170	-	-	-	-	7,576,559
Placements with banks and other financial institutions	-	700,384	612,765	7,594,657	-	-	-	-	8,907,806
Derivative financial assets	-	9,782	3,963	29,526	73,743	-	-	-	117,014
Financial assets held under resale agreements	-	15,444,224	-	-	-	-	-	-	15,444,224
Loans and advances to customers	-	51,335,292	25,434,495	154,475,916	113,820,080	268,322,765	2,458,696	-	615,847,244
Financial investments									
- Financial assets at fair value through profit or loss	50,110,765	1,192,521	1,975,221	18,086,870	21,175,943	2,978,544	7,647,926	-	103,167,790
- Financial assets at fair value through other comprehensive income	-	9,134,130	2,592,427	11,206,406	79,527,104	23,455,669	-	225,367	126,141,103
- Financial assets at amortised cost	-	8,562,314	4,514,370	18,743,185	193,179,181	70,422,682	325,916	-	295,747,648
Finance lease receivables	-	3,187,494	2,772,868	12,851,512	38,136,817	49,482	142,031	-	57,140,204
Other financial assets	-	2,213,876	34,996	362,080	276,070	42,080	137,544	-	3,066,646
Total assets	105,118,594	91,923,411	37,986,149	223,515,322	446,188,938	365,271,222	10,712,113	70,229,146	1,350,944,895
Borrowings from the central bank	-	(9,151,260)	(24,109,774)	(35,953,956)	-	-	-	-	(69,214,990)
Deposits from banks and other financial institutions	(19,992,508)	(20,278,656)	(19,068,968)	(41,562,419)	(18,785,348)	(6,004,571)	-	-	(125,692,470)
Placements from banks and other financial institutions	-	(7,455,055)	(7,419,287)	(25,125,500)	(190,000)	-	-	-	(40,189,842)
Derivative financial liabilities	-	(3,194)	(3,799)	(29,196)	(71,508)	-	-	-	(107,697)
Financial assets sold under repurchase agreements	-	(25,893,657)	(2,389,730)	(14,524,122)	-	-	-	-	(42,807,509)
Deposits from customers	(385,689,265)	(27,061,184)	(25,591,034)	(127,736,338)	(229,868,059)	(1,000,139)	-	-	(796,946,019)
Debt securities issued	-	(10,887,584)	(26,527,789)	(124,301,970)	(12,714,722)	(8,272,218)	-	-	(182,704,283)
Other financial liabilities	-	(3,516,057)	(130)	(11,636)	(609,096)	(333,488)	-	-	(4,470,407)
Total liabilities	(405,681,773)	(104,246,647)	(105,110,511)	(369,245,137)	(262,238,733)	(15,610,416)	-	-	(1,262,133,217)
Net liquidity gap	(300,563,179)	(12,323,236)	(67,124,362)	(145,729,815)	183,950,205	349,660,806	10,712,113	70,229,146	88,811,678

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(All amounts expressed in thousands of RMB unless otherwise stated)

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

48.3 Liquidity risk (Continued)

48.3.4 Maturity analysis (Continued)

The table below analyses the Group's net assets and liabilities into relevant maturity groupings based on the remaining periods from the balance sheet date to the contractual maturity date. (Continued)

