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中原銀行股份有限公司*
ZHONGYUAN BANK CO., LTD.*

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

(Stock Code of H Shares: 1216)

(Stock Code of Preference Shares: 4617)

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

The board of directors (the “**Board**”) of Zhongyuan Bank Co., Ltd. (the “**Bank**”) is pleased to announce the unaudited consolidated interim results (the “**Interim Results**”) of the Bank and its subsidiaries for the six months ended June 30, 2021 (the “**Reporting Period**”) which were prepared in accordance with the International Financial Reporting Standards. The Board and the audit committee of the Board have reviewed and confirmed the Interim Results.

This results announcement is published on the websites of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the Bank (www.zybank.com.cn). The interim report for the six months ended June 30, 2021 will be dispatched to the shareholders of the Bank and will be available on the above websites in due course.

On behalf of the Board
Zhongyuan Bank Co., Ltd.*
WEI Jie
Vice Chairman

Zhengzhou, the People's Republic of China
August 27, 2021

As at the date of this announcement, the Board comprises Mr. WANG Jiong, Mr. LI Yulin and Mr. WEI Jie as executive directors; Ms. ZHANG Qiuyun and Mr. MI Hongjun as non-executive directors; Ms. PANG Hong, Mr. LI Hongchang, Mr. JIA Tingyu and Mr. CHAN Ngai Sang Kenny as independent non-executive directors.

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

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I. Corporate Information

Legal Name of the Company

中原銀行股份有限公司¹(abbreviated as 中原銀行)

English Name of the Company

ZHONGYUAN BANK CO.,LTD.¹(abbreviated as ZYBANK)

Registered Office

Zhongke Golden Tower, No. 23 Shangwu Waihuan Road, Zhengdong New District CBD, Zhengzhou, Henan Province, PRC

Headquarters in China

Zhongke Golden Tower, No. 23 Shangwu Waihuan Road, Zhengdong New District CBD, Zhengzhou, Henan Province, PRC

Principal Business Place in Hong Kong

40/F, Dah Sing Financial Centre, 248 Queen's Road East, Wanchai, Hong Kong

Board of Directors

Executive Directors:

Mr. WANG Jiong
Mr. LI Yulin
Mr. WEI Jie

Non-Executive Directors²:

Ms. ZHANG Qiuyun
Mr. MI Hongjun

Independent non-executive Directors:

Ms. PANG Hong
Mr. LI Hongchang
Mr. JIA Tingyu
Mr. CHAN Ngai Sang Kenny

¹ Zhongyuan Bank Co., Ltd. is not an authorized institution within the meaning of the Banking Ordinance (Chapter 155 of the Laws of Hong Kong), not subject to the supervision of the Hong Kong Monetary Authority, and not authorized to carry on banking/deposit-taking business in Hong Kong.

² Mr. Li Xipeng, a non-executive Director of the Bank, tendered his resignation to the Bank on June 2, 2021, and resigned as a non-executive Director and a member of the strategic development committee of the Bank due to his personal reason of having to focus on his other personal job commitments.

I. Corporate Information

Legal Representative³

Mr. DOU Rongxing

Authorized Representatives

Mr. JIA Tingyu

Mr. ZHANG Ke

Joint Company Secretaries

Mr. ZHANG Ke

Ms. LEUNG Wing Han Sharon

Unified Social Credit Code

9141000031741675X6

Financial Licence Institution Number

B0615H241010001

Auditors

PRC Auditors

KPMG Huazhen LLP

8/F, KPMG Tower E2, Oriental Plaza, 1 East Chang'an Avenue,
Dongcheng District, Beijing, PRC

International Auditors

KPMG (Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance)

8/F, Prince's Building, 10 Chater Road, Central, Hong Kong

³ Due to work adjustments, Mr. DOU Rongxing, an executive Director and the chairman of the Bank, tendered his resignation to the Board of the Bank on August 25, 2021, and resigned from his positions as an executive Director and the chairman of the Bank and the chairman of the Strategy and Development Committee of the Bank. After the resignation of Mr. Dou, pursuant to the Articles of Association and the Rules of Procedures of the Strategy and Development Committee of the Board of Directors of Zhongyuan Bank Co., Ltd., Wei Jie, the vice-chairman, shall exercise the power of the chairman, the legal representative and the chairman of the Strategy and Development Committee, until the newly elected chairman takes office.

I. Corporate Information

Legal Advisors

Legal Advisors as to PRC Laws

King & Wood Mallesons
17-18/F, East Tower, World Financial Center,
1 Dongsanhuan Zhonglu, Chaoyang District,
Beijing, PRC

Legal Advisors as to Hong Kong Laws

Paul Hastings
22/F, Bank of China Tower, 1 Garden Road, Hong Kong

H Share Registrar

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17/F, Hopewell Centre,
183 Queen's Road East, Wanchai, Hong Kong

Domestic Shares Trustee Agency

China Securities Depository and Clearing Corporation Limited
23/F, Tower B, Investment Plaza, No. 27 Jin Rong Street, Xi Cheng District,
Beijing, China

H Share Stock Code

1216

Preference Share Stock Code

4617

Investor's Enquiry

Website Address <http://www.zybank.com.cn>
Contact Telephone No. (86) 0371-85517898
Fax (86) 0371-85519888
Email Dongjianban@zybank.com.cn

II. Summary of Accounting Information and Financial Indicators

For the six months ended June 30,

	2021	2020	Change over the corresponding period of last year
<i>(in millions of RMB, except percentages, unless otherwise stated)</i>			
Operating Results			Rate of Change (%)
Net interest income	8,448.6	8,312.6	1.6
Net fee and commission income	1,119.8	1,066.5	5.0
Operating income	9,717.8	10,591.7	(8.3)
Operating expenses	(3,031.9)	(3,069.5)	(1.2)
Impairment losses on assets	(4,375.5)	(5,120.7)	(14.6)
Profit before taxation	2,411.8	2,386.5	1.1
Net profit	2,111.6	2,026.0	4.2
Net profit attributable to equity shareholders of the Bank	2,079.5	1,972.0	5.5
Calculated on a per share basis (RMB)			Rate of Change (%)
Net assets per share attributable to equity shareholders of the Bank ⁽¹⁾	2.52	2.42	4.1
Earnings per share ⁽²⁾	0.10	0.10	–
Profitability Indicators (%)			Change
Return on average total assets ⁽³⁾	0.56	0.57	(0.01)
Return on average equity ⁽⁴⁾	8.38	8.28	0.10
Net interest spread ⁽⁵⁾	2.15	2.47	(0.32)
Net interest margin ⁽⁶⁾	2.33	2.56	(0.23)
Net fee and commission income to operating income	11.52	10.07	1.45
Cost-to-income ratio ⁽⁷⁾	30.15	28.09	2.06

II. Summary of Accounting Information and Financial Indicators

	June 30, 2021	December 31, 2020	Change over the end of last year
<i>(in millions of RMB, except percentages, unless otherwise stated)</i>			
Capital adequacy ratio indicators⁽⁸⁾ (%)			Change
Calculated based on the Administrative Measures for the Capital of Commercial Banks			
Core Tier-one capital adequacy ratio	8.85	8.59	0.26
Tier-one capital adequacy ratio	10.60	10.35	0.25
Capital adequacy ratio	13.59	13.20	0.39
Total equity to total assets	8.15	7.84	0.31
Asset quality indicators (%)			Change
Non-performing loan ratio ⁽⁹⁾	2.17	2.21	(0.04)
Allowance coverage ratio ⁽¹⁰⁾	153.57	153.31	0.26
Allowance to gross loan ratio ⁽¹¹⁾	3.34	3.39	(0.05)
Other indicator (%)			
Loan-to-deposit ratio	85.84	84.01	1.83
Scale indicators			Rate of Change (%)
Total assets	753,001.5	757,482.5	(0.6)
Of which: Net loans to customers	375,314.1	347,656.8	8.0
Total liabilities	691,626.0	698,127.2	(0.9)
Of which: deposits from customers	454,996.7	431,341.4	5.5
Share capital	20,075.0	20,075.0	–
Equity attributable to equity shareholders of the Bank	60,250.8	58,261.5	3.4
Non-controlling interests	1,124.7	1,093.8	2.8
Total equity	61,375.5	59,355.3	3.4

II. Summary of Accounting Information and Financial Indicators

Notes:

- (1) Calculated by dividing equity attributable to equity holders of the parent company after deduction of other equity instruments at the end of the Reporting Period by the total number of ordinary shares at the end of the Reporting Period.
- (2) The ratio of net profit (net of dividends of preference shares distributed during the year) attributable to shareholders of the Bank to weighted average number of ordinary shares.
- (3) Represents net profit for the period as a percentage of average balance of total assets at the beginning and the end of the period.
- (4) Calculated based on the "Rules on the Preparation and Submission of Information Disclosed by Companies that Offer Securities to the Public No. 9 – Calculation and Disclosure of Return on Net Assets and Earnings Per Share" (Revision 2010) issued by China Securities Regulatory Commission. Represents net profit attributable to shareholders of the Bank for the period as a percentage of weighted average balance attributable to shareholders of the Bank for the period.
- (5) Calculated as the difference between the average yield on total interest-earning assets and the average cost of total interest-bearing liabilities, calculated based on daily average of the interest-earning assets and the interest-bearing liabilities.
- (6) Calculated by dividing net interest income by the average interest-earning assets, and based on daily average interest-earning assets.
- (7) Calculated by dividing operating expenses after deduction of taxes and surcharges by operating income.
- (8) The Administrative Measures for the Capital of Commercial Banks was issued on June 7, 2012 and came into effect on January 1, 2013 by replacing the Administrative Measures for Capital Adequacy Ratio of Commercial Banks.
- (9) Calculated by dividing total non-performing loans and advances by gross loans and advances to customers. Gross loans and advances to customers are exclusive of accrued interest.
- (10) Calculated by dividing allowance for impairment losses on loans and advances to customers by total non-performing loans. Total allowance for impairment losses on loans and advances to customers included allowance for impairment losses on loans at amortized cost and allowance for impairment losses on loans at fair value through other comprehensive income.
- (11) Calculated by dividing allowance for impairment losses on loans and advances to customers by gross loans and advances to customers.



III. Management Discussion and Analysis

1. Past Economic and Financial Environment and Future Prospects

During the Reporting Period, the COVID-19 vaccination accelerated, the global economy gradually recovered but varied considerably, the labor market recovered moderately, and the inflation level remained high. The major developed economies continued to maintain the loose monetary policies, but the pace of shifting may accelerate. Some emerging economies began to raise interest rates in response to pressures such as inflation, capital outflows and exchange rate depreciation. Meanwhile, the recent resurgence of the pandemic in many countries has brought new uncertainties to the economic outlook, and the future evolution of the pandemic will still be an important factor affecting the recovery of the global economy.

During the Reporting Period, China's economy continued to recover steadily, with the main macro indicators being in the reasonable territory. China's economic development showed a steady recovery with solid and sound growth. In the first half of 2021, the GDP was RMB53,216.7 billion, an increase of 12.7% year-on-year, meaning that the foundation for economic development was more consolidated. Market sales have gradually improved. The total retail sales of consumer goods were RMB21,190.4 billion, representing a year-on-year increase of 23.0%. Investment in fixed assets continued to recover, with investment in fixed assets (excluding farmers) reaching RMB25,590.0 billion, up 12.6% year-on-year. The import and export of goods grew rapidly, with a total import and export volume of RMB18,065.1 billion, representing an increase of 27.1% year-on-year. Residents' income continued to grow, with per capita disposable income of RMB17,642, an actual increase of 12.0%. While the global epidemic situation is still complicated, China's economy has shown great resilience and vitality, and it is expected to maintain a sustained and stable recovery in the second half of the year.

During the Reporting Period, Henan Province saw an accelerated economic recovery, which laid a good foundation for accomplishing the annual economic development goals. The GDP was RMB2,892.796 billion, up 10.2% year-on-year. Investment in fixed assets recovered steadily, and investment in fixed assets (excluding farmers) increased by 7.8% year-on-year. Consumer goods market continued its recovery, with the total retail sales of consumer goods reaching RMB1,181.309 billion, up 17.1% year-on-year. Import and export maintained rapid growth, with a total value of RMB365.66 billion, up 60.0% year-on-year, 32.9 percentage points higher than the national average.

During the Reporting Period, the targeted, reasonable and moderate prudent monetary policies were implemented in a flexible manner, which reflected that the Central Bank responded in a forward-looking, active, precise and effective manner. Its strong support for the real economy provided a suitable monetary and financial environment for high-quality economic development. The liquidity was reasonable and abundant, and the broad money supply (M2) balance was RMB231.8 trillion, up 8.6% year-on-year. Loans grew reasonably, with the balance of local and foreign currency loans of financial institutions reaching RMB191.6 trillion, up 11.9% year-on-year. The scale of public financing grew reasonably, and the existing public financing amounted to RMB301.6 trillion, a year-on-year increase of 11.0%. The exchange rate of RMB fluctuates in both directions based on market supply and demand, and its flexibility is enhanced. The exchange rate remained basically stable at a reasonable and balanced level. In the next step, the Central Bank will maintain the stability of the monetary policy to improve the foresight and effectiveness, and support the high-quality economic development with moderate monetary growth, so that the economy will be restored to a more balanced level.

III. Management Discussion and Analysis

2. Overall Operation Overview

During the Reporting Period, faced with multiple challenges such as economic downturn, interest rate liberalisation and epidemic impact, the Bank actively implemented the national strategic deployment and regulatory requirements, and effectively provided financial services around the “Stability on Six Fronts” and “Security in Six Areas”. Adhering to the core values of “stability, innovation, motivation and efficiency (穩健、創新、進取、高效)”, we focused on our main business, kept improving our ability, strictly controlled potential risks, and strengthened the drive of transformation, thus maintaining a steady development trend. The Bank ranked 185th in terms of total core tier-one capital amongst the top 1,000 banks in the world by The Banker (UK) in 2021, and was on Fortune’s list of China’s top 500 enterprises in 2021, the only local financial institution in Henan on the list.

The Bank always adheres to the principle of “technology cultivation, technology prosperity (科技立行、科技興行)”, and strives to comprehensively improve customer experience through digital means, so as to build a first-class commercial bank and achieve leapfrog development. During the Reporting Period, the Bank comprehensively promoted digital transformation and accelerated open banking construction. Firstly, the Bank officially launched the three-phase digital transformation work. By focusing on the goal of “further promoting the building of digital application capabilities across the Bank and exploring ways to upgrade from operating efficiency to business model innovation”, the Bank comprehensively promoted digital transformation in departments such as retail business, corporate business, risk and middle and back-office departments to deepen agility and increase production capacity, and focused on making up for shortcomings to improve various capabilities. Meanwhile, the Bank accelerated open banking construction by promoting the offering of existing digital products and capabilities to the customers, and strived to build a cooperative ecosystem of financial services with the platform operation model of “scenario-driven, technology-empowered, open and win-win”. Secondly, the Bank continued to promote the construction of agile bank. The Bank formulated optimized strategies on a case by case basis based on its continuous review of the effect of big data use cases in retail business. 4 new use cases were launched with 39 use cases in total, and 16.48 million potential sale clues had been delivered, resulting in a sales conversion of RMB46.0 billion, accounting for 19% of total sales volume. The Bank promoted the construction of E-map and agency business platform for retail marketing on mobile devices, and promoted the launch of mobile operating platform for corporate customer managers to provide digital marketing tools for the front line of business. Meanwhile, the Bank built a comprehensive service platform for transaction banking around the industrial chain to explore new customer acquisition model on the platform. By focusing on the supply chain, the Bank created “Business Benefit Loan (惠商貸)” and “Government Procurement Loan (政采貸)”, standardized products for small and micro enterprises, to enhance the ability of comprehensive financial service solutions for small and micro enterprises. Thirdly, the Bank further developed digital application capabilities. In terms of the invention and design of digital products, the Bank built an omni-channel, whole-journey customer experience management platform to realize real-time customer experience monitoring, and promoted the construction of a smart investment advisory platform to optimize product portfolio. In terms of full-scenario digital operation, the Bank completed the reviewing of the current conditions of digital operation in the industry, identified and piloted the application of products, explored the introduction of advanced external experience, and continued to promote the optimization and iteration of tools and methods for digital operation. In terms of online intelligent whole-process risk control, the Bank continued to improve the construction of new credit systems covering operations before loans, in the process of loans and after loans, promoted the construction and improvement of anti-fraud platform and model management platform, and optimized risk governance mechanisms such as retail risk bazaar to promote the integration of risk and business. Meanwhile, the Bank accelerated the construction of a digital risk control system with products such as perpetual loans and Zhongyuan e-loan (原e貸) as pilots. Fourthly, the Bank strived to build a new business model for sustainable development. With a team preliminarily established for open banking platform and advanced practices learnt in the industry, the Bank

III. Management Discussion and Analysis

adopted a new generation of microservice architecture to independently develop and put into production the API platform, so as to facilitate the rapid iteration of business. The Bank also piloted the cooperation in the scenarios of “Pangu System (盘古系统)”, a multi-account product system, and built intelligent contract sorting function based on blockchain technology to create tailor-made products and services for customers. Through multi-scenario analysis and research and the promotion of application, the Bank continued to explore the construction of scenario platforms and innovated business models. Meanwhile, the Bank carried out joint innovation to offer technologies to customers, conducted technological exchanges with leading new technology innovation companies to explore the possibility of cooperation in “technology innovation + financial business scenarios”, and continued to expand the joint innovation business of perpetual loans. The Bank secured 3 new business contracts with a total of 23 contracts, and released new loans of RMB7.2 billion and cumulatively released loans of RMB16.0 billion for cooperative projects.

The Bank continued to implement the concept of high-quality development, further promoted the “Internetization and Ruralization of Banking Services” strategy, and actively supported regional economic development. The Bank established the Rural Revitalization Finance Department, adhere to the development direction of serving “agriculture, rural areas and farmers (三農)”, and vigorously implement the national “rural revitalization” strategy. Meanwhile, the Bank continued to iteratively optimize the “Village Online” APP and promoted the construction of a digital rural integrated platform to offer inclusive financial services to rural residents and grassroots organizations in a more convenient and diversified manner. By focusing on major national strategies and regional economic construction needs, the Bank prioritized its support to major projects such as “Two News and One Key”, and actively developed green finance as a supplement to the Henan Province “982” Project, which is designed to make up for the shortcomings to strongly supporting the development of the local economy. Firstly, the business scale remained stable. As of June 30, 2021, the total assets of the Bank were RMB753,002 million. Total loans (excluding accrued interest) amounted to RMB384,994 million, an increase of RMB27,968 million or 7.8% over the beginning of the year. The balance of deposits (excluding accrued interest) was RMB448,500 million, an increase of RMB23,518 million or 5.5% compared with the beginning of the year. The Bank actively adapted to changes in internal and external environments, adjusted its balance sheet strategy in a timely manner, and continued to optimize its structure of assets and liabilities. The total loans with high yield (excluding accrued interest) accounted for 51.1% of the total assets, representing an increase of 4.0 percentage points as compared with the beginning of the year. Low-cost general deposits (excluding accrued interest) accounted for 64.8% of the total liabilities, representing an increase of 3.9 percentage points as compared with the beginning of the year. Secondly, the operating profits remained stable. During the Reporting Period, the Bank recorded operating income of RMB9,718 million and profit before provision of RMB6,787 million, and recorded net profit of RMB2,112 million, representing a year-on-year increase of RMB86 million or 4.2%. The Bank continued to strengthen management and control on pricing and duration to control the cost of liabilities. The net interest margin and net interest spread were 2.33% and 2.15%, respectively, maintaining a satisfactory level in industry. Thirdly, the asset quality continued to be consolidated. During the Reporting Period, the Bank steadily promoted the strategy of “reducing old and controlling new (降舊控新)”, focused on the recovery and resolution of non-performing loans and high-risk assets, further refined the management requirements of the “two-stage and five-category” and formulated differentiated management and control measures to improve asset quality steadily. As of June 30, 2021, the non-performing loan ratio was 2.17%, a decrease of 0.04 percentage point from the beginning of the year. Since the establishment of the Bank, the non-performing loan ratio of new loans has maintained a good level of less than 1%. The allowance coverage ratio was 153.57%, up by 0.26 percentage point from the beginning of the year.

III. Management Discussion and Analysis

3. Analysis on Income Statement

For the six months ended June 30, 2021, the Bank recorded net profit of RMB2,112 million, representing a year-on-year increase of 4.2%.

	For the six months ended June 30,			
	2021	2020	Change	Rate of change
	(in millions of RMB, except percentages)			
Interest income ⁽¹⁾	15,995.2	15,362.3	632.9	4.1%
Interest expense	(7,546.6)	(7,049.7)	(496.9)	7.0%
Net interest income	8,448.6	8,312.6	136.0	1.6%
Fee and commission income ⁽¹⁾	1,328.5	1,204.7	123.8	10.3%
Fee and commission expense	(208.7)	(138.2)	(70.5)	51.0%
Net fee and commission income	1,119.8	1,066.5	53.3	5.0%
Net trading (losses)/gains	(110.1)	337.2	(447.3)	(132.7%)
Net gains arising from investment securities	231.5	783.1	(551.6)	(70.4%)
Other operating income ⁽²⁾	28.0	92.3	(64.3)	(69.7%)
Operating income	9,717.8	10,591.7	(873.9)	(8.3%)
Operating expenses	(3,031.9)	(3,069.5)	37.6	(1.2%)
Impairment losses on assets	(4,375.5)	(5,120.7)	745.2	(14.6%)
Share of gains/(losses) of joint ventures	101.4	(15.0)	116.4	(776.0%)
Operating profit	2,411.8	2,386.5	25.3	1.1%
Profit before taxation	2,411.8	2,386.5	25.3	1.1%
Income tax	(300.2)	(360.5)	60.3	(16.7%)
Net profit	2,111.6	2,026.0	85.6	4.2%
Net profit attributable to equity shareholders of the Bank	2,079.5	1,972.0	107.5	5.5%
Non-controlling interests	32.1	54.0	(21.9)	(40.6%)

Note:

- (1) According to the requirements of the Notice on Strictly Implementing Accounting Standards for Enterprises and Effectively Strengthening the Work of Enterprises' 2020 Annual Reports (Cai Kuai [2021] No. 2) (《關於嚴格執行企業會計準則切實加強企業 2020 年年報工作的通知》(財會[2021]2 號)), the Bank has reclassified credit card installment income, from net fee and commission income to interest income, and the comparative period information of relevant financial indicators has been restated since 2020.
- (2) Other operating income includes government subsidies, rental income, net gains arising from disposal of property and equipment and others.