As at 31 December 2020	Repayable on demand	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Overdue	Indefinite	Total
Cash and balances with									
central bank	30,215,695	35,438	-	-	-	-	-	68,133,068	98,384,201
Deposits with banks and other									
financial institutions	10,160,780	1,137,291	-	-	-	-	-	-	11,298,071
Placements with banks and									
other financial institutions	-	1,199,893	1,579,179	2,497,640	-	-	-	-	5,276,712
Derivative financial assets	-	4,590	60,612	21,811	50,985	-	-	-	137,998
Financial assets held under									
resale agreements	-	249,376	-	-	-	-	-	-	249,376
Loans and advances to									
customers	-	50,413,115	39,084,456	108,382,388	102,966,052	248,958,578	3,594,573	-	553,399,162
Financial investments									
- Financial assets at fair value									
through profit or loss	61,660,458	3,878,792	7,862,697	13,464,345	26,036,186	2,464,315	7,684,053	-	123,050,846
- Financial assets at fair value									
through other									
comprehensive income	-	2,612,121	4,109,312	14,673,157	68,469,532	30,467,161	-	234,765	120,566,048
- Financial assets at									
amortised cost	-	8,304,038	9,861,128	21,784,893	170,210,392	55,651,227	1,098,386	-	266,910,064
Finance lease receivables	-	39,068,047	231,814	5,872,685	3,661,304	-	220,114	-	49,053,964
Other financial assets	-	2,036,337	503,096	375,051	101,169	16,115	182,701	-	3,214,469
Total assets	102,036,933	108,939,038	63,292,294	167,071,970	371,495,620	337,557,396	12,779,827	68,367,833	1,231,540,911
Borrowings from central bank	-	(4,800,307)	(9,140,000)	(55,642,976)	-	-	-	-	(69,583,283)
Deposits from banks and other									
financial institutions	(18,118,545)	(9,335,071)	(23,359,018)	(24,701,001)	(18,076,249)	-	-	-	(93,589,884)
Placements from banks and									
other financial institutions	-	(6,765,143)	(7,428,500)	(20,900,933)	(200,000)	-	-	-	(35,294,576)
Derivative financial liabilities	-	(21,365)	(30,487)	(29,145)	(59,784)	-	-	-	(140,781)
Financial assets sold under									
repurchase agreements	-	(24,518,432)	(2,108,180)	(13,772,759)	-	-	-	-	(40,399,371)
Deposits from customers	(385,315,725)	(19,572,652)	(37,570,885)	(95,329,707)	(168,996,623)	(19,957,186)	-	-	(726,742,778)
Debt securities issued	-	(7,985,690)	(42,588,904)	(95,328,735)	(22,446,831)	(12,285,535)	-	-	(180,635,695)
Other financial liabilities	-	(4,132,153)	(110)	(14,961)	(567,654)	(381,397)	-	-	(5,096,275)
Total liabilities	(403,434,270)	(77,130,813)	(122,226,084)	(305,720,217)	(210,347,141)	(32,624,118)	-	-	(1,151,482,643)
Net liquidity gap	(301,397,337)	31,808,225	(58,933,790)	(138,648,247)	161,148,479	304,933,278	12,779,827	68,367,833	80,058,268

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(All amounts expressed in thousands of RMB unless otherwise stated)

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

48.3 Liquidity risk (Continued)

48.3.5 Off-balance sheet items

The Group provides guarantees and letters of credit to customers based on their credit ratings and amounts of cash collaterals. Usually, customers will not withdraw the amount committed by the Group in the guarantees or letters of credit in full, therefore, the amounts of funds provided for guarantees and letters of credit are commonly lower than other commitments of the Group. Meanwhile, the Group may be discharged of its obligations due to overdue or termination of the commitments. As a result, the contractual amounts for credit commitments do not represent the actual funds required.

As at 30 June 2021	Within 1 year	1 to 5 years	Over 5 years	Total
Bank acceptance	44,551,251	–	–	44,551,251
Letters of credit	9,409,835	61,353	–	9,471,188
Letters of guarantee	7,964,286	11,805,587	318	19,770,191
Loan commitments	1,611,262	213,000	–	1,824,262
Unused credit card lines	4,628,343	43,863,077	212,151	48,703,571
Total	68,164,977	55,943,017	212,469	124,320,463

As at 31 December 2020	Within 1 year	1 to 5 years	Over 5 years	Total
Bank acceptance	40,303,011	–	–	40,303,011
Letters of credit	6,248,308	14,182	–	6,262,490
Letters of guarantee	3,185,570	12,456,656	3,118	15,645,344
Loan commitments	1,418,011	293,000	–	1,711,011
Unused credit card lines	4,049,836	37,749,586	419,091	42,218,513
Total	55,204,736	50,513,424	422,209	106,140,369

Notes to Condensed Consolidated Interim Financial Statements (Continued)

(All amounts expressed in thousands of RMB unless otherwise stated)

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

48.4 Fair value of financial assets and liabilities

(a) Fair value hierarchy

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Group's market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt.
- 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). This level includes the majority of the OTC derivative contracts and issued structured debt in the interbank market. The sources of input parameters like LIBOR yield curve or counterparty credit risk are Thomson Reuters, Bloomberg and China Bond.
- Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable inputs.