III. Management Discussion and Analysis

3.1 Net interest income, net interest spread and net interest margin

For the six months ended June 30, 2021, the Bank recorded net interest income of RMB8,449 million, representing an increase of RMB136 million or 1.6% as compared to the same period of last year. Among this, a growth of net interest income of RMB1,447 million as compared to the same period of last year was attributable to the expansion of the Bank's business scale and a decrease in net interest income of RMB1,311 million was attributable to the changes in yield or cost rate.

The following table sets forth the average balance of the Bank's interest-earning assets and interest-bearing liabilities, interest income and expense from these assets and liabilities, and the average yield of these interest-earning assets and the average cost rate of these interest-bearing liabilities for the six months ended June 30, 2020 and 2021.

	For the six months ended June 30,					
	2021			2020		
	Average balance	Interest income/expense	Average yield/cost ⁽¹⁾	Average balance	Interest income/expense	Average yield/cost ⁽¹⁾
(in millions of RMB, except percentages)						
Interest-earning assets						
Loans and advances to customers	371,773.3	9,702.8	5.22%	318,157.5	9,106.2	5.72%
Investment securities and other financial assets ⁽²⁾	217,578.2	4,064.1	3.74%	211,573.7	4,299.8	4.06%
Lease receivables	34,070.2	1,249.7	7.34%	29,760.3	1,114.6	7.49%
Deposits with the Central Bank	36,001.5	247.9	1.38%	36,064.0	266.2	1.48%
Deposits with banks and other financial institutions	13,019.4	73.0	1.12%	12,385.8	81.2	1.31%
Financial assets held under resale agreements	17,572.9	170.7	1.94%	17,133.7	143.2	1.67%
Placements with banks and other financial institutions	34,317.4	487.0	2.84%	24,039.4	351.1	2.92%
Total interest-earning assets	724,332.9	15,995.2	4.42%	649,114.4	15,362.3	4.73%
Interest-bearing liabilities						
Deposits from customers	420,183.0	4,018.4	1.91%	402,891.9	3,964.7	1.97%
Financial assets sold under repurchase agreements	30,824.8	389.8	2.53%	33,339.2	305.8	1.83%
Placements from banks and other financial institutions	34,074.2	498.4	2.93%	31,052.8	444.7	2.86%
Borrowings from the Central Bank	41,250.3	546.1	2.65%	22,757.1	326.7	2.87%
Deposits from banks and other financial institutions	64,488.8	912.8	2.83%	52,368.0	700.8	2.68%
Debt securities issued ⁽³⁾	74,924.3	1,181.1	3.15%	80,429.9	1,307.0	3.25%
Total interest-bearing liabilities	665,745.4	7,546.6	2.27%	622,838.9	7,049.7	2.26%
Net interest income		8,448.6			8,312.6	
Net interest spread⁽⁴⁾			2.15%			2.47%
Net interest margin⁽⁵⁾			2.33%			2.56%

III. Management Discussion and Analysis

Notes:

- (1) Calculated by dividing interest income/expense by average balance.
- (2) Such interest-earning assets consist of financial assets at amortized cost and financial assets at fair value through other comprehensive income.
- (3) Mainly consists of interbank deposits issued, financial bonds and tier-two capital bonds.
- (4) Calculated as the difference between the average yield on total interest-earning assets and the average cost of total interest-bearing liabilities, and based on daily average interest-earning assets and interest-bearing liabilities.
- (5) Calculated by dividing net interest income by the average balance of total interest-earning assets, and based on daily average interest-earning assets.

The following table sets forth the changes in the Bank's interest income and interest expense due to changes in volume and rate for the periods indicated. Changes in volume are measured by changes in the average balances of the Bank's interest-earning assets and interest-bearing liabilities and changes in rate are measured by changes in the average rates of the Bank's interest-earning assets and interest-bearing liabilities. Effects of changes caused by both volume and rate have been allocated to changes in interests.

For the six months ended June 30,			
Change over the corresponding period of last year			
Reasons for increase/(decrease)			
	Volume⁽¹⁾	Rate⁽²⁾	Net increase/ (decrease)⁽³⁾
(in millions of RMB)			
Interest-earning assets			
Loans and advances to customers	1,534.6	(938.0)	596.6
Investment securities and other financial assets	122.0	(357.7)	(235.7)
Lease receivables	161.4	(26.3)	135.1
Deposits with the Central Bank	(0.5)	(17.8)	(18.3)
Deposits with banks and other financial institutions	4.2	(12.4)	(8.2)
Financial assets held under resale agreements	3.7	23.8	27.5
Placements with banks and other financial institutions	150.1	(14.2)	135.9
Changes in interest income	1,975.5	(1,342.6)	632.9
Interest-bearing liabilities			
Deposits from customers	170.2	(116.5)	53.7
Financial assets sold under repurchase agreements	(23.1)	107.1	84.0
Placements from banks and other financial institutions	43.3	10.4	53.7
Borrowings from the Central Bank	265.5	(46.1)	219.4
Deposits from banks and other financial institutions	162.2	49.8	212.0
Debt securities issued	(89.5)	(36.4)	(125.9)
Changes in interest expense	528.6	(31.7)	496.9

Notes:

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

III. Management Discussion and Analysis

3.2 Interest income

For the six months ended June 30, 2021, the Bank's interest income increased by RMB633 million or 4.1% to RMB15,995 million as compared to the same period last year, primarily attributable to the increase in the volume of loans and advances to customers.

3.2.1 Interest income from loans and advances to customers

For the six months ended June 30, 2021, the Bank's interest income from loans and advances to customers increased by RMB597 million or 6.6% to RMB9,703 million as compared to the same period last year, primarily attributable to the Bank's overall increase in the granting of loans to enhance support for the real economy. The average balance of loans increased from RMB318,158 million to RMB371,773 million.

The following table sets out, for the periods indicated, the average balance, interest income and average yield for each component of the Bank's loans and advances to customers.

	For the six months ended June 30,					
	Average balance	2021 Interest income	Average yield	Average balance	2020 Interest income	Average yield
	(in millions of RMB, except percentages)					
Corporate loans	152,002.4	4,209.8	5.54%	146,785.7	4,444.3	6.06%
Discounted bills	43,797.6	680.0	3.11%	25,713.8	420.8	3.27%
Personal loans	175,973.3	4,813.0	5.47%	145,658.0	4,241.1	5.82%
Total	371,773.3	9,702.8	5.22%	318,157.5	9,106.2	5.72%

3.2.2 Interest income from investment securities and other financial assets

For the six months ended June 30, 2021, the Bank's interest income from investment securities and other financial assets decreased by RMB236 million or 5.5% to RMB4,064 million as compared to the same period last year, primarily attributable to the decrease of 0.32 percentage point in the average yield of investment securities and other financial assets. The decrease in the average yield was primarily resulted by market factors, the yield of new investment securities and other financial assets was lower than the same period last year.

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3.2.3 Interest income from lease receivables

For the six months ended June 30, 2021, the Bank's interest income from lease receivables was RMB1,250 million, which mainly represented the income generated by the Bank's subsidiary AB Leasing Co., Ltd..

3.2.4 Interest income from deposits with the Central Bank

For the six months ended June 30, 2021, the Bank's interest income from deposits with the Central Bank decreased by RMB18 million or 6.8% to RMB248 million as compared to the same period last year, primarily attributable to the decrease in the average yield of deposits with the Central Bank.

3.2.5 Interest income from deposits with banks and other financial institutions

For the six months ended June 30, 2021, the Bank's interest income from deposits with banks and other financial institutions decreased by RMB8 million or 9.9% to RMB73 million as compared to the same period last year, primarily attributable to the decrease in the average yield of deposits with banks and other financial institutions.

3.2.6 Interest income from financial assets held under resale agreements

For the six months ended June 30, 2021, the Bank's interest income from financial assets held under resale agreements increased by RMB28 million or 19.6% to RMB171 million as compared to the same period last year, primarily attributable to the increase in the average yield of financial assets held under resale agreements under the influence of market price.

3.2.7 Interest income from placements with banks and other financial institutions

For the six months ended June 30, 2021, the Bank's interest income from placements with banks and other financial institutions increased by RMB136 million or 38.7% to RMB487 million as compared to the same period last year, primarily attributable to the increase in the average balance of placements with banks and other financial institutions.



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3.3 Interest expense

For the six months ended June 30, 2021, the Bank's interest expense increased by RMB497 million or 7.0% to RMB7,547 million as compared to the same period last year, primarily attributable to the increase in the volume of borrowings from the Central Bank and deposits from banks and other financial institutions.

3.3.1 Interest expense on deposits from customers

For the six months ended June 30, 2021, the Bank's interest expense on deposits from customers increased by RMB53 million or 1.3% to RMB4,018 million as compared to the same period last year, primarily attributable to the increase in the average balance of deposits from customers of the Bank. The increase in the average balance of deposits from customers of the Bank was primarily due to our efforts to continue to diversify the application scenarios, expand the scope of customer acquisition and business linkage, enrich the product system, improve the service quality, widen the service channels and effectively drive the growth of deposits.

	For the six months ended June 30,					
	Average balance	2021 Interest expense	Average cost	Average balance	2020 Interest expense	Average cost
	(in millions of RMB, except percentages)					
Corporate deposits						
Demand	118,777.6	434.5	0.73%	125,095.0	448.0	0.72%
Time	95,692.6	1,025.5	2.14%	89,550.7	1,016.8	2.27%
Sub-total	214,470.2	1,460.0	1.36%	214,645.7	1,464.8	1.36%
Personal deposits						
Demand	53,704.3	99.8	0.37%	47,205.2	101.7	0.43%
Time	152,008.5	2,458.6	3.23%	141,041.0	2,398.2	3.40%
Sub-total	205,712.8	2,558.4	2.49%	188,246.2	2,499.9	2.66%
Total deposits from customers	420,183.0	4,018.4	1.91%	402,891.9	3,964.7	1.97%

3.3.2 Interest expense on deposits from banks and other financial institutions

For the six months ended June 30, 2021, the Bank's interest expense on deposits from banks and other financial institutions increased by RMB212 million or 30.2% to RMB913 million as compared to the same period last year. The increase in the interest expense on deposits from banks and other financial institutions was primarily attributable to the increase in the size of deposits from banks and other financial institutions.

3.3.3 Interest expense on debt securities issued

For the six months ended June 30, 2021, the Bank's interest expense on debt securities issued decreased by RMB126 million or 9.6% to RMB1,181 million as compared to the same period last year, primarily attributable to the decrease in the average balance of debt securities issued.

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3.3.4 Net interest spread and net interest margin

The Bank's net interest spread decreased from 2.47% for the corresponding period of last year to 2.15% for the current period, while the Bank's net interest margin decreased from 2.56% for the corresponding period of last year to 2.33% for the current period. The decreases in net interest spread and net interest margin were primarily attributable to (i) the decrease in the yield of investment and financing businesses as a result of the overall decline in market interest rates under the guide of more flexible and appropriate monetary policies; and (ii) the reduction of financing costs of enterprises and the decline in loan yield due to the implementation of the national profit-concession policies by the Bank.

3.4 Non-interest income

3.4.1 Net fee and commission income

For the six months ended June 30, 2021, the Bank's net fee and commission income increased by RMB53 million or 5.0% to RMB1,120 million as compared to the same period last year. The Bank insisted on operational transformation to meet the financial needs of consumers, and continuously expanded its intermediate businesses, service channel and the business volume.

	For the six months ended June 30,			
	2021	2020	Change	Rate of change
	(in millions of RMB, except percentages)			
Fee and commission income				
Bank card service fees	244.0	195.8	48.2	24.6%
Settlement and clearing service fees	158.9	171.5	(12.6)	(7.3%)
Agency service income	67.9	66.9	1.0	1.5%
Underwriting service income	358.0	277.5	80.5	29.0%
Acceptance and guarantee service fees	76.2	68.3	7.9	11.6%
Advisory and consulting fees	115.4	88.6	26.8	30.2%
Custodial service fees	57.4	107.9	(50.5)	(46.8%)
Wealth management business fees	250.7	228.2	22.5	9.9%
Sub-total	1,328.5	1,204.7	123.8	10.3%
Fee and commission expenses	(208.7)	(138.2)	(70.5)	51.0%
Net fee and commission income	1,119.8	1,066.5	53.3	5.0%

For the six months ended June 30, 2021, the Bank realized bank card service fees income of RMB244 million, representing an increase of RMB48 million as compared to the same period last year, primarily because the Bank continued to develop its credit card business and diversify products offerings, leading to the rapid growth of consumption transaction and driving the growth of related fee income.

For the six months ended June 30, 2021, the Bank realized underwriting service income of RMB358 million, representing an increase of RMB81 million as compared to the same period last year, primarily due to the rapid development of the bond underwriting business after the Bank gave full play to the qualification advantages of B-Class lead underwriter.

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For the six months ended June 30, 2021, the Bank realized wealth management business fees income of RMB251 million, representing an increase of RMB23 million as compared to the same period last year, primarily attributable to the Bank's continued improvement of product systems and customer service capability and increase in the size of wealth management products.

3.4.2 Net trading (losses)/gains

For the six months ended June 30, 2021, the Bank's net trading losses were RMB110 million, representing a decrease of RMB447 million as compared to the same period last year, primarily attributable to the intensified fluctuations of exchange rate under the influence of global economy.

3.4.3 Net gains arising from investment securities

For the six months ended June 30, 2021, the Bank's net gains arising from investment securities amounted to RMB232 million, representing a decrease of RMB552 million as compared to the same period last year, primarily attributable to the decrease in gains of financial investments at fair value through profit or loss for the current period.

3.5 Operating expenses

For the six months ended June 30, 2021, the Bank's operating expenses decreased by RMB38 million or 1.2% to RMB3,032 million as compared to the same period last year, primarily due to the fact that the Bank kept strengthening the fine cost management, actively practised the light cost operation model, continuously promoted the change of business development model and marketing-driven model, and effectively controlled the cost and expenditure.

	For the six months ended June 30,			
	2021	2020	Change	Rate of change
	(in millions of RMB, except percentages)			
Staff costs				
Salaries, bonuses and allowances	1,238.8	1,389.9	(151.1)	(10.9%)
Staff welfare	131.4	140.1	(8.7)	(6.2%)
Social insurance and annuity	235.6	94.6	141.0	149.0%
Housing fund	109.8	97.1	12.7	13.1%
Employee education expenses and labor union expenses	43.4	55.8	(12.4)	(22.2%)
Others ⁽¹⁾	25.7	25.6	0.1	0.4%
Sub-total of staff costs	1,784.7	1,803.1	(18.4)	(1.0%)
Tax and surcharges	101.9	94.2	7.7	8.2%
Depreciation and amortisation	492.2	542.4	(50.2)	(9.3%)
Other general and administrative expenses	653.1	629.8	23.3	3.7%
Total	3,031.9	3,069.5	(37.6)	(1.2%)

Note: (1) Primarily included expenses relating to dispatched staff.

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For the six months ended June 30, 2021, the Bank's staff costs decreased by RMB18 million or 1.0% to RMB1,785 million as compared to the same period last year, primarily attributable to the decrease in salaries, bonuses and allowances of the employees. Staff costs represented the largest component of the Bank's operating expenses, and accounted for 58.9% of the total operating expenses for the six months ended June 30, 2021.

For the six months ended June 30, 2021, depreciation and amortization expenses decreased by RMB50 million or 9.3% to RMB492 million as compared to the same period last year, primarily because the Bank continued to reduce the proportion of non-interest earning assets, which led to reduction of depreciation and amortization expenses.

For the six months ended June 30, 2021, tax and surcharges expenses amounted to RMB102 million, representing an increase of RMB8 million or 8.2% as compared to the same period last year. The increase was primarily due to the increase in operating income of the Bank.

For the six months ended June 30, 2021, other general and administrative expenses increased by RMB23 million or 3.7% to RMB653 million as compared to the same period last year. Other general and administrative expenses primarily include interest expenses on lease liabilities, property management fees, office expenses, business marketing expenses and others.

3.6 Impairment losses

For the six months ended June 30, 2021, the Bank's impairment losses decreased by RMB745 million to RMB4,376 million as compared to the same period last year. This is primarily due to the fact that the Bank continued to strengthen credit risk management and control in the first half of the year, and the non-performing loan ratio decreased by 0.04 percentage point compared with the end of last year.

	For the six months ended June 30,			
	2021	2020	Change	Rate of change
	(in millions of RMB, except percentages)			
Loans and advances to customers	2,370.1	2,869.2	(499.1)	(17.4%)
Investment securities and other financial assets ⁽¹⁾	1,459.6	1,737.4	(277.8)	(16.0%)
Lease receivables	262.7	243.6	19.1	7.8%
Other assets ⁽²⁾	283.1	270.5	12.6	4.7%
Total impairment losses	4,375.5	5,120.7	(745.2)	(14.6%)

Notes:

- (1) The impairment losses on assets include impairment losses on financial investments at amortized cost and financial investments at fair value through other comprehensive income.
- (2) The impairment losses on assets mainly include impairment losses on deposits with banks and other financial institutions, placements with banks and other financial institutions, financial assets held under resale agreements, off-balance sheet credit assets, repossessed assets, fixed assets, interests receivable and other receivables.



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3.7 Income tax expense

For the six months ended June 30, 2021, the Bank's income tax expense decreased by RMB60 million to RMB300 million, primarily attributable to the increase in the Bank's interest incomes from treasury bonds and other tax-free incomes.

	For the six months ended June 30,			
	2021	2020	Change	Rate of change
	(in millions of RMB, except percentages)			
Current income tax	895.9	1,321.1	(425.2)	(32.2%)
Deferred income tax	(595.7)	(960.6)	364.9	(38.0%)
Total income tax expenses	300.2	360.5	(60.3)	(16.7%)

4. Analysis on the Major Items of Balance Sheet

4.1 Assets

As of June 30, 2021, the Bank's total assets decreased by RMB4,481 million or 0.6% to RMB753,002 million as compared to the end of last year. The principal components of the Bank's assets consist of (i) loans and advances to customers (net); and (ii) investment securities and other financial assets (net), representing 49.8% and 29.9% of the Bank's total assets as of June 30, 2021, respectively.

The following table sets forth the components of the Bank's total assets as of the dates indicated.

	As of June 30, 2021		As of December 31, 2020	
	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)			
Gross loans and advances to customers	387,678.7	51.5%	359,375.8	47.4%
Allowance for impairment losses	(12,364.6)	(1.6%)	(11,719.0)	(1.5%)
Net loans and advances to customers	375,314.1	49.8%	347,656.8	45.9%
Lease receivables	35,297.9	4.7%	30,805.5	4.1%
Investment securities and other financial assets	225,043.5	29.9%	239,397.5	31.6%
Financial assets held under resale agreements	3,681.6	0.5%	15,819.5	2.1%
Cash and deposits with the Central Bank	56,852.4	7.6%	65,336.3	8.6%
Deposits with banks and other financial institutions	10,053.3	1.3%	13,493.5	1.8%
Placements with banks and other financial institutions	26,311.8	3.5%	25,280.5	3.3%
Derivative financial assets	104.0	0.0%	31.0	0.0%
Interest in joint venture	1,185.4	0.2%	1,084.0	0.1%
Other assets ⁽¹⁾	19,157.5	2.5%	18,577.9	2.5%
Total assets	753,001.5	100.0%	757,482.5	100.0%

Note: (1) Consist primarily of properties and equipment, deferred income tax assets, goodwill and other assets.

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4.1.1 Loans and advances to customers

As of June 30, 2021, the Bank's gross loans and advances to customers (excluding accrued interest) increased by RMB27,968 million or 7.8% to RMB384,994 million as compared to the end of last year. The Bank's loans and advances to customers consist of corporate loans, personal loans and discounted bills.

The following table sets forth the distribution of the Bank's loans by business line as of the dates indicated.

	As of June 30, 2021		As of December 31, 2020	
	Amount	% of total	Amount	% of total
(in millions of RMB, except percentages)				
Corporate loans	160,396.7	41.4%	150,371.0	41.8%
Personal loans	181,069.2	46.7%	170,501.3	47.4%
Discounted bills	43,528.1	11.2%	36,153.6	10.1%
Sub-total	384,994.0	99.3%	357,025.9	99.3%
Accrued interest	2,684.7	0.7%	2,349.9	0.7%
Total loans and advances to customers	387,678.7	100.0%	359,375.8	100.0%

(1) Corporate loans

As of June 30, 2021, the Bank's corporate loans increased by RMB10,026 million or 6.7% to RMB160,397 million as compared to the end of last year, representing 41.7% of the Bank's gross loans and advances to customers (excluding accrued interest), primarily attributable to the Bank's increased supports to real economy.

The following table sets forth a breakdown of the Bank's corporate loans by collateral as of the dates indicated.

	As of June 30, 2021		As of December 31, 2020	
	Amount	% of total	Amount	% of total
(in millions of RMB, except percentages)				
Unsecured loans	16,085.8	10.0%	17,978.6	11.9%
Guaranteed loans	69,196.3	43.1%	61,475.5	40.9%
Collateralised loans	40,387.4	25.2%	39,392.1	26.2%
Pledged loans	34,727.2	21.7%	31,524.8	21.0%
Total corporate loans	160,396.7	100.0%	150,371.0	100.0%

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(2) Personal loans

As of June 30, 2021, the Bank's personal loans increased by RMB10,568 million or 6.2% to RMB181,069 million as compared to the end of last year, primarily attributable to the Bank's efforts in increasing support for social consumption growth.

The following table sets forth a breakdown of the Bank's personal loans by product type as of the dates indicated.

	As of June 30, 2021		As of December 31, 2020	
	Amount	% of total	Amount	% of total
(in millions of RMB, except percentages)				
Personal residential mortgage loans	92,078.4	50.9%	85,418.4	50.1%
Personal business loans	43,936.5	24.3%	42,535.7	24.9%
Personal consumption loans	28,870.8	15.9%	29,359.2	17.2%
Credit card loans	16,183.5	8.9%	13,188.0	7.8%
Total personal loans	181,069.2	100.0%	170,501.3	100.0%

(3) Discounted bills

As of June 30, 2021, the Bank's discounted bills increased by RMB7,374 million or 20.4% to RMB43,528 million as compared to the end of last year, which primarily attributable to the Bank's support for the real economy and continuously satisfying customers' demand for short-term financing.