(b) Financial instruments not measured at fair value

Fair value estimates are made in accordance with relevant market information and information related to various financial instruments at a particular point in time. The fair values of all kinds of financial instruments are based on the following methods and assumptions:

- (1) *Balances with the central bank, deposits and placements with banks, financial assets held under resale agreements, deposits and placements from banks, financial assets sold under repurchase agreements, other assets and other liabilities*

Since these financial instruments are in short-term or under floating interest rate linked to market interest rate, their carrying values approximate to the fair values.

- (2) *Loans and advances to customers at amortised cost*

Since most loans and advances to customers are repriced at least annually according to market interest rate, their carrying values approximate to the fair values.

Notes to Condensed Consolidated Interim Financial Statements (Continued)

(All amounts expressed in thousands of RMB unless otherwise stated)

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

48.4 Fair value of financial assets and liabilities (Continued)

(b) Financial instruments not measured at fair value (Continued)

(3) Deposits from customers

The fair values of checking accounts, savings accounts and a short-term money market deposit shall be the amounts currently payable to customers. The fair value of a time deposit is calculated based on the discounted cash flow method, and the discount rate is the current rate of a time deposit of which the term is similar to the remaining term of the time deposit being valued. At the end of the reporting period, the carrying value of deposits from customers approximates to the fair value.

(4) Finance lease receivables

The balance of finance lease receivables is calculated based on the effective interest rate method. Since the actual interest rate of a financial leasing is timely adjusted to the interest rates that the PBOC stipulates, the carrying value approximates to the fair value.

The table below summarizes the carrying amounts and the fair values of those financial assets and liabilities not presented at their fair value on the Group's balance sheet date.

	As at 30 June 2021				
	Carrying value	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets					
Financial investments					
– financial assets at amortised cost	295,747,648	–	296,368,514	–	296,368,514
Financial liabilities					
Debt securities issued	(182,704,283)	–	(179,321,221)	–	(179,321,221)

	As at 31 December 2020				
	Carrying value	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets					
Financial investments					
– financial assets at amortised cost	266,910,064	–	267,238,697	–	267,238,697
Financial liabilities					
Debt securities issued	(180,635,695)	–	(176,495,206)	–	(176,495,206)

Notes to Condensed Consolidated Interim Financial Statements (Continued)

(All amounts expressed in thousands of RMB unless otherwise stated)

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

48.4 Fair value of financial assets and liabilities (Continued)

(b) *Financial instruments not measured at fair value (Continued)*

(i) *Financial assets at amortised cost*

Financial assets at amortised cost whose fair values are based on quoted market prices are included in level 1. As for financial assets at amortised cost, when such information is not available and the estimated fair value represents the discounted amount of estimated future cash flows expected to be received based on observable yield curves or quoted market prices for products with similar credit, maturity and yield characteristics used where applicable, the fair value measurement will be included in level 2 or level 3.

(ii) *Debt securities in issued*

If the fair value is based on quoted market prices, the fair value measurement will be included in level 1. When all significant inputs required to fair value are observable, they are included in level 2.

The other financial instruments not measured at fair value in the consolidated financial statements are calculated as the present value of the estimated future cash flows based on observable yield curves. Due to their short duration or the floating rate which is mark to market, the difference between carrying value and fair value of these financial assets is not significant.

Notes to Condensed Consolidated Interim Financial Statements (Continued)

(All amounts expressed in thousands of RMB unless otherwise stated)

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

48.4 Fair value of financial assets and liabilities (Continued)

(c) Financial instruments measured at fair value

As at 30 June 2021	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss (excluding interest receivable)				
– Debt securities	–	12,894,784	–	12,894,784
– Interbank certificates of deposit	–	361,624	–	361,624
– Asset management schemes by securities firms or trust companies	17,923,741	59,868,677	–	77,792,418
– Wealth management products	–	11,253,539	–	11,253,539
Derivative financial assets	–	117,014	–	117,014
Financial assets at fair value through other comprehensive income (excluding interest receivable)				
– Debt securities	–	123,543,098	–	123,543,098
– Interbank certificates of deposit	–	–	–	–
– Equity securities	–	225,367	–	225,367
Loans and advances to customers at fair value through other comprehensive income				
– Discounted bills	–	26,367,002	–	26,367,002
Total assets	17,923,741	234,631,105	–	252,554,846
Derivative financial liabilities	–	(107,697)	–	(107,697)
Total liabilities	–	(107,697)	–	(107,697)