4.1.2 Investment securities and other financial assets

As of June 30, 2021, the Bank's net investment securities and other financial assets decreased by RMB14,354 million or 6.0% to RMB225,044 million as compared to the end of last year, primarily due to the decrease of investments in trust plans, debt securities and other investments by the Bank.

The following table sets forth the composition of the Bank's investment securities and other financial assets as of the dates indicated.

	As of June 30, 2021		As of December 31, 2020	
	Amount	% of total	Amount	% of total
(in millions of RMB, except percentages)				
Financial investments at fair value through profit or loss	17,550.9	7.7%	21,480.4	8.9%
Financial investments at fair value through other comprehensive income	49,267.9	21.6%	46,579.7	19.4%
Financial investments at amortised cost	160,809.4	70.7%	172,373.9	71.7%
Total investment securities and other financial assets	227,628.2	100.0%	240,434.0	100.0%
Add: accrued interest	2,830.2		2,909.8	
Less: impairment provisions	(5,414.9)		(3,946.3)	
Net investment securities and other financial assets	225,043.5		239,397.5	

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The following table sets forth the distribution of the Bank's investment securities and other financial assets as of the dates indicated.

	As of June 30, 2021		As of December 31, 2020	
	Amount	% of total	Amount	% of total
(in millions of RMB, except percentages)				
Debt Securities				
Debt securities issued by PRC government	74,878.5	33.3%	65,628.6	27.4%
Debt securities issued by PRC policy banks and other financial institutions	47,794.5	21.2%	57,425.1	24.0%
Debt securities issued by PRC corporate issuers	9,874.4	4.3%	13,350.5	5.6%
Sub-total	132,547.4	58.8%	136,404.2	57.0%
Other financial assets				
Wealth management products issued by other PRC commercial banks	–	0.0%	203.4	0.1%
Asset management plans	2,070.5	0.9%	2,447.0	1.0%
Trust plans	37,924.2	16.9%	47,876.0	20.0%
Others	49,671.2	22.1%	49,557.1	20.7%
Sub-total	89,665.9	39.9%	100,083.5	41.8%
Accrued interest	2,830.2	1.3%	2,909.8	1.2%
Net investment securities and other financial assets	225,043.5	100.0%	239,397.5	100.0%

4.1.3 Other components of the Bank's assets

Other components of the Bank's assets consist primarily of (i) financial assets held under resale agreements; (ii) cash and deposits with the Central Bank; (iii) deposits with banks and other financial institutions; (iv) placements with banks and other financial institutions; (v) lease receivables; and (vi) other assets.

As of June 30, 2021, the total financial assets held under resale agreements decreased by RMB12,138 million or 76.7% to RMB3,682 million as compared to the end of last year, primarily because the Bank adjusted the size of the financial assets held under resale agreements at the end of the Reporting Period after taking comprehensive consideration of market price and the allocation demand of assets and liabilities.

As of June 30, 2021, the total cash and deposits with the Central Bank decreased by RMB8,484 million or 13.0% to RMB56,852 million as compared to the end of last year. This is mainly because at the end of the Reporting Period, the Bank adjusted the scale of low-yield funds deposited with the Central Bank by comprehensively considering the market price and asset and liability allocation requirements.

As of June 30, 2021, the total deposits with banks and other financial institutions decreased by RMB3,441 million or 25.5% to RMB10,053 million as compared to the end of last year, primarily because the Bank adjusted the size of the deposits with banks and other financial institutions at the end of the Reporting Period after taking consideration of market price and the allocation demand of assets and liabilities.

As of June 30, 2021, the total placements with banks and other financial institutions increased by RMB1,031 million or 4.1% to RMB26,312 million as compared to the end of last year, primarily because the Bank adjusted the size of the placements with banks and other financial institutions at the end of the Reporting Period after taking consideration of market demand.

As of June 30, 2021, the balance of lease receivables increased by RMB4,492 million or 14.6% to RMB35,298 million as compared to the end of last year, primarily because AB Leasing Co., Ltd. continued to increase its support for the development of the real economy and expanded business scale.

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4.2 Liabilities

As of June 30, 2021, the Bank's total liabilities decreased by RMB6,501 million or 0.9% to RMB691,626 million as compared to the end of last year.

	As of June 30, 2021		As of December 31, 2020	
	Amount	% of total	Amount	% of total
(in millions of RMB, except percentages)				
Deposits from customers	454,996.7	65.8%	431,341.4	61.8%
Deposits from banks and other financial institutions	60,635.7	8.8%	59,388.7	8.5%
Debt securities issued	79,893.5	11.6%	76,054.6	10.9%
Financial assets sold under repurchase agreements	13,430.2	1.9%	46,141.1	6.6%
Placements from banks and other financial institutions	32,122.9	4.6%	31,214.3	4.5%
Borrowings from the Central Bank	40,655.1	5.9%	44,066.9	6.3%
Tax payable	126.7	0.0%	785.8	0.1%
Derivative financial liabilities	72.8	0.0%	17.0	0.0%
Other liabilities ⁽¹⁾	9,692.4	1.4%	9,117.4	1.3%
Total liabilities	691,626.0	100.0%	698,127.2	100.0%

Note:

- (1) Consist of payment and collection clearance accounts, staff salaries payable, finance lease deposits payable, lease liabilities, other tax payable, dividends payable, provisions, continuing involvement liabilities and other payables.

4.2.1 Deposits from customers

As of June 30, 2021, the Bank's total deposits from customers (excluding accrued interest) increased by RMB23,518 million or 5.5% to RMB448,500 million as compared to the end of last year. It was primarily attributable to the Bank's continued efforts to improve quality of financial service, which effectively boosted an increase in deposits.

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The following table sets forth the Bank's deposits from customers by product type and maturity profile of deposits as of the dates indicated.

	As of June 30, 2021		As of December 31, 2020	
	Amount	% of total	Amount	% of total
(in millions of RMB, except percentages)				
Corporate deposits				
Demand	125,897.0	27.7%	136,046.5	31.5%
Time	103,698.9	22.8%	88,443.2	20.5%
Sub-total	229,595.9	50.5%	224,489.7	52.0%
Personal deposits				
Demand	60,549.7	13.3%	58,665.7	13.6%
Time	158,354.7	34.8%	141,826.4	32.9%
Sub-total	218,904.4	48.1%	200,492.1	46.5%
Accrued interest	6,496.4	1.4%	6,359.6	1.5%
Total deposits from customers	454,996.7	100.0%	431,341.4	100.0%

4.2.2 Deposits from banks and other financial institutions

As of June 30, 2021, the Bank's balance of deposits from banks and other financial institutions increased by RMB1,247 million or 2.1% to RMB60,636 million as compared to the end of last year, primarily because the Bank adjusted the size of deposits from banks and other financial institutions at the end of the Reporting Period according to market liquidity and the Bank's capital needs.

4.2.3 Placements from banks and other financial institutions

As of June 30, 2021, the Bank's balance of placements from banks and other financial institutions increased by RMB909 million or 2.9% to RMB32,123 million as compared to the end of last year, primarily because the Bank adjusted the size of placements from banks and other financial institutions at the end of the Reporting Period according to market liquidity and the Bank's capital needs.

4.2.4 Debt securities issued

As of June 30, 2021, the Bank's balance of debt securities issued increased by RMB3,839 million or 5.0% to RMB79,894 million as compared to the end of last year, primarily because the Bank adjusted the size of debt securities issued at the end of the Reporting Period according to market liquidity and the Bank's capital needs.

4.2.5 Financial assets sold under repurchase agreements

As of June 30, 2021, the Bank's balance of financial assets sold under repurchase agreements was RMB13,430 million, representing a decrease of RMB32,711 million or 70.9% as compared to the end of last year, which was mainly due to the adjustment of assets sold under repurchase agreements by the Bank at the end of the Reporting Period according to market liquidity and the Bank's capital needs.

III. Management Discussion and Analysis

4.3 Shareholders' Equity

As of June 30, 2021, the Bank's total shareholders' equity increased by RMB2,021 million or 3.4% to RMB61,376 million as compared to the end of last year. The total equity attributable to shareholders of the Bank increased by RMB1,989 million or 3.4% to RMB60,251 million as compared to the end of last year. The increase in shareholders' equity was primarily attributable to the increase in profit during the Reporting Period.

	As of June 30, 2021		As of December 31, 2020	
	Amount	% of total	Amount	% of total
(in millions of RMB, except percentages)				
Share capital	20,075.0	32.7%	20,075.0	33.8%
Other equity instrument	9,632.8	15.7%	9,632.8	16.2%
Reserve	26,400.9	42.9%	26,491.1	44.7%
Retained earnings	4,142.1	6.7%	2,062.6	3.5%
Equity attributable to shareholders of the Bank	60,250.8	98.0%	58,261.5	98.2%
Non-controlling interests	1,124.7	2.0%	1,093.8	1.8%
Total shareholders' equity	61,375.5	100.0%	59,355.3	100.0%

5. Off-balance Sheet Commitments

The following table sets forth the contractual amounts of the Bank's off-balance sheet credit commitments as of the dates indicated.

	As of June 30, 2021	As of December 31, 2020
(in millions of RMB)		
Credit commitments		
Loan commitments	10,125.2	8,339.9
Bank acceptance	55,467.8	46,445.8
Letters of credit	11,256.2	9,238.0
Letters of guarantees	4,009.4	4,400.3
Total	80,858.6	68,424.0

III. Management Discussion and Analysis

6. Analysis on Loan Quality

During the Reporting Period, in face of the complicated economic and financial situation, the Bank further deepened the adjustment of credit structure, continued to strengthen credit risk management, optimized credit procedures and strengthened post-loan management measures to step up the efforts on collection and disposal of non-performing loans, so as to keep the loan quality at a generally manageable level. As of June 30, 2021, the balance of non-performing loans of the Bank amounted to RMB8,371 million, representing an increase of RMB488 million as compared to the end of last year. The non-performing loan ratio was 2.17%, representing a decrease of 0.04 percentage point as compared to the end of last year. Special mention loan accounted for 2.86%, representing an increase of 0.23 percentage point as compared to the end of last year.

6.1 Distribution of Loans by Five-Category Loan Classification

The following table sets forth, as of the dates indicated, the Bank's loans by the Bank's five-category loan classification. According to the five-category loan classification system, the Bank classified its non-performing loans into substandard, doubtful and loss categories.

	As of June 30, 2021		As of December 31, 2020	
	Amount	% of total	Amount	% of total
(in millions of RMB, except percentages)				
Normal	365,607.8	94.97%	339,745.1	95.16%
Special mention	11,015.6	2.86%	9,397.9	2.63%
Substandard	3,116.5	0.81%	3,134.2	0.88%
Doubtful	2,748.1	0.71%	3,146.4	0.88%
Loss	2,505.9	0.65%	1,602.3	0.45%
Total loans and advances to customers	384,993.9	100.00%	357,025.9	100.00%
Non-performing loans and nonperforming loan ratio ⁽¹⁾	8,370.5	2.17%	7,882.9	2.21%

Note: (1) Non-performing loan ratio is calculated by dividing non-performing loans by total loans to customers.

III. Management Discussion and Analysis

6.2 Distribution of Loans and Non-Performing Loans by Product Types

The following table sets forth, as of the dates indicated, the Bank's loans and non-performing loans by product types.

	As of June 30, 2021				As of December 31, 2020			
	Loan amount	% of total	NPL amount	NPL ratio ⁽⁴⁾	Loan amount	% of total	NPL amount	NPL ratio
(in millions of RMB, except percentages)								
Corporate loans								
Short-term loans ⁽¹⁾	77,361.1	20.1%	2,589.2	3.35%	76,530.4	21.4%	3,041.5	3.97%
Medium-to-long-term loans ⁽²⁾	83,035.5	21.6%	3,504.4	4.22%	73,840.6	20.7%	2,661.7	3.60%
Sub-total	160,396.6	41.7%	6,093.6	3.80%	150,371.0	42.1%	5,703.2	3.79%
Personal loans								
Personal residential mortgage loans	92,078.4	23.9%	170.9	0.19%	85,418.4	24.0%	193.7	0.23%
Personal consumption loans	28,870.8	7.5%	399.9	1.39%	29,359.2	8.2%	384.7	1.31%
Personal business loans	43,936.5	11.4%	937.8	2.13%	42,535.7	11.9%	887.9	2.09%
Others ⁽³⁾	16,183.5	4.2%	294.3	1.82%	13,188.0	3.7%	239.4	1.82%
Sub-total	181,069.2	47.0%	1,802.9	1.00%	170,501.3	47.8%	1,705.7	1.00%
Discounted bills	43,528.1	11.3%	474.0	1.09%	36,153.6	10.1%	474.0	1.31%
Total	384,993.9	100.0%	8,370.5	2.17%	357,025.9	100.0%	7,882.9	2.21%

Notes:

- (1) Short-term loans include loans with maturity of one year or less and advances.
- (2) Medium-to-long-term loans include loans with maturity of more than one year.
- (3) Others mainly include credit cards.
- (4) NPL ratio is calculated by dividing non-performing loans in each product type by gross loans in that product type.

As at June 30, 2021, the balance of corporate non-performing loans of the Bank amounted to RMB6,094 million, representing an increase of RMB390 million as compared with that of the end of last year. The non-performing loan ratio was 3.80%, representing an increase of 0.01 percentage point as compared with the end of last year. The increase in corporate non-performing loans of the Bank was primarily due to the corporate customers who obtained loans from the Bank were mainly small and medium corporate clients with weak risk-resistance capacity, their repayment abilities were deteriorated by the operation difficulties as a result of pandemic and economic downturn.

The balance of personal non-performing loans of the Bank amounted to RMB1,803 million, representing an increase of RMB97 million as compared with that of the end of last year. The non-performing loan ratio was 1.00%, which is the same as that at the end of last year. The Bank's non-performing loan ratio remained the same, which was mainly due to the fact that: (i) the Bank continued to promote the digital transformation of retail business from focusing on the network service to services both online and offline. We attached great importance to customer experience, and strengthened customer acquisition through methods including mass acquisition, acquisition through scenario and online channel, and achieved desired results in the retail business transformation. As of June 30, 2021, the balance of personal loans amounted to RMB181,069 million, representing an increase of RMB10,568 million or 6.2% as compared with the end of last year; (ii) the Bank proactively resolved personal non-performing loans through verification, cash collection, restructuring and other means, and strictly prevented addition of new non-performing loans by strengthening the control over the whole process of risk management.

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6.3 Distribution of Loans and Non-Performing Loans by Industry

	As of June 30, 2021				As of December 31, 2020			
	Loan amount	% of total	NPL amount	NPL ratio ⁽¹⁾	Loan amount	% of total	NPL amount	NPL ratio
(in millions of RMB, except percentages)								
Manufacturing	24,156.3	6.3%	2,320.7	9.61%	27,547.5	7.7%	2,460.9	8.93%
Leasing and business Services	44,107.3	11.5%	163.5	0.37%	38,382.3	10.8%	55.8	0.15%
Wholesale and retail	15,650.0	4.1%	1,837.8	11.74%	14,876.3	4.2%	1,676.8	11.27%
Real estate	16,590.0	4.3%	843.4	5.08%	18,276.6	5.1%	382.2	2.09%
Construction	14,127.5	3.7%	177.8	1.26%	12,834.8	3.6%	186.2	1.45%
Water, environment and public facility management	13,766.7	3.6%	23.0	0.17%	11,145.9	3.1%	–	0.00%
Electricity, gas and water production and supply	4,795.7	1.2%	12.8	0.27%	5,326.2	1.5%	59.9	1.12%
Agriculture, forestry, animal husbandry and fishery	2,874.9	0.7%	369.4	12.85%	3,149.8	0.9%	462.9	14.70%
Accommodation and catering	2,671.6	0.7%	126.4	4.73%	2,829.8	0.8%	162.4	5.74%
Education	4,459.4	1.2%	46.2	1.04%	3,272.2	0.9%	48.3	1.48%
Health, social security and social welfare	4,366.1	1.1%	35.0	0.80%	3,783.7	1.1%	–	0.00%
Mining	3,875.3	1.0%	0.7	0.02%	2,159.2	0.6%	15.5	0.72%
Transportation, storage and postal services	5,430.9	1.4%	63.2	1.16%	3,554.8	1.0%	139.2	3.92%
Others	3,524.9	0.9%	73.7	2.09%	3,231.9	0.8%	53.1	1.64%
Total corporate loans	160,396.6	41.7%	6,093.6	3.80%	150,371.0	42.1%	5,703.2	3.79%
Total personal loans	181,069.2	47.0%	1,802.9	1.00%	170,501.3	47.8%	1,705.7	1.00%
Discounted bills	43,528.1	11.3%	474.0	1.09%	36,153.6	10.1%	474.0	1.31%
Total	384,993.9	100.0%	8,370.5	2.17%	357,025.9	100.0%	7,882.9	2.21%

Note: (1) Non-performing loan ratio of an industry is calculated by dividing the balance of non-performing loans of the industry by the balance of loans granted to the industry.

III. Management Discussion and Analysis

As of June 30, 2021, the non-performing corporate loans of the Bank mainly concentrated in the manufacturing industry, wholesale and retail industry and agriculture, forestry, animal husbandry and fishery industry, with non-performing loan ratio of 9.61%, 11.74% and 12.85%, respectively, of which:

- (i) the balance of non-performing loans in the manufacturing industry decreased by RMB140 million as compared with the end of last year, with an increase of 0.68 percentage point in non-performing loan ratio, mainly because the decrease in the amount of loans to the manufacturing industry of the Bank in the first half of the year with a total drop of RMB3,391 million and repayment abilities of clients in manufacturing industry were deteriorated by the operation difficulties as a result of pandemic and economic downturn.
- (ii) the balance of non-performing loans in the wholesale and retail industry increased by RMB161 million as compared with the end of last year, with an increase of 0.47 percentage point in non-performing loan ratio, which was mainly because the operation situation of clients in wholesale and retail industry were deteriorated greatly by the pandemic and economic downturn, which resulted in the increase of non-performing loan ratio in the industry.
- (iii) the balance of non-performing loans in the agriculture, forestry, animal husbandry and fishery industry decreased by RMB94 million as compared with the end of last year, with a decrease of 1.85 percentage points in non-performing loan ratio, which was mainly because the Bank proactively resolved non-performing loans through verification, cash collection, restructuring and other means, and strictly prevented addition of new non-performing loans by strengthening the control over the whole process of risk management.

6.4 Distribution of Loans and Non-Performing Loans by Collateral

The following table sets forth, as of the dates indicated, the distribution of the Bank's loans and non-performing loans by collateral.

	As of June 30, 2021				As of December 31, 2020			
	Loan amount	% of total	NPL amount	NPL ratio ⁽¹⁾	Loan amount	% of total	NPL amount	NPL ratio
(in millions of RMB, except percentages)								
Unsecured loans	38,232.5	9.9%	527.4	1.38%	39,026.3	10.9%	796.8	2.04%
Guaranteed loans	80,504.1	20.9%	3,910.8	4.86%	71,041.7	19.9%	3,681.6	5.18%
Collateralised loans	191,337.7	49.7%	3,205.8	1.68%	182,358.0	51.1%	3,149.2	1.73%
Pledged loans	74,919.6	19.5%	726.5	0.97%	64,599.9	18.1%	255.3	0.40%
Total	384,993.9	100.00%	8,370.5	2.17%	357,025.9	100.0%	7,882.9	2.21%

Note: (1) Non-performing loan ratio is calculated by dividing non-performing loans in each product type secured by each type of collateral by gross loans in that type of collateral.

III. Management Discussion and Analysis

As of June 30, 2021, the balance of our guaranteed non-performing loans increased by RMB229 million from the end of last year, representing a decrease in non-performing loan ratio of 0.32 percentage point, mainly because repayment abilities of certain customers of the Bank were deteriorated by the operation difficulties as a result of pandemic and economic downturn.

As of June 30, 2021, the balance of our collateralised non-performing loans increased by RMB57 million from the end of last year, representing a decrease in non-performing loan ratio of 0.05 percentage point, primarily because (i) repayment abilities of certain customers of the Bank were deteriorated by the operation difficulties as a result of pandemic and economic downturn; (ii) the Bank increased efforts in dealing non-performing assets in the first half the year, and proactively resolved non-performing loans through cash collection, verification, restructuring and other means.

6.5 Borrowers Concentration

As of June 30, 2021, the balance of loans to any single borrower of the Bank did not exceed 10% of the Bank's net capital.

The following table sets forth, as of June 30, 2021, the loan balance of the top ten single borrowers (excluding group borrowers) of the Bank.

Industry		As of June 30, 2021		
		Balance	% of total loans	% of net capital
(in millions of RMB, except percentages)				
Borrower A	Manufacturing	3,692.9	1.0%	4.9%
Borrower B	Transportation, storage and postal services	2,779.8	0.7%	3.7%
Borrower C	Leasing and commercial services	1,469.0	0.4%	2.0%
Borrower D	Real estate	1,449.8	0.4%	1.9%
Borrower E	Leasing and commercial services	1,196.3	0.3%	1.6%
Borrower F	Accommodation and catering	1,185.5	0.3%	1.6%
Borrower G	Water, environment and public facility management	1,000.0	0.3%	1.3%
Borrower H	Leasing and commercial services	958.5	0.2%	1.3%
Borrower I	Water, environment and public facility management	899.0	0.2%	1.2%
Borrower J	Real estate	888.3	0.2%	1.2%
Total		15,519.1	4.0%	20.6%

As of June 30, 2021, the loan balance of the largest single borrower of the Bank was RMB3,693 million, accounting for 1.0% of the total amount of loans of the Bank, and the total amount of loans to the top ten single borrowers was RMB15,519 million, accounting for 4.0% of the total amount of loans of the Bank.

III. Management Discussion and Analysis

6.6 Overdue loans

The following table sets forth, as of the dates indicated, the distribution of the Bank's loans to customers by maturity.

	As of June 30, 2021		As of December 31, 2020	
	Amount	% of total	Amount	% of total
(in millions of RMB, except percentages)				
Current loans	372,153.4	96.66%	345,816.7	96.86%
Overdue loans ⁽¹⁾				
Up to 3 months	5,075.6	1.31%	4,056.6	1.14%
Over 3 months up to 1 year	3,563.8	0.93%	3,410.3	0.95%
Over 1 year up to 3 years	3,216.9	0.84%	2,714.5	0.76%
Over 3 years	984.2	0.26%	1,027.8	0.29%
Sub-total	12,840.5	3.34%	11,209.2	3.14%
Total loans	384,993.9	100.00%	357,025.9	100.00%

Note: (1) Overdue loans represent the principal amount of the loans on which principal or interest is overdue.