Notes to Condensed Consolidated Interim Financial Statements (Continued)

(All amounts expressed in thousands of RMB unless otherwise stated)

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

48.4 Fair value of financial assets and liabilities (Continued)

(c) Financial instruments measured at fair value (Continued)

As at 31 December 2020	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss (excluding interest receivable)				
– Debt securities	–	14,628,280	–	14,628,280
– Interbank certificates of deposit	–	883,749	–	883,749
– Asset management schemes by securities firms or trust companies	21,087,400	70,951,524	–	92,038,924
– Wealth management products	–	14,580,574	–	14,580,574
Derivative financial assets	–	137,998	–	137,998
Financial assets at fair value through other comprehensive income (excluding interest receivable)				
– Debt securities	–	118,548,262	–	118,548,262
– Equity securities	–	234,765	–	234,765
Loans and advances to customers at fair value through other comprehensive income				
– Discounted bills	–	27,759,091	–	27,759,091
Total assets	21,087,400	247,724,243	–	268,811,643
Derivative financial liabilities	–	(140,781)	–	(140,781)
Total liabilities	–	(140,781)	–	(140,781)

The Group uses valuation techniques to determine the fair value of financial instruments when open quotation in active markets is not available.

Financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and derivative financial instruments are stated at fair value with reference to the quoted market prices when available. If quoted market prices are not available, the fair values will be estimated using the discounted cash flow or pricing models. For debt securities, the fair values 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.

Notes to Condensed Consolidated Interim Financial Statements (Continued)

(All amounts expressed in thousands of RMB unless otherwise stated)

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

48.5 Capital management

The Group takes sufficient measures of capital management to prevent inherent risks associated with the Group's business for the purpose of meeting external regulators' requirements and shareholders' expectation on returns. Capital management is also aimed to stimulate the expansion of capital scale and to improve risk management.

The Group prudently set the objective of capital ratio, taking into account regulatory requirements and the risk situation the Group faces. The Group takes a variety of actions, limits management for example, to ensure the realization of the objectives and proactively adjust its capital structure in line with economic development and risk characteristics. Generally, the measure of capital structure adjustment includes the modification of dividend distribution plan, raising new capital and issuance of new bonds.

Started on 1 January 2013, the Group implemented "The Trial Measures for Capital Management of Commercial Banks" which promulgated by the CBRC on 7 June 2012.

The table below summarizes the Capital Adequacy Ratios of the Group as at 30 June 2021 and 31 December 2020:

		As at 30 June 2021	As at 31 December 2020
Common Equity Tier-one Capital Adequacy Ratio	(a)	8.03%	8.04%
Tier-one Capital Adequacy Ratio	(a)	9.73%	9.89%
Capital Adequacy Ratio	(a)	11.80%	12.12%
Common Equity Tier-one Capital	(b)	95,627,760	88,950,202
Common shares		13,889,801	13,889,801
Capital reserve and other comprehensive income		16,097,556	15,868,827
Surplus reserve and General reserve		27,528,241	25,529,877
Undistributed profits		35,959,451	31,762,661
Eligible portion of minority interests		2,152,711	1,899,036
Deductible items from Common Equity Tier-one Capital	(c)	(19,031,664)	(18,679,489)
Net Common Equity Tier-one Capital		76,596,096	70,270,713
Additional Tier-one Capital	(d)	16,276,929	16,243,106
Net Tier-one Capital		92,873,025	86,513,819
Tier-two Capital	(e)	19,721,887	19,436,895
Tier 2 Capital instruments issued and related premium		8,000,000	8,800,000
Excess loan loss provisions		11,154,415	10,137,293
Eligible portion of non-controlling interests		567,472	499,602
Net capital		112,594,912	105,950,714
Risk-weighted assets	(f)	954,412,631	874,345,827

Notes to Condensed Consolidated Interim Financial Statements (Continued)

(All amounts expressed in thousands of RMB unless otherwise stated)

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

48.5 Capital management (Continued)

Pursuant to the “Capital Rules for Commercial Banks (Provisional)”:

- (a) The scope of consolidation related to the calculation of the Group’s Capital Adequacy Ratios includes Institutions and affiliated financial subsidiaries specified in the Regulation. The Common Equity Tier-one Capital Adequacy Ratio is calculated as Net Common Equity Tier-one Capital divided by risk-weighted assets. The Tier-one Capital Adequacy Ratio is calculated as Net Tier-one Capital divided by Risk-weighted Assets. The Capital Adequacy Ratio is calculated as Net Capital divided by Risk-weighted Assets.
- (b) The Group’s Common Equity Tier-one Capital includes ordinary share capital, capital reserve (subject to regulatory limitations), surplus reserve, general reserve, retained earnings and, non-controlling interests (to the extent permitted in the Common Equity Tier-one Capital under the Regulation).
- (c) The Group’s Deductible Items from Common Equity Tier-one Capital include other intangible assets (excluding land-use rights), and common equity tier-one Capital investments in financial institutions over which the Group has control but are out of the regulatory consolidation scope for the Capital Adequacy Ratio calculation.
- (d) The Group’s Additional Tier-one Capital includes preference shares and non-controlling interests (to the extent permitted in the Additional Tier-one Capital definition under the Regulation).
- (e) The Group’s Tier-two Capital includes Tier-two Capital Instruments and related premium (to the extent allowed under the Regulation), excessive allowance for loan losses, and minority interests (to the extent permitted in the Tier-two Capital definition under the Regulation).
- (f) Risk-weighted Assets include Credit Risk-weighted Assets Market Risk-weighted Assets and Operational Risk-weighted Assets.

48.6 Fiduciary activities

The Group provides custodian and trustee services to third parties. These assets arising thereon are excluded from the consolidated financial statements. The Group also grants entrusted loans on behalf of third-party lenders, which are not included in the consolidated financial statements either.

	As at 30 June 2021	As at 31 December 2020
Entrusted loans	33,916,896	38,160,991
Entrusted wealth management products	208,317,711	201,828,089

Notes to Condensed Consolidated Interim Financial Statements (Continued)

(All amounts expressed in thousands of RMB unless otherwise stated)

49 SUBSEQUENT EVENTS

The board of directors of the Bank held a meeting on July 27, 2021 to consider and approve the proposal for the payment of overseas preferred dividends. On November 10, 2021, the Bank intends to pay its fifth overseas preferred dividend, which amounts to US \$54,266,666.67 (including tax). This preferred stock dividend is payable for the period from November 10, 2020 (inclusive) to November 10, 2021 (exclusive). The issuance shall be made to persons registered in the register of foreign preferred shareholders as of the closing of the relevant clearing system on November 9, 2021.

In addition to the above matters, the Group has no significant subsequent events.

Appendix I – Unaudited Supplementary Financial Information

(All amounts expressed in thousands of RMB unless otherwise stated)

According to Hong Kong Listing Rules and disclosure requirements of the banking industry, the Group discloses the following supplementary financial information:

1 LIQUIDITY RATIOS

	As at 30 June 2021	As at 31 December 2020
RMB current assets to RMB current liabilities	59.61%	56.47%
Foreign currency current assets to foreign currency current liabilities	140.02%	132.54%

2 CURRENCY CONCENTRATIONS

	USD	EUR	Others	Total
As at 30 June 2021				
Spot assets	7,393,273	1,695,852	166,185	9,255,310
Spot liabilities	(4,051,185)	(37,871)	(703,518)	(4,792,574)
Forward purchases	634,272	32,181	–	666,453
Forward sales	(631,892)	(32,146)	(260,302)	(924,340)
Net long/(short) position	3,344,468	1,658,016	(797,635)	4,204,849
As at 31 December 2020				
Spot assets	9,058,833	49,717	674,784	9,783,334
Spot liabilities	(6,177,558)	(25,232)	(791,340)	(6,994,130)
Forward purchases	513,899	124,830	–	638,729
Forward sales	(3,586,364)	(124,817)	(33,339)	(3,744,520)
Net long/(short) position	(191,190)	24,498	(149,895)	(316,587)

Appendix I – Unaudited Supplementary Financial Information (Continued)

(All amounts expressed in thousands of RMB unless otherwise stated)

3 INTERNATIONAL CLAIMS

International claims are the sum of cross-border claims in all currencies and local claims in foreign currencies. The Group is principally engaged in business operations within Chinese Mainland, and regards all the claims on third parties outside Chinese Mainland as cross border claims.