As of June 30, 2021, the total amount of overdue loans was RMB12,841 million, representing an increase of RMB1,631 million as compared with the end of last year. Overdue loans accounted for 3.34% of the total loans, representing an increase of 0.20 percentage point as compared with the end of last year.

7. Business Segment Report

The table below sets forth the Bank's total operating income by business segments for the periods as indicated.

	For the six months ended June 30, 2021		For the six months ended June 30, 2020	
	Amount	% of total	Amount	% of total
(in millions of RMB, except percentages)				
Corporate banking business	5,176.2	53.3%	5,315.1	50.2%
Retail banking business	3,318.7	34.2%	3,291.7	31.1%
Financial markets business	1,193.3	12.3%	1,950.4	18.4%
Other businesses	29.6	0.2%	34.5	0.3%
Total operating income	9,717.8	100.0%	10,591.7	100.0%

III. Management Discussion and Analysis

8. Analysis on Capital Adequacy Ratio

The Bank continued to optimize its business structure and strengthen its capital management, as of June 30, 2021, the core tier-one capital adequacy ratio, the tier-one capital adequacy ratio and capital adequacy ratio of the Bank were 8.85%, 10.60% and 13.59%, respectively, representing an increase of 0.26 percentage point, 0.25 percentage point and 0.39 percentage point, respectively, as compared with those of the end of last year. The Bank proactively implemented a capital-light development model, strengthened the risk-weighted assets limit management, and improved the efficiency of capital use to keep a stable capital adequacy ratio, which fulfilled the regulatory requirements stipulated in the Administrative Measures for the Capital of Commercial Banks (Provisional) issued by CBIRC.

In accordance with the Administrative Measures for the Capital of Commercial Banks (Provisional) issued by CBIRC, the capital adequacy ratio of the Bank was calculated as follows:

	As of June 30, 2021	As of December 31, 2020
	(in millions of RMB, except percentages)	
Share capital	20,075.0	20,075.0
Valid portion of capital reserve	14,135.4	14,348.7
Surplus reserve	2,115.5	2,115.5
General reserve	9,660.3	9,660.3
Retained earnings	4,142.1	2,062.6
Valid portion of minority interests	616.7	575.6
Total Core tier-one capital	50,745.0	48,837.7
Core tier-one capital deductions	(1,573.5)	(1,611.3)
Net core tier-one capital	49,171.5	47,226.4
Other tier-one capital	9,715.0	9,709.5
Net tier-one capital	58,886.5	56,935.9
Net tier-two capital	16,566.8	15,672.2
Net capital base	75,453.3	72,608.1
Total risk-weighted assets	555,411.9	549,877.8
Core tier-one capital adequacy ratio	8.85%	8.59%
Tier-one capital adequacy ratio	10.60%	10.35%
Capital adequacy ratio	13.59%	13.20%

III. Management Discussion and Analysis

9. BUSINESS REVIEW

9.1 Corporate Banking Business

Meanwhile, under the guidance of the “Three Major Strategies”, with its proactive implementation of “Internetization and Ruralization of Banking Services” and “Digital Transformation” and its adherence to the principle of serving real economy as a financial institution, the Bank has promoted the development of inclusive finance by supporting private small and micro enterprises. By adhering to being customer-centric and targeting to market, the Bank coordinated the realization of current goals and built long-term capabilities, and maintained the healthy, rapid and high-quality development of its business.

9.1.1 Corporate deposits

The Bank focused on building an endogenous growth mechanism for corporate deposits and continuously deepened bank-government-enterprise cooperation, strengthened the building of basic customer base, optimized basic settlement services, provided corporate customers with trade financing, transaction settlement convenience and other products and services, and continuously improved the competitiveness of the corporate deposit business.

As of June 30, 2021, the time point balance of the Bank’s corporate deposit was RMB229.596 billion, with an increase of RMB5.106 billion or 2.27% as compared to the beginning of the year.

9.1.2 Corporate loans

The Bank regarded serving the local economy and society as its foundation, adapted to the economic transformation and upgrading, focused on supporting major projects such as “Two News and One Key”, seized the market opportunity in high-quality assets, and improved quality and efficiency to support the sound development of the manufacturing industry, dig into key industries, create unique solutions, and explore the construction of the industry ecosystem. The Bank improved the comprehensive financial service capability by transforming to customer-centred and professional value creation, achieving good market performance.

As of June 30, 2021, the Bank’s corporate loan balance was RMB160.397 billion, representing an increase of RMB10.026 billion or 6.67% as compared to the beginning of the year.

III. Management Discussion and Analysis

9.1.3 Corporate customers

The Bank followed the national and regional strategies closely, maintained serving the real economy as its responsibilities and facilitated the high-quality social and economic development of Henan Province. The Bank adhered to being customer-oriented, reinforced the infrastructure of the customer base, carried out category-based operations and classified policies targeting at strategic customers, institutional customers, and small and micro enterprise customers. Customised service models and business strategies were adopted to continuously transform to in-depth operation and professional creation of value, enhance our comprehensive service capability, and achieve comprehensive and coordinated development of the business benefits, quality and scale of the Bank.

As of June 30, 2021, the number of corporate customers across the Bank reached 36,758, representing a net increase of 2,017 as compared to the beginning of the year, and 9,688 basic accounts were opened.

9.1.3.1 Strategic customers

The Bank actively implemented category-based operations for corporate customers and transformed the strategic customer business strategy. By doing so, strategic customers, which served themselves on their own in the past, now are being served by the Bank. Through chain operations for strategic customers, dynamic circulation of group customer quotas and syndicated matching business, the Bank continuously improved our customer service capabilities and realized in-depth cooperation with strategic customers.

As of June 30, 2021, the balance of credit assets of strategic customer at the Bank's head office-level was RMB3.11 billion and the balance of corporate deposit increased by RMB1.75 billion as compared with the beginning of the year.



III. Management Discussion and Analysis

9.1.3.2 Institutional Customers

Adhering to the business philosophy of “building the chief advisory bank of local government”, the Bank closely focused on the national macro-policy orientation and our digital transformation strategy, and deepened our cooperation with government institutional customers. The Bank gave full play to the government advisory function, carried out in-depth research on local debt business, and introduced local debt service programs to seize local debt policy opportunities and capital commitments, thus providing local governments with financial intelligence services. The Bank adhered to use the technology to lead business development, focus on customer needs to provide various electronic products with comprehensive functions, high maintenance efficiency and rapid iterative operation, thus continuously improving institutional customer service scenarios. The Bank tapped into the business potential of the county market, seized the major strategic business opportunities for rural revitalisation, and responded to market demand in response to policy hotspots such as rural collective economic organizations, county medical community construction, and rural cultural tourism, and enriched the county product system. The Bank extended the business value chain of institutions, made contributions to the government’s efforts to deepen “reforms to delegate power, streamline administration and optimise government services” reform. The Bank took the lead in building an integrated social banking service network, actively carried out services such as court non-tax code scanning and medical insurance electronic certificate, promoting the convenience of government services.

As of June 30, 2021, the daily average balance of institutional deposits of the Bank was RMB84.320 billion.

III. Management Discussion and Analysis

9.1.3.3 Small and micro customers

The Bank adhered to agile transformation and strengthened its online and digital capabilities. The Bank focused on addressing the issues of the affordability and feasibility of financing for private enterprises and small and micro enterprises with the goal of “increment of customer base, expansion of customer coverage, quality improvement, and cost reduction” to continuously enhance our financial service efficiency for small and micro enterprises, contributing to the development and innovation in private enterprises and small and micro enterprises of Henan. Firstly, strengthening the full-time operation mechanism characterised by the “five professional” model. the Bank has set up special teams with dedicated customer managers for small and micro enterprises in the 17 branches under our jurisdiction, and those teams and customer managers were subject to special management and appraisal. Secondly, improving the system of inclusive small and micro product system. The Bank continuously enriched product shelves, strengthened scientific and technological empowerment, and accelerated the iterative operation optimisation of standardised products. Meanwhile, the Bank actively investigated the characteristic industries and customer groups in the province, and created Business Benefit Loan (惠商貸) and Enterprise Procurement Loan (企採貸) for upstream and downstream enterprises in the supply chain. Thirdly, making full use of external policies. The Bank benefit small and micro enterprises by virtue of the special refinancing, and delayed repayment of principal and interest and other policies. Fourthly, carrying out digital and intelligent construction. The Bank participated in the construction of financial service sharing platform in Henan Province, during which the Bank serves for 4,936 enterprises in aggregate and issued loans of RMB18,150 million, ranking first among financial institutions in Henan Province. We built a WeChat service platform “Zhongyuan Bank Microfinance” (中原銀行小微金融), which is a WeChat official account of the Bank, allowing us to acquire customers by more means, thus improving online customer reach, and further expanding the coverage of microfinance services. The platform was interconnected with the information of authorities for industry and commerce, finance, and taxation to enrich customer portraits through big data, simplify business processes, and enhance the online and automatic processing of business, thus providing more accurate and efficient financial services for small and micro enterprises.

As of June 30, 2021, the balance of small and micro enterprise loans of the Bank was RMB110,953 million, serving 65,700 small and micro customers, of which the balance of inclusive small and micro loans was RMB40,838 million, and the weighted average interest rate of loans was 6.02%, and the number of loan accounts at the end of the period was 64,486.



III. Management Discussion and Analysis

9.1.4 Bank's products

During the Reporting Period, the Bank innovated product strategies, optimized product functions, gradually formed a comprehensive product structure and improved service capabilities to enhance customer experience and satisfaction.

In terms of debt products, we responded to market changes in a timely manner, continuously promoted iterative computing development and function optimisation of debt products, and improved the market competitiveness of products. In terms of customer settlement services, the Bank, by providing customers with settlement convenience, cultivating settlement habits, and from the four dimensions of "customers, accounts, pipelines and products", focused on new account development, account opening, customer transaction funds return, and transaction banking product application to promote the increase in the settlement deposits.

In terms of investment banking products, the Bank actively expanded innovative business products such as underwriting debt financing instruments of non-financial enterprises, asset securitization, cross-border financing and fund matching.

In terms of transaction banking products, centering on the strategy of building a "data-based bank, tech bank", the Bank actively embraced digital transformation, focused on the creation of key products such as electronic guarantees and ZY e-chains, and launched three innovative models in the infrastructure field, therefore making continuous breakthroughs in key businesses.

While the product system continued to be enriched, the Bank, guided by its strategy of building a "data-based bank and tech bank", has carried out digital transformation to accelerate the onlinezation and scenarioization of the Company's products and services, and continues to enhance the competitiveness of the Company's products.

III. Management Discussion and Analysis

9.1.5 Investment banking

During the Reporting Period, the Bank exerted lots of efforts in promoting its transformation from traditional investment banks to investment banks with integrated service on the basis of the stable development of investment banking services such as underwriting debt financing instruments of non-financial enterprises, structural financing and asset securitization, actively expanding innovative business products and working to help the implementation of major regional development strategies.

Since the Bank obtained the qualification of a Type B lead underwriter for non-financial corporate debt financing instruments from the National Association of Financial Market Institutional Investors in 2019, its bond underwriting business developed rapidly. During the Reporting Period, the Bank underwrote 6 debt financing instruments of China Association of Interbank Market Dealers with a total scale of RMB3,060 million. The Bank actively implemented the national major development strategy and successfully issued the first financial bond of national commercial banks to support the ecological protection and high-quality development of the Yellow River Basin, with an amount of RMB2,000 million. The Bank vigorously supported the development of small and micro enterprises and successfully issued special financial bonds for loans to small and micro enterprises, with an amount of RMB2,000 million.

The Bank actively revitalized the resources of its peers, established a cooperation circle with other banking, insurance, trust and leasing financial institutions, and provided comprehensive and multi-channel integrated financial services for large and medium-sized customers within the province through syndicated loans and fund matching.

The Bank gave full play to the advantages of innovative products, and built a bridge between enterprises and regulators, Shanghai Stock Exchange and Shenzhen Stock Exchange and other capital markets to support mergers and acquisitions, listing of enterprise and capital market financing in the province. The Bank actively expanded asset securitisation business, and built a complete business chain of “consultant+creation+underwriting+investment” based on specific basic assets to provide customers with market-wide and customised asset securitisation services, thus helping enterprises revitalise existing assets and bringing about more financing channels. We continued to improve cross-border investment and financing cooperation platform, gave full play to the advantages of intra-bank linkage and extra-bank resources, and took multiple measures to provide comprehensive financial services for enterprises in the province in their efforts to issue bonds overseas and go public in Hong Kong, and open up overseas financing channels.



III. Management Discussion and Analysis

9.1.6 Transaction Banking

During the Reporting Period, the Bank actively promoted the online, digital and scenario-based transaction banking business, focused on key industries and customer groups, continuously enriched and improved our product system, and promoted the healthy and efficient development of transaction banking business. As of June 30, 2021, the intermediary business income of the transaction banking was RMB204 million, the accumulated financing amount was RMB83,200 million, the daily average of cash management deposits was RMB54,495 million, the international settlement amount was USD3,000 million, the cross-border RMB business was RMB680 million, and the number of customers served reached 12,000. The balance of financing for small and micro customers through transaction banking was RMB1,000 million.

(1) *We improved the transaction banking product system with customers as the centre*

We improved the transaction banking product system with customers as the centre. We continuously promoted the development of online products, enhanced customer experience, and improved business handling efficiency. Firstly, we launched a series of hybrid cash management products with liquidity and profitability, which organically combined customer payment and settlement with investment management, allowing us to provide structured, customised and competitive cash management investment services with respect to customers' operational, reserve and strategic cash; secondly, the financing products were optimised by repeated operations, and the online degree of factoring, guarantee, asset pool and prepayment products was continuously improved, and the proportion of business volume increased to 75%; and thirdly, we enriched the types of international business, launched the new product (financing for export) through which we have delivered RMB100 million, enriching the financing channels for export customers, thus improving the competitiveness of the Bank's export trade financing products.

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(II) We focused on key industries and supported the development of the real economy

The Transaction Banking Department focused on key industries and customer groups and provided comprehensive service solutions on the basis of different business scenarios to support the development of the real economy. Firstly, the Bank saw a success in its construction industry business, which strongly supported the construction of national central city. On the basis of in-depth market research, the Bank gradually developed a business model suitable for the construction industry and also developed exclusive payroll payment products. As of June 30, 2021, the credit balance of the construction industry was RMB24,840 million, representing an increase of RMB2,630 million compared with the beginning of the year. We focused on supporting national/provincial key infrastructure projects such as “米-shaped high-speed rail network” and “Zhongyuan Technology City” in the Central Plains Economic Zone, and established comprehensive cooperative relations with nearly 20 large and medium-sized construction enterprises, serving more than 800 upstream and downstream customers. In response to the country’s call to reduce the economic burden of enterprises and improve service efficiency, the Bank launched a full online electronic bid guarantee product, for which we cooperated with 21 public resource trading centres, serving 1,232 customers, and issued a total of 2,550 bid guarantees in the first half of the year. Secondly, we acted around large-scale manufacturing enterprises to support their own and upstream and downstream production and operations. We provided comprehensive product solutions such as asset pool, letter of credit, domestic factoring, dealer support plan, etc. for the leading industries in large-scale automobile manufacturing, high-end equipment, food processing, gold smelting, steel and chemical industry in the province. As of June 30, 2021, the manufacturing credit balance was RMB28.2 billion. We have served 483 customers, supporting the healthy and stable development of upstream and downstream enterprises in the industrial chain. Thirdly, we materialised a business model under the scenario of crop purchasing and reserve. We actively took advantage of technology to upgrade the pledge supervision measures by launching the warehouse management module and using remote electronic locks, video surveillance and other functions. We launched a warehouse management system suitable for financiers to provide supply chain financing for agricultural products. The approved amount reached RMB1.0 billion, which provided strong support for the province’s grain depots and processing enterprises to cope with the upcoming peak of purchase and reserve of grains. Fourthly, we created a settlement scenario service model such as “pay wages to migrant workers”, “budget unit social insurance contributions” and “pre-sale housing fund supervision” to improve the online management and transparent supervision level of projects that benefit people’s livelihood. At the same time, we continued to deepen cooperation in payment and settlement scenarios, helped enterprises build cash management models suitable for their own industrial chain and ecological chain, and improved their capital management level.



III. Management Discussion and Analysis

(III) We enhanced customer experience and created an all-pipeline service ecosystem

With the vision of online enterprise service, agile product construction, extreme customer experience, and creating the best full pipeline service ecosystem, we constantly innovated the application scenarios of public electronic pipelines, and realised rapid response to customer needs through agile iterative operation. In respect of enterprise mobile banking, we expanded remote banking services, realised the verification of “enterprise information maintenance” characterised by online audit of legal person, and enhanced the operation experience of enterprise legal person. We supported the online production of electronic invoices for all categories of business to improve the efficiency of business processing. At the same time, we developed the interconnection technology of the mobile terminal, allowing for rapid multiplexing of multiple functions in the multiple pipelines, thus enabling the rapid development of services. As of June 30, 2021, the Bank accumulated 150,000 corporate online banking customers, an increase of 6,000 as compared with the beginning of the year. The cumulative transaction volume in the first half of the year was RMB1.6 trillion, accounting for 83.54% of the total transactions of corporate banking customers in the same period.

9.2 Retail Banking

During the Reporting Period, in terms of the retail line, the Bank thoroughly implemented the strategic requirements such as “Three Strategies”, “Internetisation and Ruralisation of Banking Services” and “Digital Transformation”, firmly grasped the strategic opportunity of the country to implement “Rural Revitalisation”, and promoted the “Internetisation and Ruralisation of Banking Services” “Set Out Again” campaign. The Bank actively promoted the construction of service stations in inclusive finance, and improved quality and efficiency. Adhering to the customer-centred principle, the Bank focused on customer acquisition and operation to vigorously promote the expansion and operation improvement of important customer groups such as payment agent and acquisition, and acquired customers through digitilisation, intelligence and online business, laying the foundation for retail customers. We gradually enriched the product shelves and improved the characteristic product system; and implemented active compliance and comprehensive risk management to achieve high-quality development of retail business.

9.2.1 Retail Deposits

During the Reporting Period, the Bank broke through the shortcomings of debt product supply, optimised product supply, upgraded marketing skills and strengthened customer operations. The Bank actively promoted the three-stage work of retail digital transformation, promoted the localisation marketing project of branches to help improve the performance of branches; and conducted large-scale promotion of big data use cases to ensure the accurate implementation of big data use cases, and give full play to the promotion role of big data use cases. As of June 30, 2021, a total of 39 big data use cases were launched, involving 128 marketing events, and a total of 110 million leads were issued, achieving product sales of RMB182.1 billion.

As of June 30, 2021, the time point balance of savings deposits was RMB218.904 billion, representing an increase of RMB18.412 billion or 9.18% as compared to the end of last year. The daily average balance of savings deposits was RMB205.713 billion, representing an increase of RMB15.245 billion or 8.0% as compared to the end of last year. The balance of asset under management was RMB299.712 billion, representing an increase of RMB25.417 billion or 9.26% as compared to the end of last year.

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9.2.2 Retail Loans

During the Reporting Period, the Bank thoroughly implemented the digital transformation strategy, strengthened technology leadership and digital empowerment, accelerated the innovation and optimisation of retail credit products, and promoted the intelligence and precision of business operations.

The fact that perpetual loan business have been fully processed online in Zhengzhou area accelerated the online process of the business in the whole province. The Bank took the lead in realising completion of mortgage procedures in Zhengzhou for customers from other cities of the province, meaning that branches in other cities can handle the mortgage in their cities in connection with properties situated in Zhengzhou. In terms of credit loan business, we jointly developed a “medical treatment before payment” micro-credit product with Zhengzhou Health Commission and Zhengzhou Big Data Administration, and launched the product on the “Zheng Hao Ban (鄭好辦)” APP to properly meet the financing needs of customers for medical treatment scenarios. In terms of car loan business, the taxi loan & direct rent function is launched to meet the credit demand of customers in more car purchase scenarios. As of June 30, 2021, the cumulative number of customers concerned by perpetual loans reached 963,200, and during the Reporting Period, 105,700 new customers followed our product on the app. The sales of zero-loan online products reached RMB19.822 billion, accounting for 52.85%, representing an increase of 10.17% over the beginning of the year.

We strengthened data driving and implemented internet marketing concept. We created a “inside bank + outside bank” and “public domain+private domain” traffic marketing system, and fully relied on public domain traffic such as mobile banking APP, WeChat Bank, Jushang APP, and smart community, and increased product exposure through various forms such as graphics, soft texts and videos. Relying on corporate WeChat and mini programs to provide personalised marketing tools for branch marketers, the Bank gave full play to private domain traffic marketing performance. In terms of external pipeline, customer reach was realised by making full use of top business domain traffic such as WeChat moments, Himalaya audio APP and Jinri Toutiao. During the Reporting Period, the number of applications for perpetual loans was 43,800 times, of which online accounted for 51.37%. The Zhongyuan e-loan received 300,000 applications of which online applications accounted for 61.67%.

Based on the actual business development, the Bank constantly optimised product approval model and formulated differentiated approval strategies for different customers so as to improve the accuracy of approval. The Bank promoted the construction of intelligent post-loan and collection system to ensure the asset quality and support the rapid and healthy development of business.

As of June 30, 2021, the time point balance of the personal loans was RMB181.069 billion, representing an increase of RMB10.568 billion or 6.20% as compared to the beginning of the year; the daily average balance of personal loans was RMB175.973 billion, representing an increase of RMB22.593 billion or 14.73% as compared to the beginning of the year.



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9.2.3 Personal customers

As of June 30, 2021, the Bank's customers reached 18,321,600 in total, representing an increase of 1,216,300 or 7.15% as compared with the beginning of the year.

9.2.3.1 Mass customers

As of June 30, 2021, the scale of assets (including savings) managed by the Bank's mass customers was RMB211.030 billion, representing an increase of RMB16.194 billion over last year, of which the scale of savings deposits was RMB156.161 billion, representing an increase of RMB10.084 billion over last year. This year, the Bank acted in a customer-centred and customer-oriented manner. During the Reporting Period, new progress was made in the operation of customer groups: the number of continuous customers choosing the Bank to pay salaries on their behalf increased by 188,900 as compared with last year, representing an increase of 53.8%, and the assets under management (including savings) increased by RMB7.796 billion as compared with last year, accounting for 30.67% of the increase in retail management assets (including savings) of the Bank.