International claims include balances with the central bank, deposits with banks and other financial institutions, placements with and loans to banks and other financial institutions, financial assets held for trading, financial assets designated at fair value through profit or loss, loans and advances to customers, financial assets held under resale agreements, financial assets at fair value through other comprehensive income and financial assets at amortised cost.

International claims are disclosed based on different countries or regions. A country or region is reported where it constitutes 10% or more of the aggregate amount of international claims, after taking into account any risk transfers. Risk transfer is 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.

	Banks and other financial institutions	Non-bank private institutions	Total
As at 30 June 2021			
Asia Pacific (excluding Chinese mainland)	87,339	140,015	227,354
– Hong Kong	86,609	140,015	226,624
Europe	14,958	–	14,958
North and South America	657,557	–	657,557
Oceania	1,290	–	1,290
Total	761,144	140,015	901,159
As at 31 December 2020			
Asia Pacific (excluding Chinese mainland)	216,200	400,163	616,363
– Hong Kong	212,880	400,163	613,043
Europe	26,884	–	26,884
North and South America	1,002,421	–	1,002,421
Oceania	1,480	–	1,480
Total	1,246,985	400,163	1,647,148

Appendix I – Unaudited Supplementary Financial Information (Continued)

(All amounts expressed in thousands of RMB unless otherwise stated)

4 LOANS AND ADVANCES TO CUSTOMERS

4.1 Overdue loans and advances to customers

Total amount of overdue loans and advances to customers:

	As at 30 June 2021	As at 31 December 2020
Total loans and advances to customers which have been overdue:		
Within 3 months	2,458,127	3,987,320
Within 3 to 6 months (inclusive)	1,071,654	4,137,990
Within 6 to 12 months	5,251,456	2,835,265
Over 12 months	2,742,740	1,787,421
Total	11,523,977	12,747,996
By percentage:		
Within 3 months	21.33%	31.28%
Within 3 to 6 months (inclusive)	9.30%	32.46%
Within 6 to 12 months	45.57%	22.24%
Over 12 months	23.80%	14.02%
Total	100.00%	100.00%

Total amount of overdue loans and advances to customers and allowance assessment by geographic segment:

	Anhui province	Jiangsu province	Other	Total
As at 30 June 2021				
Overdue loans and advances to customers	8,802,136	1,508,426	1,213,415	11,523,977
Individually assessed	(7,223,203)	(1,333,600)	(577,224)	(9,134,027)
As at 31 December 2020				
Overdue loans and advances to customers	8,762,006	1,868,922	2,117,068	12,747,996
Individually assessed	(7,173,926)	(1,803,381)	(54,604)	(9,031,911)

Fair value of collateral against overdue loans and advances to customers:

	As at 30 June 2021	As at 31 December 2020
Fair value of collateral		
Corporate loans	13,701,528	16,056,492
Personal loans and advances	1,721,332	1,398,456
Total	15,422,860	17,454,948

Appendix I – Unaudited Supplementary Financial Information (Continued)

(All amounts expressed in thousands of RMB unless otherwise stated)

4 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

4.2 Identified impaired loans and advances

	Anhui Province	Jiangsu Province	Others	Total
As at 30 June 2021				
Identified impaired loans and advances				
for which allowance is:				
Individually assessed	7,478,687	1,748,267	1,357,331	10,584,285
	(6,830,049)	(1,707,598)	(782,746)	(9,320,393)
As at 31 December 2020				
Identified impaired loans and advances				
for which allowance is:				
Individually assessed	7,815,160	1,672,453	1,870,448	11,358,061
	(7,230,689)	(1,712,277)	(98,171)	(9,041,137)

Appendix I – Unaudited Supplementary Financial Information (Continued)

(All amounts expressed in thousands of RMB unless otherwise stated)

Huishang Bank Co., Ltd. makes a supplementary disclosure of the following information in accordance with CBIRC:

1. SIGNIFICANT RELATED PARTY TRANSACTIONS APPROVED BY THE BOARD OF DIRECTORS

In the first half of 2021, Huishang Bank Co., Ltd. shall approve a proposal on the significant related party transactions in accordance with the “Administrative Measures on Related Transactions between Commercial Banks and Insiders and Shareholders”, “Interim Measures on the Management of Equity of Commercial Banks” and other provisions (hereinafter referred to as “CBIRC”), the details are as follows:

Approved by the board of directors	Content	New credit limit (including low risk limit)	Remarks
2021/1/18	The 26th Meeting of the 4th board of directors	4,000,000	
2021/3/8	The 29th Meeting of the 4th board of directors	–	The credit limit is not increased, only involves the change of credit conditions
2021/3/26	The 30th Meeting of the 4th board of directors	3,100,000	
	Proposal on the approval of related party transactions between Huishang Bank and Anhui Publishing Group Co., Ltd. with the companies related	10,402,000	
	Proposal on the approval of related party transactions between Huishang Bank and Anhui Transportation Holding Group Co., Ltd.	–	The credit limit is not increased, only involves the review of the annual daily business plan for related party transactions
2021/3/26	The 30th Meeting of the 4th board of directors	–	The credit limit is not increased, only involves the reporting of affiliated transactions
	Proposal on confirmation of related party information change	–	The credit limit is not increased, only involves the change of related party information
	Proposal on 2020 summary and 2021 arrangement of Related Party Transactions Control Committee of The board of Directors of Huishang Bank	–	The credit limit is not increased, only involves the summary and arrangement of the Related Party Transactions Control Committee of the board of directors
2021/5/18	The 32nd Meeting of the 4th Board of Directors	11,185,000	
2021/5/27	The 33rd Meeting of the 4th board of directors	–	The credit limit is not increased, only involves the reporting of affiliated transactions

In addition, the Bank held the 30th meeting of the 4th board of directors on 26 March 2021, at which it reviewed and approved Huishang Bank’s 2021 Daily Related Party Transaction Business Plan, and formulated the annual related party transaction plan on the funds, bills, bonds, investments, etc.

Appendix I – Unaudited Supplementary Financial Information (Continued)

(All amounts expressed in thousands of RMB unless otherwise stated)

2 IMPLEMENTATION OF SIGNIFICANT RELATED PARTY TRANSACTIONS

As of the end of the second quarter of 2021, the significant related party transactions between Huishang Bank Co., Ltd. and the related parties under the CBIRC's definition are as follows:

2.1 The amount of a single related party transaction accounts for more than 1% of the net capital of the commercial bank

(1) Huishang Bank Financial Leasing Co., Ltd.

Related party	Transaction type	Amount	Remarks
Huishang Bank Financial Leasing Co., Ltd.	Interbank borrowing	1,200,000	Five transactions in total, one of which is 1.2 billion and more than 1%.

2.2 The balance of related party transactions accounts for more than 5% of the net capital of the commercial bank

(1) Wuhu Construction Investment Co., Ltd. and its related companies

Related party	Transaction type	Amount	Remarks
Wuhu Construction Investment Co., Ltd.	Loans on Mergers& Acquisitions	350,000	
	Investment in debt securities issued by Wuhu Construction investment Co., Ltd.	30,000	
	Investment in trust fund (The Actual financier is Wuhu Construction Investment Co., Ltd.)	240,000	
Anhui Jiangbei Development Co. Ltd.	Management fee for direct financing instruments	480	
Chery New Energy Automobile Co., Ltd.	Domestic forfaiting under letters of credit	180,200	
Chery Automobile Co., Ltd.	Forfaiting under letters of credit	420,000	
	Bank acceptance bill	500,000	
	Floating capital loans	500,000	
Wuhu Huayan Water Co., Ltd.	Water fee	9	
Anhui Chery Automobile Sales Co., Ltd.	Domestic letter of credit	420,000	1,421 transactions in total, the maximum is 50 million yuan and no more than 1% for a single stroke
	Bank acceptance bill	1,170,000	
Wuhu Jin An Shi Teng Automobile Safety System Co., Ltd.	Bank acceptance bill	7,000	
	Discount of bank acceptance bill	2,000	
Wuhu Yongda Technology Co., Ltd.	Bank acceptance bill	39,922	
Wuhu Honghu Material Technology Co., Ltd.	Domestic letter of credit	4,974	
	Bank acceptance bill	15,132	
Wuhu Puwei Technical Research Co. Ltd.	Bank acceptance bill	29,522	
Chery New Energy Vehicle Sales Co., Ltd.	Domestic letter of credit	180,200	
	Bank acceptance bill	209,800	
Chery Commercial Vehicle (Anhui) Co., Ltd.	Domestic forfaiting under letter of credit	50,000	
	Domestic letter of credit	200,000	