9.2.3.2 Wealth management & private banking customer groups

As of June 30, 2021, the amount of assets under management (including savings) of wealth management & private banking customers of the Bank was RMB88.212 billion, representing an increase of RMB9.217 billion or 11.67% as compared with the beginning of the year, of which the savings deposits of wealth management & private banking customers increased by RMB6.097 billion. The number of customers with a balance exceeding RMB3 million was 6,100, representing an increase of 7,000 or 12.96% as compared with the beginning of the year. The balance of off-balance sheet assets was RMB36.288 billion, representing an increase of RMB1.851 billion or 5.38% as compared with the beginning of the year; the business scale of high-net-worth exclusive products such as trust asset management continues to grow. In 2021, the amount of high-net-worth exclusive products sold was RMB9.077 billion, the Bank's ranking of sales of high-net-worth exclusive products in 2021 enters into the first echelon among 31 banks in the province, according to the statistics of the Henan Provincial regulatory authority.

9.2.4 Agriculture-related Business

During the Reporting Period, in accordance with the general requirements of "Rural Revitalisation", the Bank leveraged the construction of rural online and inclusive finance service stations, focused on market expansion, quality improvement and efficiency improvement, and took asset business as the breakthrough point, deepened the cooperation between banks and governments, strengthened risk prevention and control, and further promoted the strategy of "Internetisation and Ruralization of Banking Services".

We paid equal attention to improving quality and efficiency and seizing opportunities, and paid more attention to improving the operation of service stations. As of June 30, 2021, the county-level sub-branches and inclusive finance service stations set up by the Bank have covered 75% of the townships in 18 cities and towns in Henan Province, benefiting more than 15 million rural residents. In the first half of the year, the Bank handled 1,797,400 transactions for rural residents in the province, with a cumulative transaction amount of RMB7.925 billion.

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With continuous iterative operation optimisation, Village Online 2.0 was successfully launched. As of June 30, 2021, we provided convenient online management tools for governments at all levels, and solved the problems that resulted in inefficiency of the core role of grass-roots organisations. 691,000 households were registered, and 419,000 households bound cards with the app, with a binding rate of 60.7%.

The basic customer base was growing, and the customer operation obviously improved. As of June 30, 2021, the number of customers in the county and agriculture-related customers was 6.35 million, up by 476,000 compared with the beginning of the year, and the number of effective customers in the county and agriculture-related customers was 1.894 million, up by 150,000 compared with the beginning of the year, with an increase of 7.9%.

The new contribution of savings deposits of county sub-branches continued to increase. As of June 30, 2021, the balance of savings deposits of county sub-branches was RMB70.1 billion, representing an increase of RMB8.85 billion compared with the beginning of the year, accounting for 50.7% of the increase in savings deposits of the whole bank.

9.2.5 Scenario Development and Operation Business

In terms of acquiring business, we quickly adjusted our business ideas, enriched the methods of preferential treatment of merchant fees, and improved the efficiency of branch fee expenditure. Through the online+offline operation activities, the merchants' transactions became more active and their assets were upgraded. As of June 30, 2021, 540,000 acquiring merchants used our online banking, representing an increase of 57,000 as compared with the beginning of the year, with a deposit balance of RMB15.88 billion, representing an increase of RMB3.12 billion and an asset management balance of RMB22.78 billion, and an increase of RMB4.00 billion compared with the beginning of the year.

In terms of smart community business, we continued to conduct B-end customer acquisition and C-end online operation through docking with large and medium-sized properties, cooperation of software and hardware service providers, and promotion of branches. As of June 30, 2021, Zhongyuan Smart Community Platform accumulated 1,166 online communities, covering 507 property companies, with 4.760 million community users, 4.053 million online registered users, 274,000 effective conversion customers, bringing about RMB2.37 billion of new deposits from those customers.

In terms of Zhongyuan Foodie Map, the Bank continued to enrich the non-financial commodity resource pool, launched external platform docking and local brand introduction, completed docking with real-time data in the bank, launched the pilot of construction of "city life circle" of in branches, and provided full support for customer operation and financial product transformation for branches. As of June 30, 2021, the number of registered users of foodie map reached 1,309,700, and the number of monthly active users reached 176,800. This year, the number of online transactions was 57,000, and the total transaction amount was RMB1,208,800. The Bank assisted 11 branches to carry out local activities, with 49,300 orders and an amount of RMB1,132,700. A total of 147 farmers and cooperatives settled in the platform, and a total of 918 agricultural products were sold on the platform, with a cumulative sales volume of 120,500, which increased the income of farmers by RMB4,492,400.



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In terms of payment business, the Bank carried out marketing around education payment, living payment, party payment and other aspects, and acquired customers in batches through after-school service projects in primary and secondary schools. The Bank actively expanded the easy-to-collect wallet business, and reached cooperation intentions with government apps such as “Our Zhumadian” and “Online Sanmenxia”. The Bank explored scenario finance, cooperated with Zhengzhou Health Commission, and realised the implementation of the business of “medical treatment before payment”. As of June 30, 2021, there were 4,731 online schools and educational institutions in the education payment business, which increased by 751 compared with the beginning of the year, with a cumulative increase of 2.053 million registered users, an increase of 627,000 compared with the beginning of the year, and an increase of 8.049 million receipts, totaling RMB2.67 billion; 9 new smart canteen businesses were launched, with a total of 47 online, with 7,631 new card issuance, which led to a total of 138,000 card issuance. There were 48 new cooperative units and 46,000 new payment customers in the living payment business, among which the electricity fee business has achieved full coverage in the whole province.

9.2.6 Mass Customer Service

During the Reporting Period, the Bank focused on customers’ needs and helped the salary payment to acquire customers through online platform empowerment. The Bank optimised the open platform for e-pay agency, online batch card issuance, and QR code information collection on corporate online banking, so as to solve the process pain point that customers need to provide relevant paper materials for batch card processing offline, helping 350,000 customers in this year, and empowering enterprises to pay intelligently and manage employees.

Focusing on the growth point of the elderly-related opportunities, we continued to plan the elderly customers, launched the “Love and Warmness Across Central Plains” system for the elderly customers, and actively built a high-quality elderly service and product supply system. The Fanghua version of mobile banking, on the basis of the standard font, offered the large-character version and the voice version. Elderly customers can switch freely as needed: the large-character version has a larger font, which makes the elderly customers see them more clearly; and voice version is more convenient. We realised one-click connection of exclusive account manager. “Fanghua Savings”, an exclusive product for the elderly customers, has sold more than RMB5.0 billion in 6 months. The Bank continued to enhance the happiness of elderly customers and demonstrated our shouldering of social responsibility.

We deepened operations through integral mall. With a focus on customer pain points, we enriched customers’ rights and interests in online activities, and satisfied customers’ daily leisure, entertainment and commuting needs. During the Reporting Period, the cumulative number of visits to integral mall was 47,936,300, and the cumulative number of registered users in integral mall was 2,223,800, representing an increase of 241,300 or 12.17% as compared with the end of last year.

9.2.7 Wealth and Private Banking

During the Reporting Period, the Bank changed its thinking mode, connected internal and external channels with data-based thinking, conducted multi-dimensional analysis of big data, conducted category-based operations and refined management of customers, and explored a new data-based customer acquisition mode.

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With regard to customer management, as of June 30, 2021, the Bank adhered to the customer-centered philosophy, created various asset allocation schemes and tools based on the needs of customers' wealth management, and established a professional private banking service team to continuously optimize customers' asset structure for healthy development, and provided more professional and intimate services for the Bank's high net worth customers. In order to meet the diversified, differentiated and specialized needs of high-net-worth customers, wealth management centres have been established across the province, covering 14 cities in Henan Province.

The non-financial product system was becoming increasingly rich. As of June 30, 2021, the Bank organised 24 online activities and 16 offline activities around the core needs of high-net-worth customers, covering wealth forums, financial and taxation lectures, health talks, cultural research visits and other fields, and comprehensively and deeply solved the pain points of high-net-worth customers' needs. Affected by the epidemic, we deeply explored scarce resources in China and launched a number of non-financial products such as sailing independent camp, Guizhou scientific research plot camp (貴州科考劇情營), and Shanghai cycling summer camp in Hengsha island (上海騎行橫沙島夏令營). Focusing on "clothing, food, housing, travel, entertainment, education and health", we strengthened the brand image of nine value-added services such as Zhongyuan Famous Doctor (中原名醫堂), Zhongyuan Happy Travel (中原悅出行) and Zhongyuan Private Club (中原私享會). At the same time, based on online platforms such as mobile banking, the online value-added services were promoted in an all-round way, so that convenient services can fully penetrate through customers' lives.

9.2.8 Credit card business

During the Reporting Period, the Bank continued to improve its refined management capability by risks and operations empowerment with data, and the credit card business continued to develop healthily. Through the connection of diversified scenarios, we created characteristic joint cards to enrich the product system, met the differentiated needs of customers, and enhanced the ability to precisely acquire customers. We built a customer-centred service system, introduced different resources, and expanded the value-added service circle to enhance the customer experience. We optimised the asset structure, and increased the proportion of interest-earning assets to improve the overall return on assets. Through the application of new technologies and big data, the whole process of risk monitoring was strengthened, and the ability of early warning and disposal and intelligent risk control management was improved. In the post-epidemic period, we continued to optimise the customer base structure, improved the overall anti-risk ability, and repeatedly calculated the risk pricing strategy to further realise the balance between benefits and risks.

As of June 30, 2021, a total of 2,883,200 credit cards were issued, representing an increase of 432,800 compared with the end of last year. The number of the valid activated cards was 1,951,800, and the transactions amount of the period was RMB47.079 billion, with a year-on-year increase of 23.05%. The total income was RMB460 million. The loan balance was RMB16.184 billion, of which RMB9.881 billion was revolving loan and RMB6.303 billion was installment-based loan.



III. Management Discussion and Analysis

9.3 Financial Market Business

9.3.1 Treasury business

During the Reporting Period, the Bank earnestly fulfilled our market responsibilities, actively conducted monetary policies, continuously deepened our money market trading business, steadily promoted the application of innovative tools, and carried out financial market business in compliance with regulatory requirements. The Bank actively took the responsibility of regional liquidity and continuously provided liquidity support to inter-bank market institutions on the basis of ensuring the liquidity security of the Bank. The Bank actively cooperated with the foreign exchange trading centre to promote the innovative business of RFQ transactions, and was ranked among the top 30 in the list of “Innovative and active dealers in repurchase” for six consecutive months. Meanwhile, our foreign currency money market business was awarded the title of “Star of iDeal Foreign Currency Repurchase in the first quarter of 2021”, and the influence of the money market continued to increase. As of June 30, 2021, the balance of the Bank’s deposits with loan trade and other financial institutions and financial assets purchased for resale was RMB40.047 billion, accounting for 5.32% of the Bank’s total assets. The balance of deposits, loans and repurchased financial assets of the Bank’s peers and other financial institutions was RMB106.189 billion, accounting for 15.35% of the Bank’s total liabilities.

During the Reporting Period, China entered the second half of economic recovery ahead of schedule due to the advantages of epidemic control. Due to the uncertainty of recovery and the interference of surrounding markets, the Central Bank’s monetary policy remained stable, and the bond market remained high and fluctuated within a narrow range due to the dislocation of supply and demand and inflation expectations. The Bank actively adjusted its position structure in the volatile bond market, grasped the market rhythm, and laid a solid foundation for further improving investment income in the next step. Faced with the complicated international situation in the post-epidemic era, the Bank strengthened market research and judgment, gave full play to its investment and research capabilities, and actively carried out hedging business through the use of derivative products to effectively reduce the interest rate risk of positions.

9.3.2 Interbank Business

The inter-bank business has adhered to the business strategy of providing liquidity support for the whole bank, helping inter-bank customers to do a good job in product sales, optimizing the asset structure to support the real economy, adjusting the scale of assets to balance the surplus and shortage of funds. In the face of the continuous impact of the epidemic, the Bank improved product innovation and customer service capabilities while ensuring stable business growth, to effectively promote the deepening development and innovation transformation of inter-bank business.

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During the Reporting Period, the Bank continuously enhanced the promotion and use of online products, expanded product service channels, improved business processing efficiency and market influence, and promoted sustained and steady business growth. Firstly, as one of the first pilot banks to join CFETS interbank deposits in China, the Bank vigorously expanded CFETS interbank deposit business and guided customers to transfer from physical bank to online banking, with the number of acquired customers in connection therewith ranking first for two consecutive years. By the end of the Reporting Period, our cumulative turnover of CFETS interbank deposits was RMB32.0 billion. Secondly, we realised the online discount of bank's acceptance bills and commercial bills, effectively improving the discount efficiency, enhancing the customer experience and continuously enhancing the ability of our bill products to serve the real economy. By the end of the Reporting Period, the Bank had handled bill discount business totaling RMB38.053 billion. Thirdly, the Bank gave full play to the advantages of inter-bank customers, carried out the circulation of intra-bank assets in Yindeng Centre, and won two awards, namely, "Annual Award for Structured Financing" and "Annual Award for Innovative Institutions" of the 7th China Asset Securitisation Forum.

9.3.3 Asset management

During the Reporting Period, the Bank actively fulfilled its social responsibilities, performed its duties as an investment manager and managed its customers' wealth. As of June 30, 2021, the Bank had 148 wealth management products, with a size of RMB74.195 billion, representing an increase of RMB1.408 billion compared with the beginning of the year, of which the size of net worth products was RMB67.327 billion, with an increase of RMB10.675 billion or 18.84%, accounting for 90.74%, representing an increase of 12.91% as compared with the beginning of the year.

During the Reporting Period, the Bank continuously improved its investment and research capabilities in a customer demand-oriented manner, optimised its product structure, and improved its net worth wealth management products, forming a product system with fixed income as the core and fixed income+ as a supplement. Product types of the Bank included cash management product "Xianjinbao" (現金寶) and "Xinyibao" (心意寶), customer lifecycle type product "Ruyibao" (如意寶), product with minimum holding period "Deyi" series (得益系列), regular open "Profit" series (盈系列) and "Tianyi" series (添益系列), dividend-paying "Hongyi" series (弘益系列), closed type "Stable Profit Increment" series (穩健增利系列) and "Qianjing" series (乾景系列), fixed-income plus "Anxin" series (安鑫系列) and "Tianxin" series (添鑫系列) and others, to providing investors with various options for asset allocation.

9.4 Internet financial business

9.4.1 Mobile finance

During the Reporting Period, the Bank focused on the "mobile first" development strategy, adhered to being "customer-centric", actively carried out omni-channel operation and management, and orderly promoted the construction of online and offline channel systems, refined online operation management, and strengthened online customer operation and service capabilities, comprehensively improved user experience, to assist the rapid development of the Bank's retail business.



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9.4.1.1 Personal Online Banking

As of June 30, 2021, the Bank's personal online banking attracted 63,700 new users, with the total number of users reaching 1,054,900. The total number of transactions reached 1,597,000, and the total transaction amount reached RMB208.432 billion.

9.4.1.2 Mobile banking

During the Reporting Period, with the help of smart speech synthesis technology, the Bank created a talking Fanghua version to improve the convenience for elderly customers. Through the modeling and analysis of historical data, the automatic and instant review of topic PK comments was realised. Three innovative functions, such as on-line live broadcast and mobile phone desktop widget, kept the market demand sharp. Through real-time analysis of customer equipment security and transaction behavior, a digital multi-dimensional risk control level model was formed, which can effectively curb the external attack situation and ensure the safety of customers. As of June 30, 2021, the Bank's mobile banking users increased by 1.35 million, totaling 9.0749 million.

9.4.1.3 WeChat bank

Under the guidance of digital transformation strategy, we deepened WeChat ecological customer service. We innovated the content operation mode, and stimulated users' interest with "information+video+graphic push+interactive topic". As of June 30, 2021, WeChat official account of our WeChat Bank has sent 164 tweets and they were read 3.28 million times. The number of fans was 5,229,700, an increase of 547,200 from the end of last year. There were 3.623 million card binding customers, representing an increase of 513,400 compared with the end of last year.

9.4.1.4 Self-service bank

As of June 30, 2021, the Bank had 4,806 self-service devices in use. There were 1,233 ATMs and CRS, 637 intelligent teller machines, 409 smart cash cabinets, 37 VTM devices, 876 multimedia inquiry machines, 1,513 mobile pads and 101 self-service receipt printers. During the Reporting Period, the business volume of offline self-service pipelines totaled 19.1321 million, with a transaction amount of RMB67.147 billion.

9.4.1.5 Customer service centre

The application scenarios of smart outbound call continuously expanded, with new application scenarios such as event notification and invitation, credit card promotion and collection. The problem solving rate of intelligent voice browsing steadily improved, and the problem solving rate of intelligent voice browsing continuously improved from 70% to 81% by adopting operational training methods such as optimising navigation process and adding similar questions and answers. As of June 30, 2021, the total incoming call volume was 1.611 million, of which the manual incoming call volume was 724,200, the connection rate was 92.33%, and the customer satisfaction was 99.67%. Intelligent voice browsing calls were 648,200, with a diversion rate of 62.2%. Online customer service received 1,383,300 calls from customers, of which 87,700 were transferred to manual receiving. The diversion rate of smart text customer service was 94.04%, the pick-up rate was 99.84%, and customer satisfaction was 94.59%.

III. Management Discussion and Analysis

9.4.2 Direct bank

During the Reporting Period, with the vision of creating digital transformation service brand for small and medium-sized financial institutions, the Direct Banking Department devoted itself to promoting the joint innovative business of perpetual loans. Under this business model, the Bank packaged the system tools of perpetual loan business and provided services to cooperative banks to support them in providing housing mortgage services for individuals and small and micro businesses. The Bank did not take risks, provide funds, and not occupy risky assets, but obtained intermediary business income. As of June 30, 2021, 24 cooperative banks have signed agreements with us on jointly innovative business of perpetual loan, of which 19 banks have started operations, and managed an amount of RMB16.280 billion of assets, establishing a good brand image and word-of-mouth effect in the industry.

In order to support the efficient operation of the jointly innovative business of perpetual loan, the direct bank business department continuously promoted standardised operation systems in terms of projects operation; in terms of risk control, it actively constructed company-level intelligent decision-making platform; supported that risk control strategy was determined by cooperative banks on their own in accordance with risk preference; and in terms of digital operation, it continuously optimised the data platform, independently developed visual data synchronization tools to improve the efficiency of data extraction and processing. In the first half of the year, the business system completed 21 iterative operations and launched 249 business requirements, which laid a good foundation for the sustainable and healthy development of the joint innovative business of perpetual loans.

9.5 Investment Business of Subsidiaries and Joint Venture

9.5.1 County banks

As of June 30, 2021, the Bank held 51.72% of equity of Xinyang Pingqiao Zhongyuan County Bank Co., Ltd. (信陽平橋中原村鎮銀行股份有限公司), 51.00% of Linzhou Zhongyuan County Bank Co., Ltd. (林州中原村鎮銀行股份有限公司), 51.00% of Qixian Zhongyuan County Bank Co., Ltd. (淇縣中原村鎮銀行股份有限公司), 51.00% of Puyang Zhongyuan County Bank Co., Ltd. (濮陽中原村鎮銀行股份有限公司), 43.69% of Xiping Zhongyuan County Bank Co., Ltd. (西平中原村鎮銀行股份有限公司), 51.02% of Suiping Zhongyuan County Bank Co., Ltd. (遂平中原村鎮銀行股份有限公司), 51.00% of Lushi Zhongyuan County Bank Co., Ltd. (盧氏中原村鎮銀行股份有限公司), 51.00% of Xiangcheng Huipu County Bank Co., Ltd. (襄城匯浦村鎮銀行股份有限公司) and 78.46% of Xinxiang Zhongyuan County Bank Co., Ltd. (新鄉中原村鎮銀行股份有限公司), all of them were initiated and established by the Bank. Through concerted action agreements, the Bank formed alliances with one of the Nine County Banks that do not have a controlling stake.

The Nine County Banks provided local enterprises and retail banking customers with a broad range of financial products and services, including commercial and consumer loans, deposits from customers and fee-based and commission-based products and services, such as settlement services, remittance services and bank card services. We intended to incorporate the Nine County Banks into the Bank's comprehensive service offering channels, to take advantage of their existing local market position and customer base, thereby allowing us to further penetrate our services and enhance the Bank's brand awareness.



III. Management Discussion and Analysis

The Nine County Banks adhered to their market positioning of serving “agriculture, rural areas and farmers (三農)” and “small and micro enterprises (小微)” and extended credit following the principles of “micro, mobile and disperse (小額·流動·分散)”. Their size of assets kept expanding with the structure of deposits and loans approaching rational, along with intensified support to agriculture and small and micro enterprises. As of June 30, 2021, the total assets amounted to RMB14.624 billion, representing an increase of RMB0.749 billion or 5.4% as compared to the beginning of the year. The balance of deposits amounted to RMB12.283 billion, representing an increase of RMB0.617 billion or 5.3% as compared to the beginning of the year. The total loans amounted to RMB9.551 billion, representing an increase of RMB0.394 billion or 4.3% as compared to the beginning of the year.

The Nine County Banks are independent legal entities regulated by the China Banking and Insurance Regulatory Commission. The Bank respects and strives to maintain the independent operation of such banks. The Bank believes that the independent business model has enabled the Nine County Banks to leverage their local networks and customer relationships to better adapt to changes in local markets.

9.5.2 Financial Leasing Company

During the Reporting Period, By-leasing adhered to compliant and steady operation, actively promoted business transformation and development while ensuring business delivery, and continued to implement post-lease management, continuously improving its independent marketing ability, increasing business delivery, strengthening financial management, and continuously improving its profitability. As of June 30, 2021, the balance of total assets of By-leasing was RMB36.624 billion, representing an increase of RMB1.838 billion or 5.3% over the beginning of the year. The balance of leased assets was RMB36.852 billion, representing an increase of RMB4.368 billion or 13.4% over the beginning of the year.

9.5.3 Consumer Finance Company

Henan-based Consumer Finance Company always focused on strategic objectives, adhered to the bottom line of compliance, and relied on the advantages of shareholders of Zhongyuan Bank to deeply develop its business in the region, and actively practised inclusive finance. As of June 30, 2021, the cumulative loan amount of Consumer Finance Company was RMB135.155 billion; the loan balance was RMB23.614 billion, and the new loan balance as compared to the beginning of the year was RMB4.314 billion; the operating income was RMB1.563 billion. During the Reporting Period, the number of loans exceeded 11.5885 million, and the cumulative amount of loans exceeded 43.2237 million; the number of new customers was 2.4139 million, providing consumer finance service for a total of 13.3317 million customers and contribute new vitality to the economic development of Henan Province and the whole country.

III. Management Discussion and Analysis

10. Risk Management

During the Reporting Period, the Bank actively responded to multiple challenges, such as the increasingly complex and severe external environment, unstable and unbalanced domestic economic recovery, etc., continuously improved the ability of financial services to the real economy, adhered to the bottom line of no regional and systemic risks, and persisted in resolving risks and enhancing its strength in serving the development of local real economy. The Bank adhered to the empowerment of technology, comprehensively built a digital, intelligent and refined risk control system, and enhanced new risk management capabilities such as anti-fraud and model management. The Bank deepened the construction of smart risk control system and continuously improved the whole life cycle management system of credit business covering pre-loan, loan and post-loan. The Bank deeply promoted comprehensive risk management, focused on the details, and reduced the old risks and controlled the new risks to improve the ability of risk compensation, ensuring the sustained and steady development of all businesses of the Bank.

10.1 Credit risk management

During the Reporting Period, the Bank conscientiously implemented the relevant decision-making arrangements of the central government, strengthened the sense of responsibility, continuously improved the quality and efficiency of financial services, made contributions to fight against the epidemic, and accurately and effectively supported the real economy. The Bank optimised the credit approval mechanism, opened up a “green review and approval channel”, repeatedly calculated the structured investigation and review mode, established an emergency docking system, optimised the credit reporting process, and actively guaranteed the credit supply of epidemic prevention-related enterprises. The Bank coordinated the renewal of loans and temporary management of stock business during the epidemic period, and strongly supported enterprises to resume production. The Bank innovated services, optimised customer experience, and continuously improved the online and data level of the credit review process. The Bank implemented differentiated authorisation and increased the credit review support for small and micro credit business; leveraged financial technology to effectively identify risks, realised automatic examination and approval of standardised products, and conducted on-line credit hierarchical investigation and review of auxiliary decision-making tools. With focusing on the rural revitalisation strategy, we vigorously developed the inclusive finance, accelerated the research and development of online products that can benefit the farmers, enriched unguaranteed and unsecured credit products, and met the diversified financial needs of rural areas, thus enhancing the financial service capabilities of “agriculture, rural areas and farmers”.

During the Reporting Period, the Bank maintained its prudent risk preference, proactively responded to the credit risk exposures arising from external factors such as the COVID-19 pandemic, adhered to seek improvement in stability, promoted the coordinated development of quality, efficiency and scale. The Bank deepened the assessment and application system of RAROC and EVA, improved the capital-constrained incentive system, and guided new credit granting to areas like light capital, low risk and high yield. In addition, it continued to strengthen credit concentration risk monitoring and early warning, strengthen the dynamic monitoring of credit balance, and strengthen portfolio regulation, continuously optimised credit structure, and effectively spread risks. The Bank continuously improved the research system, strengthened the implementing effect of industry research, enhanced the ability of industry research to support business development, effectively expanded the credit customer base, and guided the investment of high-quality credit assets.



III. Management Discussion and Analysis

During the Reporting Period, the Bank insisted on “managed increment, controlled variables and improved quality”. The asset quality of the Bank remained stable, the credit structure continued to be optimised, and the credit concentration remained moderately dispersed. The Bank paid close attention to “reducing old and controlling new” and continuously consolidated the asset quality; supervised the implementation of the “dual strategy”, coordinated the layout and classified policies around key branches and key projects, and comprehensively promoted the collection of non-performing assets to maximise the value of collection. The Bank continued to push forward the investigation of risks, and carried out continuous and in-depth investigations around external shock risks, credit business risks, shadow banking risks, etc., so as to promote reform and effectively resolve potential risks.

During the Reporting Period, the Bank focused on digital transformation, continued to enable the construction of online, digital and intelligent risk management, actively promoted the construction of intelligent risk control system across the Bank and constantly strengthened model risk management. The Bank carried out model risk management practices such as independent model verification and regular model test in an orderly manner, promoted the construction of a one-stop model management platform. The Bank continued to iteratively optimize the new-generation credit system, non-zero big data assisted decision system, and actively promoted the launch and online implementation of key projects such as risk management data mart, and bank-wide anti-fraud platform to support the steady development of business.

10.2 Market risk management

During the Reporting Period, the Bank continuously improved the system of market risk management system based on the business development, continued to explore the market risk management mode suitable for the development of the Bank. Relying on the market risk management system, the Bank continuously enhanced the level of market risk measurement and established market risk management framework for the whole process of market risk identification, measurement, monitoring and reporting, to continuously improve the refined management level of market risks.

During the Reporting Period, the Bank continued to consolidate the refined measurement foundation of market risk, dynamically re-examined the market risk policy system, improved the division of trading books and bank books, and strengthened the interest rate risk management of trading books; continuously adjusted and optimised the market risk limit management system, regularly carried out quota re-inspection, and monitored various market risk limits on a daily basis to that market risk limit indicators were effectively implemented. The Bank continued to carry out comprehensive verification of market risk model, and deepened the valuation details in the verification work, effectively ensuring that the market risk support system remains sound and the valuation model can accurately reflect the market risk situation of the Bank. Stress testing aims to gain insight into the weak links in the development of banks, and the Bank adopts stress testing as a supplement to market risk management. Aiming at different market environment, position status and risk characteristics, a variety of composite stress test scenario systems such as historical scenario and expert scenario are designed to fully assess the market risk tolerance of the Bank under various extreme situations and improve the foresight and comprehensiveness of market risk management.

III. Management Discussion and Analysis

10.3 Operational risk management

The Bank has established an operational risk management structure composed of the Board, the Board of Supervisors, senior management, compliance department, internal audit department, all lines (departments) and branches. When enhanced the operational risk management through business line inspection and employee behavior investigation, system improvement, and compliance education activities, the Bank, in accordance with the Guidelines for Operational Risk Management of Zhongyuan Bank and the requirements of the management system of three major instruments, and through its internal control compliance and operational risk management system, further perfected the procedure featured by the identification, assessment, monitoring and early warning of operational risks. Continuous optimization of the system and process design had helped maintaining the continuity and effectiveness of the internal control and compliance and operational risk management of the Bank, and further improve the refined management of operational risk.

During the Reporting Period, the Bank continuously improved the internal control compliance and operational risk management system, strengthened the application of the three tools of operational risk, and organised regular process assessment, annual re-inspection of processes and monitoring and analysis of key risk indicators. The Bank focused on the theme activity of “Year of Internal Control and Compliance Management Construction”, during which the Bank found out the risk loopholes and weak links of internal control and compliance management, emphasised rectification and accountability to improve the quality, efficiency and standard of internal control and compliance management of the whole bank; Based on strengthening internal control and implementing compliance management, the Bank organized and carried out employee behavior investigation and employee account abnormal transaction monitoring and verification, potentiated risk monitoring and prevention in key positions and critical areas to ensure effectiveness in the identification, monitoring and reporting of risks. Simultaneously, the business continuity and emergency management mechanism were improving. The Bank unceasingly made effort to upgrade and transform the important information system, ensuring that the Bank could take timely measures in case of emergency, so that the impact and loss could be minimized. During the Reporting Period, the Bank’s overall operation was standardized and orderly, and there was no major operational risk event.

10.4 Liquidity risk management

The Bank has established a liquidity risk management system commensurating with the scale, nature and complexity of the business, which specifically includes the bank-wide collaborative management organization system, liquidity management strategy system, liquidity management mechanism system, daily management tool system, and regional liquidity mutual assistance system. During the Reporting Period, the Bank strengthened liquidity risk management and constantly improved the construction of liquidity risk system. The overall liquidity was relatively abundant, and major liquidity regulatory indicators met the regulatory requirements and kept improving.



III. Management Discussion and Analysis

During the Reporting Period, the Bank continued to optimize and improve the liquidity risk management organizational system framework, strengthened the three-level linkage collaborative management and control mechanism among head office, branches and sub-branches, clarified the responsibilities at all levels, and strengthened collaborative management and control of liquidity risk at the bank level. By improving the management policies, management methods and operation procedures related to liquidity risk, institutional basis was provided for liquidity management. Relying on the management and the decision made by the asset and liability management committee, the Bank realized effective transmission of liquidity management strategy, further improved market and business analysis, daily management, stress tests, emergency drill and other management tools, thereby elevated liquidity risk resilience. The Bank continued to improve the macro-level research and discussion mechanism, continued to improve its macroeconomic analysis capabilities, enhanced the forward-looking and proactive nature of liquidity management, and dynamically adjusted liquidity management strategies to guide the Bank's business development. The Bank strove for reducing the financing cost, and improving the capability and room for transferring profits to the real economy. The Bank, as a primary dealer in the open market and the chair bank of the Liquidity Mutual Aid Mechanism of Henan City Commercial Banks (河南省城商行流動性互助機制), actively disseminated the monetary policy of the Central Bank, played the role of the chair bank of the regional liquidity mutual aid mechanism, strengthened its responsibility, and effectively maintained the safety and stability of regional liquidity.

10.5 Information technology risk management

The goal of the information technology risk management of the Bank is to realize the identification, measurement, monitoring and control of information technology risks through the establishment of an effective mechanism, improve the use of information technology, strengthen the ability to protect information assets, promote business innovation, and enhance core competition and sustainable development capabilities to promote the safe, sustained and stable operation of the Bank.

During the Reporting Period, the Bank had always adhered to the principle of "technology cultivation, technology prosperity (科技立行、科技興行)". The Bank built a systematic information technology risk management framework. proactively conducted information technology risk control self-assessment, information technology key risk indicators monitoring, information technology risk loss (event) database collection and other related work, and established an effective risk management process system that supports risk identification, assessment, control/release, monitoring/reporting. It improved risk management tools and quantitative technology, strengthened the application of information network technology, big data and new financial technology, strengthened the construction of data standardization and knowledge discovery, and continued to improve data quality and the data processing capabilities of the information system. The Bank also pays great attention to information security management, focusing on strengthening the security management of the whole life cycle of system development, establishing and improving the security built-in management mechanism that adapts to the agile delivery model, strictly implementing the technical specifications and requirements of Internet application security and data security, and strictly managing information technology outsourcing, so as to further improve the management level of information security technology.

During the Reporting Period, the information technology construction and risk management of the Bank was rated 2C in the CBIRC's 2020 regulatory rating, demonstrating that the information technology risk management of the Bank is becoming better and better.

III. Management Discussion and Analysis

10.6 Reputational risk management

The Bank's reputation risk management adhered to the combination of prevention and disposal, and followed the principles of "forward-looking", "matching", "full coverage" and "effectiveness" to improve the ability and efficiency of preventing reputation risks and handling reputation events.

During the Reporting Period, the Bank conscientiously conducted reputation risk prevention and control work, improved the reputation risk management system, and continuously optimized the reputation risk disposal mechanism. According to the requirements of China Banking and Insurance Regulatory Commission's Measures for Reputation Risk Management of Banks and Insurance Institutions (Trial) (《銀行保險機構聲譽風險管理辦法(試行)》), the Bank comprehensively sorted out the reputation risk management process and working mechanism of the whole bank, revised and issued the Measures for Reputation Risk Management of Zhongyuan Bank, conducted quarterly reputation risk investigation, conducted comprehensive investigation on customers, institutions and businesses of the whole bank, and dig deep into the major potential risks that may have negative impact on the Bank, with early identification, early warning, and early resolution of risk signs. By innovating reputation risk management methods, carrying out media response capability inspection projects, compiling reputation risk cases in financial industry, and preparing special plans for the prevention and control of public opinion at key nodes, the Bank's awareness of reputation risk prevention was further enhanced. We broadened the channels for handling public opinion, strengthened communication with the media inside and outside the province, and properly operated the Bank's own WeChat official account and new media matrix.

During the Reporting Period, the Bank actively implemented various work arrangements of the CPC Central Committee, the State Council, the provincial government and the regulatory authorities, and planned positive publicity and reporting around the themes of "Lead ship of Party Building", "Helping Rural Revitalisation", "Building a New Development Pattern" and "Deepening the Application of Digital Technology" in combination with important time nodes such as the "100th Anniversary of the Founding of the Party". The manuscripts were widely reprinted by domestic mainstream media, creating an active and positive public opinion atmosphere, and the brand reputation was continuously improved.

10.7 Exchange rate risk management

During the Reporting Period, the Bank paid close attention to the trend of exchange rate, actively analysed the fluctuation of global exchange rate market, and studied the impact of foreign exchange exposure on the quality and efficiency of the Bank's operations. According to the actual needs, the Bank formulated foreign exchange hedging strategies and actively used foreign exchange derivatives to hedge exchange rate risks. During the Reporting Period, the Bank formulated foreign exchange quota indicators, regularly carried out quota re-inspection, continuously paid attention to the exposure positions of various foreign currencies in daily management, summarised and reported the Bank's foreign exchange exposure, monitored the foreign exchange quota indicators on a daily basis, and continuously managed foreign exchange business and quota. During the Reporting Period, the Bank's exchange rate risk was stable and controllable.



III. Management Discussion and Analysis

11. OPERATING STRATEGIES AND PROSPECTS FOR DEVELOPMENT

In the first half of 2021, China made solid progress in coordinating epidemic prevention and control and stabilising economic growth, accelerated vaccination, and maintained continuity and stability of macro policies. Domestic demand generally recovered, exports grew higher than expected, and the economy stabilised and improved steadily. The GDP was RMB53,216.7 billion, up 12.7% year on year, with an average growth rate of 5.3% in two years, which was 0.3 percentage point faster than that in the previous quarter.

Looking forward to the second half of the year, China's economy is expected to maintain a sustained and stable recovery, and the factors supporting further economic recovery and improvement are gradually accumulating and increasing. Firstly, the endogenous driving force of the economy is gradually increasing; secondly, the confidence of market players is constantly increasing; and thirdly, the global economy continues to recover, laying a foundation for the growth of external demand. At the same time, the macro policy will remain continuous and stable. Targeted and effective fiscal and monetary policies will be implemented. The central government will speed up the implementation of tax reduction and fee reduction for small and micro enterprises, and promote the implementation of major projects in the "14th Five-Year Plan" to provide policy support for coping with changes in internal and external environment. However, the unsynchronised global epidemic prevention and control, unbalanced economic recovery, intensified political and economic friction and the increasing expectation of the Federal Reserve's monetary policy have increased the external uncertainty of China's economy.

Under the current economic and social situation, Zhongyuan Bank will maintain its strategic focus, adhere to the three strategic directions of "characteristic traditional business", "breakthroughs in innovative business" and "future bank to seek leadership", with digital transformation as the starting point and "Internetisation and Ruralisation of Banking Services" as the focus. We will, focusing on the strategic positioning of "being close to the people, serving entities, helping small and micro, internetisation and ruralisation of banking services, and promoting regional economic development", strive for steady progress and continuously explore the transformation of business development mode driven by data on the premise of steady operation.

On the one hand, "Internetisation and Ruralisation of Banking Services" will be solidly promoted to boost rural revitalisation. We will continue to optimise the organizational structure of rural revitalisation, improve relevant institutional mechanisms, strengthen team building, enrich the number of professionals, improve personnel capabilities, and build a localised first-line rural revitalisation service team. We will accelerate the layout of pipelines, build inclusive finance service stations in key areas such as the location of township governments, urban-rural junctions, and characteristic industrial villages, and strive to basically achieve full coverage of township centres. We will explore the development of the whole industry chain financial service model, actively support new agricultural business entities such as family farms and rural cooperatives, and strengthen the industrial support of enriching the people and strengthening the county. Relying on the "Village Online" platform, we will strengthen customer group management, enrich and improve the functions of the "Village Online" platform around the scenarios of high-frequency production, life and social interaction of rural residents, and build a solid bridge for banks to help rural governance and serve farmers' production and life.

On the other hand, we will comprehensively promote digital transformation to boost business development. We will initiate the three-stage digital transformation, with focusing on deepening the digital application capacity building of the whole bank, and will explore the improvement from operational efficiency to business model innovation. We will strengthen agile organization management, and continuously optimise the working mode and iterative operation mode of agile groups to promote the application of agile thinking and agile methods throughout the bank. We will strengthen the construction and application of technology infrastructure and advanced technology, strengthen the management and application of data to give full play to the value efficiency of data elements and make technology and data a strong support for business development. We will give full play to the functional role of innovation lines, explore the open banking model, build a joint innovation ecology, and open up the "second growth curve".

IV. Changes in Share Capital and Information on Shareholders

1. Changes in Ordinary Shares of the Bank during the Reporting Period

There were no changes in the share capital of the Bank during the Reporting Period. As of the end of the Reporting Period, the total issued ordinary share capital of the Bank was 20,075,000,000 Shares, comprising 3,795,000,000 H Shares and 16,280,000,000 Domestic Shares.

2. Shareholdings of Top 10 Non-Overseas Listed Domestic Shareholders of the Bank

As of the end of the Reporting Period, there was no controlling shareholder or actual controller of the Bank. As at June 30, 2021, the shareholdings of the Bank's top 10 Shareholders of ordinary Shares were as follows:

No.	Name of Shareholders	Nature of Shareholders	Number of Shares held at the end of the Reporting Period	Approximate percentage of the total share capital of issued ordinary shares of the Bank at the end of the Reporting Period
1	Henan Investment Group Co., Ltd. (河南投資集團有限公司)	State-owned Legal Person Shares	2,057,285,479	10.25%
2	Henan Shengrun Holdings Group Co., Ltd. (河南盛潤控股集團有限公司)	Privately-owned Legal Person Shares	753,000,000	3.75%
3	Henan Guangcai Group Development Co., Ltd. (河南光彩集團發展有限公司)	Privately-owned Legal Person Shares	568,000,000	2.83%
4	Henan Xingda Investment Co., Ltd. (河南興達投資有限公司)	Privately-owned Legal Person Shares	566,395,712	2.82%
5	Zhengzhou Kangqiao Real Estate Development Co., Ltd. (鄭州康橋房地產開發有限責任公司)	Privately-owned Legal Person Shares	553,109,303	2.76%
6	Henan Machinery Investment Group Co., Ltd. (河南機械裝備投資集團有限責任公司)	State-owned Legal Person Shares	506,751,425	2.52%
7	Henan Lentan Group Co., Ltd. (河南藍天集團有限公司)	Privately-owned Legal Person Shares	370,145,290	1.84%
8	Xinxiang Bailu Investment Group Co., Ltd. (新鄉白鷺投資集團有限公司)	State-owned Legal Person Shares	337,492,544	1.68%
9	Henan Aike Industrial Development Co., Ltd. (河南省愛克實業發展有限公司)	Privately-owned Legal Person Shares	300,000,000	1.49%
10	Henan Wanzhong Group Co., Ltd. (河南萬眾集團有限公司)	Privately-owned Legal Person Shares	290,996,271	1.45%
Total			6,303,176,024	31.40%

IV. Changes in Share Capital and Information on Shareholders

3. Interests and Short Positions of Substantial Shareholders and Other Persons in the Shares and Underlying Shares

So far as is known to the Bank and the Directors, as of June 30, 2021, substantial shareholders of the Bank and other persons (other than Directors, Supervisors and chief executive officers of the Bank) who had interests and short positions in the Shares and underlying Shares of the Bank which were required to be notified to the Bank or the Hong Kong Stock Exchange under Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Bank under Section 336 of the SFO were as follows:

Name of Shareholders	Class of Shares	Nature of interests	Number of Shares ⁽¹⁾	Approximate percentage of the total issued share capital of the relevant class of the Bank (%) ⁽²⁾	Approximate percentage of the total issued share capital of ordinary shares of the Bank (%) ⁽²⁾
Henan Investment Group Co., Ltd. (河南投資集團有限公司) ⁽³⁾	Domestic Shares	Beneficial owner	2,057,285,479(L)	12.64	10.25
	Domestic Shares	Interest in controlled corporation	17,696,926(L)	0.11	0.09
Zhong Sheng Capital (Hongkong) Co., Limited (中晟資本(香港)有限公司)	H Shares	Beneficial owner	214,168,000(L)	5.64	1.07
AMTD Group Company Limited ⁽⁴⁾	H Shares	Interest in controlled corporation	482,288,000(L)	12.71	2.40
L.R. Capital Management Company (Cayman) Limited ⁽⁴⁾	H Shares	Interest in controlled corporation	482,288,000(L)	12.71	2.40
NEW MERIT GROUP LIMITED	H Shares	Beneficial owner	453,636,000(L)	11.95	2.26
Guangzhou Rural Commercial Bank Co., Ltd.	H Shares	Held Security Interest in Shares	303,000,000(L)	7.98	1.51
GOLD LEADING CAPITAL LIMITED	H Shares	Held Security Interest in Shares	573,964,000(L)	15.12	2.86
CITIC Securities Company Limited ⁽⁵⁾	H Shares	Interest in controlled corporation	221,593,927(L)	5.84	1.10
	H Shares	Interest in controlled corporation	221,593,927(S)	5.84	1.10
DBS Group Holdings Ltd ⁽⁶⁾	H Shares	Interest in controlled corporation	882,393,350(L)	23.25	4.40
	H Shares	Interest in controlled corporation	882,393,350(S)	23.25	4.40
Piramid Park Co., Ltd ⁽⁷⁾	H Shares	Beneficial owner	1,199,831,000 (L)	31.62	5.98
XU Yan (徐雁) ⁽⁷⁾	H Shares	Interest in controlled corporation	1,199,831,000 (L)	31.62	5.98

IV. Changes in Share Capital and Information on Shareholders

Notes:

- (1) (L) represents the long position, (S) represents short position.
- (2) As at June 30, 2021, the number of total issued Shares of the Bank was 20,075,000,000, comprising 16,280,000,000 Domestic Shares and 3,795,000,000 H Shares.
- (3) Henan Investment Group Co., Ltd. (河南投資集團有限公司) is wholly owned by the Finance Department of Henan Province (河南省財政廳). Henan Investment Group Co., Ltd. directly holds 2,057,285,479 Domestic Shares of the Bank (long positions) and indirectly holds 17,696,926 Domestic Shares of the Bank (long position) through its controlled corporation, Henan Investment Group Guarantee Co., Ltd. (河南投資集團擔保有限公司).
- (4) L.R. Capital Management Company (Cayman) Limited, through its controlled corporations, namely L.R. Capital Financial Holdings Limited, AMTD Group Company Limited and AMTD Asia (Holdings) Limited, indirectly holds 482,288,000 H Shares of the Bank (long positions) held by AMTD Asia Limited. Therefore, by virtue of the SFO, each of L.R. Capital Management Company (Cayman) Limited, L.R. Capital Financial Holdings Limited, AMTD Group Company Limited and AMTD Asia (Holdings) Limited is deemed to be interested in the H Shares of the Bank (long positions) held by AMTD Asia Limited.
- (5) CITIC Securities Company Limited, through its controlled corporations, namely CITIC Securities International Company Limited, CLSA B.V. and CITIC CLSA Global Markets Holdings Limited, indirectly holds 221,593,927 H Shares of the Bank (long positions) and 221,593,927 H Shares of the Bank (short positions) directly held by CSI Capital Management Limited and CSI Financial Products Limited, respectively. Therefore, by virtue of the SFO, each of CITIC Securities Company Limited, CITIC Securities International Company Limited, CLSA B.V. and CITIC CLSA Global Markets Holdings Limited is deemed to be interested in the H Shares of the Bank (long positions) and H Shares of the Bank (short positions) held by CSI Capital Management Limited and CSI Financial Products Limited, respectively. CITIC Securities Company Limited holds underlying Shares of the Bank (long positions and short positions) in derivative interests, including the underlying 221,593,927 H Shares (long position) derived from listed derivatives of the convertible instruments, and the underlying 221,593,927 H shares (short positions) derived from cash-settled unlisted derivatives.
- (6) DBS Bank Ltd. directly holds 882,393,350 H Shares (long positions) and 882,393,350 H Shares (short positions) of the Bank. DBS Bank Ltd. is a corporation wholly controlled by DBS Group Holdings Ltd. Therefore, by virtue of the SFO, DBS Group Holdings Ltd. is deemed to be interested in the 882,393,350 H Shares (long positions) and 882,393,350 H Shares (short positions) of the Bank held by DBS Bank Ltd..
- (7) Pyramid Park Co., Ltd is wholly owned by XU Yan (徐雁).