Appendix I – Unaudited Supplementary Financial Information (Continued)

(All amounts expressed in thousands of RMB unless otherwise stated)

2 IMPLEMENTATION OF SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

2.2 The balance of related party transactions accounts for more than 5% of the net capital of the commercial bank (Continued)

(1) Wuhu Construction Investment Co., Ltd. and its related companies (Continued)

Related party	Transaction type	Amount	Remarks
Kairui New Energy Vehicles Co., Ltd.	Domestic letter of credit	10,000	
	Bank acceptance bill	40,000	
Wuhu Ruitai Auto Parts Co., Ltd.	Bank acceptance bill	39,353	
Anhui Chery Commercial Vehicle Sales Co. Ltd.	Domestic letter of credit	50,000	
Daoo (Wuhu) automobile products Co., Ltd.	Bank acceptance bill	300,000	
	Bank acceptance bill	26,000	
Zhongtie Times Architectural Design Co., Ltd.	Domestic guarantee	30	
Wuhu Aiman Equipment Engineering Co., Ltd.	Bank acceptance bill	6,455	
	Domestic guarantee	111	
Anhui Reseke Renewable Resources Technology Co., Ltd.	Bank acceptance bill	20,000	
Anhui Hangrui Aviation Power Equipment Co., Ltd.	Import letter of credit	197	
Wuhu Ektek Powertrain Co., Ltd.	Floating capital loans	100,000	
Wuhu Fujiheng Machinery Co., Ltd.	Domestic guarantee	243	
Yingfeng Investment Co., Ltd.	Bank acceptance bill	95,213	
Wuhu Yangtze River Bridge Road Bridge Co., Ltd.	Debt financing plan	350,000	
Eft Intelligent Equipment Co., Ltd.	Discount of bank acceptance bill	19,327	
Chery Huiyin Motor Finance Service Co., Ltd.	Interbank borrowing balance	1,000,000	
	The Bank invested in asset-backed securities issued by Chery Huiyin Auto Finance Co., Ltd. as a promoter	600,524	
	ABS underwriting fees received	130	

Appendix I – Unaudited Supplementary Financial Information (Continued)

(All amounts expressed in thousands of RMB unless otherwise stated)

2 IMPLEMENTATION OF SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

2.2 The balance of related party transactions accounts for more than 5% of the net capital of the commercial bank (Continued)

(2) Huishang Bank Financial Leasing Co., Ltd.

Related party	Transaction type	Amount	Remarks
Huishang Bank Financial	Bank financial management trustee fee	3,907	
Leasing Co., Ltd.	Management fee for the entrusted products	66,593	

3. RELATED PARTY TRANSACTIONS WITH RELATED NATURAL PERSONS

The related natural persons of the Bank (in accordance with the “Administrative Measures on Related Transactions between Commercial Banks and Insiders and Shareholders”) mainly include: (1) insiders, namely directors, executives of the head office and branches, and other persons who have the right to decide or participate in commercial bank credit and asset transfer; (2) close relatives of insiders; (3) shareholders, directors, and key executives of related legal persons or other organizations, which do not include those directly, indirectly, jointly controlled or significantly influenced by insiders and their close relatives and, (4) other natural persons that have a significant influence on the Bank. The Bank’s natural person shareholders hold or control less than 5% of the equity, and the Bank has no major natural person shareholders.

As of the end of the second quarter of 2021, based on the above-mentioned criteria, the balance of related party transactions of related natural persons of the Bank was RMB620,219 thousand, mainly for personal housing loans, personal comprehensive consumption revolving loans and credit card overdrafts, all of which were related party transactions.



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