Save as disclosed above, to the knowledge of the Bank, none of the substantial Shareholders or other persons had, as at June 30, 2021, any interests or short positions in the Shares or underlying Shares of the Bank as recorded in the register required to be kept under Section 336 of the SFO.



IV. Changes in Share Capital and Information on Shareholders

4. Shareholders Holding 5% or More of the Total Ordinary Share Capital of the Bank

Please refer to the relevant section “Changes in Share Capital and Information on Shareholders” for details of the Shareholders with an interest in 5% or more of the share capital of the Bank.

5. Information on Substantial Shareholders Disclosed Under the Interim Measures for the Equity Management of Commercial Banks

According to the Interim Measures for the Equity Management of Commercial Banks (《商業銀行股權管理暫行辦法》) issued by the CBIRC, in addition to the two Shareholders mentioned above, namely Henan Investment Group Co., Ltd. (河南投資集團有限公司) and Pyramid Park Co., Ltd, the following two Shareholders are also substantial Shareholders of the Bank.

- (1) Zhengzhou Kangqiao Real Estate Development Co., Ltd. (鄭州康橋房地產開發有限公司), which holds 553,109,303 Domestic Shares of the Bank. The company was incorporated in Erqi District, Zhengzhou City, Henan Province on January 20, 2010 with a registered capital of RMB100 million. The company’s business scope includes development and sale of real estate, property leasing, engineering project consultation, engineering cost professional consultation service, real estate information consultation, enterprise management consultation and conference and exhibition service. During the Reporting Period, Ms. LI Weizhen (李偉真), a Shareholder Representative Supervisor of the Bank, was the chief accountant of the company.
- (2) Henan Zongheng Gas Pipeline Co., Ltd. (河南縱橫燃氣管道有限公司), which holds 200,000,000 Domestic Shares of the Bank. The company was incorporated in Luolong District, Luoyang City, Henan Province on November 4, 2005 with a registered capital of RMB300 million. The company’s business scope includes the construction and operation of long-distance natural gas pipelines, and the research, development, construction and operation of LPG and other oil and gas utilization projects (business within the above scope which is subject to approval shall not be operated before obtaining relevant approval(s)). During the Reporting Period, Mr. LI Wanbin (李萬斌), a Shareholder Representative Supervisor of the Bank, was the de facto controller of the company. Henan Wanzhong Group Co., Ltd. (河南萬眾集團有限公司), which is effectively controlled by Mr. LI Wanbin, holds 290,996,271 Domestic Shares of the Bank.

6. Equity Pledge and Freezing

As of the end of the Reporting Period, so far as is known to the Bank, the Bank’s 5,386,037,287 Domestic Shares were subject to pledge, accounting for 26.83% of the total number of issued ordinary Shares (of which, the Domestic Shares pledged by the Bank’s substantial Shareholders accounted for 2.18% of the total number of issued ordinary Shares). In addition, there were 858,976,442 Domestic Shares which were judicially frozen.

7. Purchase, Sale or Redemption of Listed Securities of the Bank

During the six months ended June 30, 2021, neither the Bank nor any of its subsidiaries had purchased, sold or redeemed any listed securities of the Bank.

IV. Changes in Share Capital and Information on Shareholders

8. Non-public Issuance of Offshore Preference Shares

8.1 The issuance and listing of Offshore Preference Shares

To replenish the Bank's capital through diversified ways, further enhance the Bank's capital strength and enhance the Bank's risk resistance, according to the approvals of the former China Banking Regulatory Commission Henan Supervision Bureau (Yu Yin Jian Fu [2018] No. 120) and the China Securities Regulatory Commission (Zheng Jian Xu Ke [2018] No. 1343), the Bank issued USD1,395 million non-cumulative perpetual Offshore Preference Shares on November 21, 2018. The Offshore Preference Shares were listed on the Hong Kong Stock Exchange on November 22, 2018 (stock name: ZYBNK 18USDPREF, stock code: 04617). The Offshore Preference Shares have a par value of RMB100 each with an issuance price of USD20 each. The total number of the Offshore Preference Shares issued is 69,750,000, and were all issued fully paid in U.S. dollars.

Based on the CNY Central Parity Rate published by the China Foreign Exchange Trading System on November 21, 2018, the gross proceeds from the issuance of the Offshore Preference Shares amounted to approximately RMB9,688 million. The proceeds raised from the issuance of the Offshore Preference Shares (after deducting the issuance expenses) were all used to replenish the Bank's additional Tier 1 capital, to increase the Bank's Tier 1 capital adequacy ratio and optimize the capital structure, which was consistent with the specific use previously disclosed.

For the issuance terms and relevant details of the Offshore Preference Shares, please refer to the announcement of the Bank published on the website of Hong Kong Stock Exchange (www.hkex.com.hk) and the official website of the Bank (www.zybank.com.cn).

8.2 Number of Offshore Preference Shareholders and particulars of shareholding

At the end of the Reporting Period, the Bank had one Offshore Preference Shareholder.

The shareholdings of the top 10 Offshore Preference Shareholders (or nominees) of the Bank are set out in the table below (the following data are based on the register of Offshore Preference Shareholders as at June 30, 2021):

Name of Shareholder	Nature of Shareholder	Type of Shares	Increase/decrease during the Reporting Period (shares)	Shareholding percentage (%)	Total shareholdings (shares)	Number of Shares subject to restriction on sale (shares)	Number of pledged or frozen shares (shares)
The Bank of New York Depository (Nominees) Limited	Foreign legal person	Offshore preference shares	-	100%	69,750,000	-	Unknown

Notes:

1. The shareholding of Offshore Preference Shareholders is based on the information set out in the register of Offshore Preference Shareholders of the Bank.
2. As the Offshore Preference Shares were issued by way of offshore non-public issuance, the information recorded on the register of Offshore Preference Shareholders is the information on the nominee of the investor(s) to whom the Offshore Preference Shares were allotted.

IV. Changes in Share Capital and Information on Shareholders

8.3 Profit distribution on the Offshore Preference Shares

Dividends of Preference Shares would be paid in cash by the Bank to Preference Shareholders. Each dividend will be payable annually in arrears on the dividend payment date. On November 23, 2020, the Bank completed the dividend payment of the Offshore Preference Shares. For details, please refer to the announcement on payment of a dividend for the Offshore Preference Shares published by the Bank separately on November 11, 2020. During the Reporting Period, the Offshore Preference Shares issued by the Bank were not yet due for dividend distribution. No dividends on Offshore Preference Shares have been distributed.

Table on profit distribution in respect of Offshore Preference Shares in the past three years:

Unit: RMB'000

Year of distribution	Amount of distribution (before tax)	Net profit attributable to the Shareholders of the Bank in the consolidated financial statements of the Bank for the year of distribution	Percentage of net profit attributable to the Shareholders of the Bank in the consolidated financial statements of the Bank (%)	Balance accumulated to the next accounting year due to insufficiency of distributable profits or the part that can be used for the distribution of retained profits
2020	573,487	3,300,822	17.37	–
2019	609,224	3,163,849	19.26	–
2018	–	2,414,576	–	–

8.4 Other information on the Offshore Preference Shares

During the Reporting Period, no Offshore Preference Shares have been repurchased, converted into ordinary shares or had their voting rights restored, and there was no occurrence of any triggering event that would result in mandatory conversion of Offshore Preference Shares into H Shares. 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 IAS 39 – Financial Instruments: Recognition and Measurement and IAS 32 – Financial Instruments: Presentation formulated by the International Accounting Standards Board, the provisions of the issued and existing Offshore Preference Shares conform to the requirements as equity instruments, and will be calculated as equity instruments.

V. Directors, Supervisors, Senior Management and Employees

1. Existing Directors, Supervisors and Senior Management

The constitution of the Board of Directors⁴, the Board of Supervisors⁴ and the senior management of the Bank as of June 30, 2021 were as follows:

The Board of Directors of the Bank consisted of a total of ten members, including four executive Directors, namely Mr. DOU Rongxing, Mr. WANG Jiong, Mr. LI Yulin and Mr. WEI Jie; two non-executive Directors, namely Ms. ZHANG Qiuyun and Mr. MI Hongjun; and four independent non-executive Directors, namely Ms. PANG Hong, Mr. LI Hongchang, Mr. JIA Tingyu and Mr. CHAN Ngai Sang Kenny.

The Board of Supervisors of the Bank consisted of nine Supervisors, including two Shareholder representative Supervisors, namely Ms. LI Weizhen and Mr. LI Wanbin; four external Supervisors, namely Mr. LI Xiaojian, Mr. HAN Wanghong, Mr. SUN Xuemin and Mr. Pan Xinmin; and three employee representative Supervisors, namely Mr. HAO Jingtao, Ms. JIA Jihong and Mr. ZHANG Yixian.

The senior management of the Bank consisted of nine members, namely Mr. WANG Jiong, Mr. LI Yulin, Mr. LIU Kai, Mr. ZHOU Litao, Mr. LIU Qingfen, Mr. YAO Hongbo, Mr. ZHANG Ke, Mr. ZHANG Yixian and Ms. WANG Shanshan.

2. Changes in the Information of Directors

During the Reporting Period, there was no change in the information of Directors.

3. Changes in Directors, Supervisors and Senior Management

3.1 Changes in Directors

The directorship qualification of Ms. ZHANG Qiuyun was approved by the China Banking and Insurance regulatory authority on January 21, 2021.

Mr. LI Xipeng, a non-executive director, submitted his resignation to the Bank on June 2, 2021 and resigned as a non-executive Director and member of the Strategic Development Committee of the Bank since he needs to focus on other personal work arrangements for personal reason.

After the Reporting Period, due to work adjustments, Mr. DOU Rongxing, an executive Director and the chairman of the Bank, resigned from his positions as an executive Director and the chairman of the Bank and the chairman of the Strategy and Development Committee of the Bank on August 25, 2021. After the resignation of Mr. Dou, pursuant to the Articles of Association and the Rules of Procedures of the Strategy and Development Committee of the Board of Directors of Zhongyuan Bank Co., Ltd., Wei Jie, the vice-chairman, shall exercise the power of the chairman, the legal representative and the chairman of the Strategy and Development Committee, until the newly elected chairman takes office. For details, please refer to the announcement of the Bank dated August 25, 2021.

⁴ *The three-year term of the second session of the Board and the Board of Supervisors of the Bank expired. Given that the re-election of the Board and the Board of Supervisors of the Bank is still in progress, in order to maintain the continuity of the work of the Board and the Board of Supervisors of the Bank, the re-election of the second session of the Board and the Board of Supervisors of the Bank shall be postponed accordingly. Meanwhile, the terms of office of the members of the special committees under the Board and the special committees under the Board of Supervisors of the Bank shall also be postponed accordingly.*

V. Directors, Supervisors, Senior Management and Employees

3.2 Changes of Supervisors

During the Reporting Period, there was no change in the Supervisors of the Bank.

After the Reporting Period, on August 15, 2021, Mr. Hao Jingtao, the chairman of the Board of Supervisors of the Bank, resigned as the chairman of the Board of Supervisors of the Bank, an employee representative supervisor of the Bank and the member of the nomination committee of the Board of Supervisors and the supervision committee of the Board of Supervisors due to change of work arrangement. Please refer to the announcement of the Bank dated August 15, 2021 for details.

3.3 Changes of Senior Management

During the Reporting Period, there was no change in the senior management of the Bank.

3.4 Securities Transactions by Directors, Supervisors and Relevant Employees

As of June 30, 2021, the Bank has adopted the Model Code as the code of conduct for securities transactions of the Bank by all Directors and Supervisors. The Bank has also put in place guidelines in respect of dealings in securities of the Company with terms no less exacting than those of the Model Code, for the relevant employees (as defined in the Hong Kong Listing Rules). Having made specific enquiries to all Directors and Supervisors regarding their compliance with the Model Code, each of the Directors and Supervisors confirmed that those standards as provided thereunder have been complied with during the Reporting Period. Having made specific enquiries to the relevant employees regarding their compliance with the guidelines of dealing in securities of the Company, the Bank is not aware of any incompliance with the guidelines.

4. Interests and Short Positions of Directors, Supervisors and Chief Executive Officers in Shares, Underlying Shares and Debentures

As of June 30, 2021, the Directors, Supervisors and chief executive officers of the Bank who had interests and short positions in the Shares, underlying Shares and debentures of the Bank or any of its associated corporations (within the meaning of Part XV of the SFO) which were recorded in the register required to be kept by the Bank under Section 352 of the SFO, or which were required to be notified to the Bank and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO and the Model Code were as follows:

V. Directors, Supervisors, Senior Management and Employees

Interests in Shares of the Bank (Long Positions)

Name	Class of Shares	Nature of interests	Number of Shares	Approximate percentage of the total issued share capital of the relevant class of the Bank ⁽¹⁾	Approximate percentage of the total issued share capital of ordinary Shares of the Bank ⁽¹⁾
				(%)	(%)
Mr. WEI Jie	Domestic Shares	Beneficial owner	500,000	0.00	0.00
Ms. JIA Jihong	Domestic Shares	Beneficial owner	2,472	0.00	0.00
Mr. LI Wanbin ⁽²⁾	Domestic Shares	Interest in controlled corporation	407,657,871	2.50	2.03

Notes:

- (1) As of June 30, 2021, the number of total issued ordinary Shares of the Bank was 20,075,000,000, including 16,280,000,000 Domestic Shares and 3,795,000,000 H Shares.
- (2) Mr. LI Wanbin is the actual controller of Henan Wanzhong Group Co., Ltd. (河南萬眾集團有限公司) and Henan Zongheng Gas Pipeline Co., Ltd. (河南縱橫燃氣管道有限公司). Therefore, by virtue of the SFO, Mr. LI Wanbin is deemed to be interested in the 407,657,871 Domestic Shares of the Bank (long positions) directly held by Henan Wanzhong Group Co., Ltd. (河南萬眾集團有限公司) and Henan Zongheng Gas Pipeline Co., Ltd. (河南縱橫燃氣管道有限公司).

5. Employees' Remuneration Policies and Training Programs

Employees' Remuneration Policies

As of June 30, 2021, we had 13,247 employees. We totally had 963 employees at village and township banks sponsored by the Bank, 101 employees at AB Leasing Co., Ltd. and 432 employees at Henan Zhongyuan Consumer Finance Corp., Ltd. (河南中原消費金融股份有限公司). During the Reporting Period, the Bank's remuneration policy did not change significantly. The Bank has established a reasonable incentive and restraint mechanism, following the principles of external competitiveness, internal fairness and value-orientation for salary management. Under the concept of paying for post value, paying for ability, paying for performance and paying for market price, the Bank has established a salary system based on post sequence and rank of employees.

The Bank gave full play to the guiding role of remuneration in operation and risk management and control, and implemented deferred payment of performance remuneration for applicable personnel according to the principles of combining immediate incentive with long-term incentive and combining effective incentive with responsibility constraint, so as to ensure the orderly growth of personal income, encourage the management personnel to make decisions in line with the Bank's long-term interests and strategic objectives, and avoid short-term behaviors.

The relevant remuneration management system of the Bank should be submitted to the Party Committee, the Nomination and Remuneration Committee and the Board of Directors for review. The Bank did not have any share option incentive scheme or employee shareholding plan during the Reporting Period.

V. Directors, Supervisors, Senior Management and Employees

Employees Training Programs

According to the business development strategy and education and training plan, adhering to the people-oriented concept, focusing on “helping digital transformation and improving training quality and efficiency”, the Bank formulated the annual training plan, carried out training projects according to the principles of hierarchy, classification and wide coverage, set up a digital college for online learning, carried out training for “digital business”, and built a digital ability learning goal and training certification system, gradually improving employees’ digital thinking and digital application ability and further enhancing the comprehensive quality, professional ability and management level of employees. The Bank strives for providing strong organizational guarantee and talent support for its long-term development. The management mechanism of unified principle, unified planning, hierarchical management and hierarchical implementation was adopted in the Bank’s staff training work, and a hierarchical training system for piloting, voyage, sailing and special forces was established, and training was managed under the three levels of headquarters, branches and sub-branches. During the Reporting Period, throughout the Bank organized an aggregate of 98 sessions of first-class training, the fulfillment ratio of plan was 67.12%, and the online projects accounted for 85.71%; 22,700 staffs were trained in total and staffs received 1.75 trainings per capita, basically reaching full staff coverage; 18 branches of the Bank organized 373 sessions of second-class training with number of staff trained of 26,000 and the average fulfillment ratio of plan was approximately 78.86%. Our training has reached full staff coverage and provides strong human resources protection for the sustainable and healthy business development of the Bank.

6. Basic Information of Institutions under the Bank

As of June 30, 2021, Zhongyuan Bank had 18 branches and 2 directly affiliated branches, with a total of 494 business outlets. Among them, there are 284 urban branches, 13 community branches and 1 small and micro branch; 124 county branches; and 72 township sub-branches.

VI. Corporate Governance

1. Compliance with the Corporate Governance Code

Saved as disclosed in “Chapter V Directors, Supervisors, Senior Management and Employees – 1. Existing Directors, Supervisors and Senior Management” of this report, the Bank has been in compliance during the Reporting Period with all the code provisions as stated in the Corporate Governance Code in Appendix 14 to the Hong Kong Listing Rules, and most of the recommended best practices have been adopted by the Bank.

2. Information Regarding the Convening of the Shareholders’ General Meetings

One Shareholders’ general meeting was held during the Reporting Period.

On May 10, 2021, the Bank held the 2020 Annual General Meeting in Zhengzhou, Henan. 9 proposals were considered and approved, including “Proposal on the Work Report of the Board of Directors of Zhongyuan Bank Co., Ltd. for 2020”, “Proposal on the Work Report of the Board of Supervisors of Zhongyuan Bank Co., Ltd. for 2020”, “Proposal on the Final Account Report for 2020 of Zhongyuan Bank Co., Ltd.” and Proposal on Profit Distribution Plan of Zhongyuan Bank Co., Ltd. For 2020”.

3. Information Regarding the Convening of Meetings of the Board of Directors and its Special Committees

During the Reporting Period, 4 meetings of the Board of Directors were organised, at which 48 items of business were heard or considered; the Strategic Development Committee of the Board of Directors met twice and heard or considered 9 items of business; the Related Party Transactions Control Committee of the Board of Directors met 4 times and heard or considered 4 items of business; the Consumer Rights Protection Committee of the Board of Directors met twice and heard or considered 4 items of business; the Risk Management Committee of the Board of Directors met twice and heard or considered 14 items of business; the Nomination and Remuneration Committee of the Board of Directors met twice, and heard or considered 5 items of business; and the Audit Committee of the Board of Directors met once, and heard or considered 11 items of business.

4. Information Regarding the Convening of Meetings of the Board of Supervisors and its Special Committees

During the Reporting Period, 2 meetings of the Board of Supervisors were organised, with 37 items of business being heard or considered, and 2 meetings of the Supervisory Committee of the Board of Supervisors were organised, with 31 items of business being heard or considered. The Nomination Committee of the Board of Supervisors held one meeting, at which 6 items of business were heard or considered.

5. Public Float

Based on the information available to the public and so far as our directors concerned, as of the date of this report, the Bank had maintained sufficient public float in compliance with the minimum requirement of the Hong Kong Listing Rules and the exemption granted by the Hong Kong Stock Exchange upon the Bank’s listing.



VI. Corporate Governance

6. Internal Control

Based on the principles of full coverage, checks and balance, prudence and compatibility, the Bank has established a relatively scientific and standardized internal control system in accordance with relevant laws and regulations, such as the Commercial Banking Law of the PRC (《中華人民共和國商業銀行法》) and the Internal Control Guidelines for Commercial Banks (《商業銀行內部控制指引》), and the relevant requirements of the Hong Kong Stock Exchange, aiming to ensure the consistent compliance with relevant laws, regulations and rules of the PRC, the application of the Bank's development strategies and the accomplishment of its operating objectives, the accuracy and completeness of the Bank's financial information and other management information, and the effectiveness of the risk management of the Bank.

The Bank continues to implement and optimize the defense mechanism comprising of three lines for internal control. The first line of defense consists of various branches and operating units, which are the owners of, and are accountable for risks and controls, and have to undertake self-risk control functions in the course of their business operation, including the formulation and implementation of policies, business examination, the reporting of control deficiencies and the implementation of rectification measures. The second line of defense consists of the internal control and risk management departments at all levels, which are responsible for the overall planning, organizing and implementing, and examining and assessing of risk management and internal control. The third line of defense consists of the audit and supervision departments, which are responsible for performing internal audit on the adequacy and effectiveness of the internal control and risk management, taking disciplinary actions against staff in violation of regulations or disciplinary rules, carrying out case investigations and promoting management accountability.

During the Reporting Period, the Bank, following on the principle of "prudential operation with risk-based supervision", continued to improve internal control compliance and enhance the effectiveness of management tools for operational risks, optimize and upgrade the information integration system for internal control, compliance and operational risk management, and to realize the effective integration of internal control management, compliance risk management and operational risk management. The Bank continued to optimize its regulatory framework by establishing a three-tier system comprising basic norms, administrative measures and operational rules. The Bank had established a mechanism to assess internal control system and continued to modify and improve its internal control system in accordance with the changing requirements of the external laws and regulations and the regulatory requirements, to ensure compliance with external laws and regulations and regulatory requirements, and to provide a basis and support for the Bank's operational management, business operations and effective risk prevention and control.

The Bank continued to promote the culture building of internal control compliance and actively organized compliance training courses and campaigns for all of its staff, with a view to refining its long-term policy on compliance education, and further enhance the effectiveness of its internal control system through continuously organizing case study discussions and special trainings on compliance and campaigns in different levels.

VII. Important Events

1. Use of Proceeds

On June 28, 2021, the Bank publicly issued special financial bonds for small and micro enterprises in the national inter-bank bond market, with issue scale of RMB2 billion, issue price of RMB100, a term of three years and a coupon rate of 3.48%. The raised funds will be used to support small and micro enterprise credit loans and provide financial services for small and micro enterprises in accordance with applicable laws and the approval of regulatory authority. Please refer to the announcement of the Bank dated June 28, 2021 for details.

On March 4, 2021, the Bank publicly issued financial bonds in the national inter-bank bond market, with an issue scale of RMB2 billion, an issue price of RMB100, a term of three years, and a coupon rate of 3.60%. The raised funds will be used to support the ecological protection and high-quality development of the Yellow River Basin in accordance with the applicable laws and the approval of the regulatory authorities, including credit supply in areas such as ecological protection, pollution prevention, efficient use of water resources, high-quality development, and cultural tourism. Please refer to the announcement of the Bank dated March 4, 2021 for details.

On November 21, 2018, the Bank issued non-cumulative perpetual Offshore Preference Shares of USD1,395 million. For details of the use of proceeds from this issue of preference shares, please refer to “Changes in Share Capital and Information on Shareholders – 8.1 The Issuance and Listing of Offshore Preference Shares”.

2. Profits and Dividends

During the Reporting Period, the Board has not recommended the payment of any interim dividend for the six months ended June 30, 2021. With the approval of the meeting of the Board of Directors of the Bank on March 29, 2021, it is proposed that the 2020 final dividend should not be paid to all shareholders. Such proposal on non-payment of dividends has been approved by the Bank at the 2020 AGM held on May 10, 2021.

3. Material Connected Transactions

As of the end of the Reporting Period, there had not been any material connected transactions entered into between the Bank and its connected persons.

4. Material Litigations and Arbitrations

As of June 30, 2021, the pending litigation cases which were initiated against the Group involved a total amount of approximately RMB738.05 million.

4.1 Litigations against the Xinxiang branch in relation to alleged lending and borrowing

As of June 30, 2021, the Group received 49 cases filed against the Xinxiang branch for alleged lending and borrowing raised by 43 plaintiffs demanding the Xinxiang branch to repay alleged loan principal of approximately RMB219.0 million with accrued interest. Among the 49 cases, 9 cases involved a claim over RMB10.0 million with an aggregate loan principal of approximately RMB123.90 million. As of June 30, 2021, plaintiffs' claims had been rejected in 37 cases, and the suit of 12 cases had been withdrawn, and all cases had been closed.



VII. Important Events

4.2 Dispute of Zhongyuan Bank Co., Ltd. in relation to construction project contract

Henan Zhongjian Urban Construction Co., Ltd. against Puyang Municipal People's Government, Puyang Federation of Trade Unions, Zhongyuan Bank and Puyang Investment Group Co., Ltd.; Henan Zhongjian City Construction Co., Ltd. against Puyang Municipal People's Government, Puyang Health School, Zhongyuan Bank and Puyang Investment Group Co., Ltd.; and Henan Zhongjian Urban Construction Co., Ltd. against Puyang Municipal People's Government, Puyang Culture, Radio, Film, Tourism and Sports Bureau, Zhongyuan Bank and Puyang Investment Group Co., Ltd..The total amount involved in the above three cases was RMB569.55 million. The above three cases have not yet been heard in court.

4.3 Dispute in relation to equity transfer of Nanyang Branch

Hong Chongxi as the plaintiff filed a lawsuit against Nanyang Branch for the dispute over equity transfer, and demanded compensation from Nanyang Branch for its principal and interest totaling RMB33.95 million. At present, the first-instance judgment is pending.

4.4 Dispute in relation to equity pledge guarantee of Zhongyuan Bank Co., Ltd.

Hong Kong Chuang Yue Co., Limited, as the plaintiff, initiated a litigation against Zhongyuan Bank Co., Ltd. for the dispute over the handling by the Bank of the shares pledged by it, involving an amount of RMB22.76 million. Hearing of the case has been postponed.

5. Penalties for Directors, Supervisors and Senior Management

During the Reporting Period, the Bank and its directors, supervisors and senior management were not subject to any severe administrative penalty by the regulatory authority.

6. Performance of Commitments by the Shareholders of the Bank with 5% or more of Shares

The Bank's major Shareholders, their related parties and persons acting in concert have issued to the Bank a statement on the conditions and requirements for investment in the Bank, a statement on the equity relationship, a statement on the tax situation, a statement on the purpose of the shareholding and the source of funds, a statement on non-occurrence of non-compliance related party transactions, a statement on non-significant violations, a statement on the authenticity of materials, a statement on compliance holdings, and a statement on equity status and shareholder performance. They have also made commitment on compliance with laws and regulations, the Bank's Articles of Association and other relevant provisions, legal exercise of rights and performance of obligations and other matters.

7. Material Contracts and their Performance

During the Reporting Period, the Bank was not involved in any material contracts to be performed.

VII. Important Events

8. Material Investment, Acquisitions and Disposals of Assets and Business Mergers

No material acquisitions and disposals of assets and business mergers has occurred during the Reporting Period.

9. Implementation of Share Incentive Scheme during the Reporting Period

During the Reporting Period, the Bank had not implemented any share incentive scheme.

10. Appointment and Dismissal of Auditors

After consideration and approval in the 2020 annual general meeting convened on May 10, 2021, the Bank re-appointed KPMG Huazhen LLP and KPMG as our domestic and international auditors in 2021, respectively, with the term of office till the end of the next annual general meeting of the Bank.

11. Events after the End of the Reporting Period

As of the date of this interim report, no major events need to be disclosed after the end of the Reporting Period.

12. Review of the Interim Report

The interim financial statements disclosed in this report have not been audited. KPMG has reviewed the interim financial statements of the Bank for the six months ended June 30, 2021, which were prepared in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board, pursuant to the Hong Kong Standards on Review Engagements.

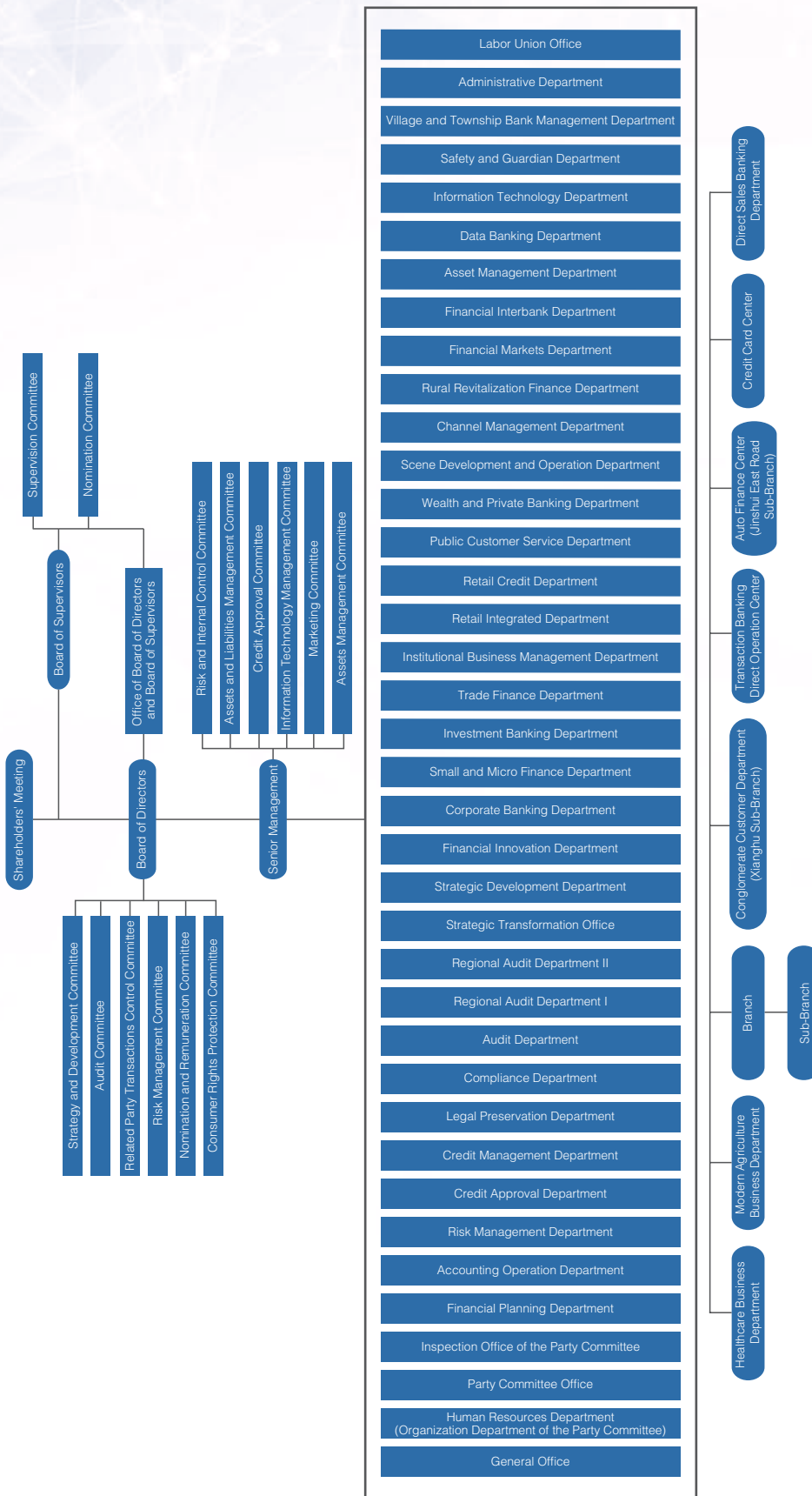
On August 23, 2021, the audit committee of the Bank has reviewed and confirmed the interim results announcement of the Group for the six months ended June 30, 2021, the 2021 interim report and the unaudited interim financial statements for the six months ended June 30, 2021 prepared in accordance with the requirements of the International Accounting Standards.

13. Interim Results

The interim results announcement of the Group for the six months ended June 30, 2021 has been published on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) and the Bank's website (<http://www.zybank.com.cn>) on August 27, 2021.



VIII. Organizational Structure



IX. Review Report to the Board of Directors

Review report to the board of directors of Zhongyuan Bank Co., Ltd.

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

Introduction

We have reviewed the interim financial report set out on page 76 to 172 which comprises the consolidated statement of financial position of Zhongyuan Bank Co., Ltd. (the "Bank") and its subsidiaries (collectively the "Group") as at June 30, 2021, the related consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the six months 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 an interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standard 34, *Interim Financial Reporting*, issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of the interim financial report in accordance with International Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion 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 the Hong Kong Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*, issued by the Hong Kong Institutes of Certified Public Accountants. A review of interim financial report 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 Hong Kong 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 consolidated interim financial report as at June 30, 2021 is not prepared, in all material respects, in accordance with International Accounting Standard 34, *Interim Financial Reporting*.

KPMG

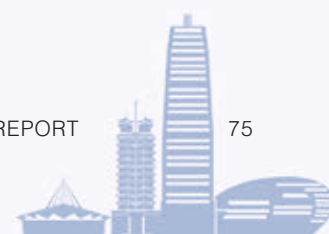
Certified Public Accountants

8th Floor, Prince's Building

10 Chater Road

Central, Hong Kong

August 27, 2021



Consolidated statement of profit or loss and other comprehensive income

for the six months ended June 30, 2021 – unaudited

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	Six months ended June 30,	
		2021	2020
Interest income		15,995,221	15,362,353
Interest expense		(7,546,630)	(7,049,719)
Net interest income	4	8,448,591	8,312,634
Fee and commission income		1,328,467	1,204,618
Fee and commission expense		(208,694)	(138,187)
Net fee and commission income	5	1,119,773	1,066,431
Net trading (losses)/gains	6	(110,072)	337,242
Net gains arising from investment securities	7	231,478	783,127
Other operating income	8	28,033	92,233
Operating income		9,717,803	10,591,667
Operating expenses	9	(3,031,937)	(3,069,459)
Impairment losses on assets	10	(4,375,499)	(5,120,673)
Share of gains/(losses) of joint venture		101,476	(15,071)
Profit before tax		2,411,843	2,386,464
Income tax	11	(300,215)	(360,507)
Net profit for the period		2,111,628	2,025,957
Net profit attributable to:			
Equity shareholders of the Bank		2,079,477	1,972,018
Non-controlling interests		32,151	53,939
Profit for the period		2,111,628	2,025,957
Basic and diluted earnings per share (in RMB)	12	0.10	0.10

The notes on pages 86 to 172 form part of these financial statements.

Consolidated statement of profit or loss and other comprehensive income

for the six months ended June 30, 2021 – unaudited
(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	Six months ended June 30,	
		2021	2020
Net profit for the period		2,111,628	2,025,957
Other comprehensive income			
<i>Other comprehensive income net of tax attributable to equity shareholders of the Bank</i>			
Items that may be reclassified subsequently to profit or loss:			
– Financial assets at fair value through other comprehensive income: net movement in the fair value reserve	34(d)(i)	(203,724)	(119,658)
– Financial assets at fair value through other comprehensive income: net movement in impairment losses	34(d)(ii)	113,882	63,173
Items that will not be reclassified subsequently to profit or loss			
– Remeasurement of net defined benefit liability	34(d)(iii)	(403)	–
<i>Other comprehensive income net of tax attributable to non-controlling interests</i>			
		2,981	(11,044)
Other comprehensive income, net of tax		(87,264)	(67,529)
Total comprehensive income		2,024,364	1,958,428
Total comprehensive income attributable to:			
Equity shareholders of the Bank		1,989,232	1,915,533
Non-controlling interests		35,132	42,895
Total comprehensive income		2,024,364	1,958,428

The notes on pages 86 to 172 form part of these financial statements.

Consolidated statement of financial position

at June 30, 2021 – unaudited

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	June 30, 2021	December 31, 2020
Assets			
Cash and deposits with the central bank	13	56,852,436	65,336,332
Deposits with banks and other financial institutions	14	10,053,340	13,493,520
Placements with banks and other financial institutions	15	26,311,791	25,280,450
Derivative financial assets	16	103,967	30,989
Financial assets held under resale agreements	17	3,681,630	15,819,524
Loans and advances to customers	18	375,314,131	347,656,832
Financial investments:	19		
Financial investments at fair value through profit or loss		17,550,898	21,480,393
Financial investments at fair value through other comprehensive income		49,953,856	47,301,530
Financial investments at amortised cost		157,538,665	170,615,595
Lease receivables	20	35,297,857	30,805,530
Interest in joint venture	21	1,185,443	1,083,967
Property and equipment	22	4,103,543	4,267,878
Deferred tax assets	23	5,495,168	4,832,535
Goodwill	24	970,780	970,780
Other assets	25	8,587,993	8,506,617
Total assets		753,001,498	757,482,472
Liabilities and equity			
Liabilities			
Borrowing from the central bank		40,655,082	44,066,887
Deposits from banks and other financial institutions	27	60,635,679	59,388,708
Placements from banks and other financial institutions	28	32,122,919	31,214,348
Derivative financial liabilities	16	72,790	16,961
Financial assets sold under repurchase agreements	29	13,430,232	46,141,066
Deposits from customers	30	454,996,659	431,341,443
Income tax payable		126,710	785,823
Debt securities issued	31	79,893,464	76,054,620
Other liabilities	32	9,692,449	9,117,355
Total liabilities		691,625,984	698,127,211

The notes on pages 86 to 172 form part of these financial statements.

Consolidated statement of financial position

at June 30, 2021 – unaudited
(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	June 30, 2021	December 31, 2020
Equity			
Share capital	33	20,075,000	20,075,000
Other equity instruments			
– Preference shares	36	9,632,791	9,632,791
Reserves	34	26,400,869	26,491,114
Retained earnings	35	4,142,116	2,062,639
<hr/>			
Total equity attributable to equity shareholders of the Bank		60,250,776	58,261,544
Non-controlling interests		1,124,738	1,093,717
<hr/>			
Total equity		61,375,514	59,355,261
<hr/>			
Total liabilities and equity		753,001,498	757,482,472

Approved and authorised for issue by the board of directors on August 27, 2021.

Wei Jie

(exercising the power of legal representative)
Executive Director

Wang Jiong

President
Executive Director

Li Yulin

Vice President in charge of
accounting affairs

Wang Shanshan

General Manager of the Planning
and Finance Department

(Company chop)

The notes on pages 86 to 172 form part of these financial statements.

Consolidated statement of changes in equity

for the six months ended June 30, 2021 – unaudited

(Expressed in thousands of Renminbi, unless otherwise stated)

	Attributable to equity shareholders of the Bank								Non-controlling interests	Total
	Share capital	Other equity instruments	Capital reserve	Surplus reserve	General reserve	Other reserves	Retained earnings	Sub-total		
Balance at December 31, 2020 and January 1, 2021	20,075,000	9,632,791	14,317,963	2,115,521	9,660,324	397,306	2,062,639	58,261,544	1,093,717	59,355,261
Changes in equity for the period:										
Net profit for the period	-	-	-	-	-	-	2,079,477	2,079,477	32,151	2,111,628
Other comprehensive income	-	-	-	-	-	(90,245)	-	(90,245)	2,981	(87,264)
Total comprehensive income	-	-	-	-	-	(90,245)	2,079,477	1,989,232	35,132	2,024,364
Appropriation to non-controlling interests	-	-	-	-	-	-	-	-	(4,111)	(4,111)
Balance at June 30, 2021	20,075,000	9,632,791	14,317,963	2,115,521	9,660,324	307,061	4,142,116	60,250,776	1,124,738	61,375,514

The notes on pages 86 to 172 form part of these financial statements.

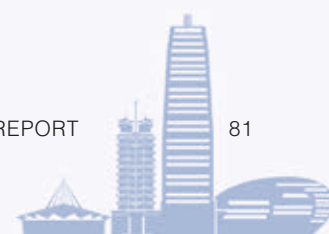
Consolidated statement of changes in equity

for the six months ended June 30, 2021 – unaudited
(Expressed in thousands of Renminbi, unless otherwise stated)

Attributable to equity shareholders of the Bank

	Share capital	Other equity instruments	Capital reserve	Surplus reserve	General reserve	Other reserves	Retained earnings	Sub-total	Non-controlling interests	Total
Balance at January 1, 2020	20,075,000	9,632,791	14,320,466	1,818,292	8,934,907	701,952	1,261,325	56,744,733	1,086,331	57,831,064
Changes in equity for the period:										
Net profit for the period	-	-	-	-	-	-	1,972,018	1,972,018	53,939	2,025,957
Other comprehensive income	-	-	-	-	-	(56,485)	-	(56,485)	(11,044)	(67,529)
Total comprehensive income	-	-	-	-	-	(56,485)	1,972,018	1,915,533	42,895	1,958,428
Appropriation to shareholders	-	-	-	-	-	-	(903,375)	(903,375)	(14,599)	(917,974)
Balance at June 30, 2020	20,075,000	9,632,791	14,320,466	1,818,292	8,934,907	645,467	2,329,968	57,756,891	1,114,627	58,871,518

The notes on pages 86 to 172 form part of these financial statements.



Consolidated statement of changes in equity

for the six months ended June 30, 2021 – unaudited
(Expressed in thousands of Renminbi, unless otherwise stated)

Attributable to equity shareholders of the Bank

	Share capital	Other equity instruments	Capital reserve	Surplus reserve	General reserve	Other reserves	Retained earnings	Sub-total	Non-controlling interests	Total
Balance at July 1, 2020	20,075,000	9,632,791	14,320,466	1,818,292	8,934,907	645,467	2,329,968	57,756,891	1,114,627	58,871,518
Changes in equity for the period:										
Net profit for the period	-	-	-	-	-	-	1,328,804	1,328,804	(27)	1,328,777
Other comprehensive income	-	-	-	-	-	(248,161)	-	(248,161)	(8,360)	(256,521)
Total comprehensive income	-	-	-	-	-	(248,161)	1,328,804	1,080,643	(8,387)	1,072,256
Purchase of non-controlling interests	-	-	(2,503)	-	-	-	-	(2,503)	(7,291)	(9,794)
Appropriation to surplus reserve	-	-	-	297,229	-	-	(297,229)	-	-	-
Appropriation to general reserve	-	-	-	-	725,417	-	(725,417)	-	-	-
Cash dividends on common shares	-	-	-	-	-	-	-	-	(5,232)	(5,232)
Cash dividends on preference shares	-	-	-	-	-	-	(573,487)	(573,487)	-	(573,487)
Balance at December 31, 2020	20,075,000	9,632,791	14,317,963	2,115,521	9,660,324	397,306	2,062,639	58,261,544	1,093,717	59,355,261

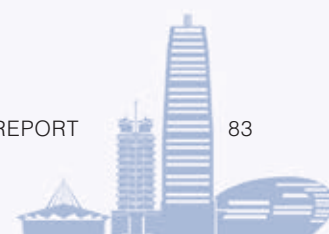
The notes on pages 86 to 172 form part of these financial statements.

Consolidated cash flow statement

for the six months ended June 30, 2021 – unaudited
(Expressed in thousands of Renminbi, unless otherwise stated)

	Six months ended June 30,	
	2021	2020
Cash flows from operating activities		
Profit before tax	2,411,843	2,386,464
Adjustments for:		
– Impairment losses on assets	4,375,499	5,120,673
– Depreciation and amortization	492,209	542,445
– Depreciation of investment properties	377	377
– Unrealized foreign exchange losses/(gains)	196,534	(291,507)
– Net losses/(gains) on disposal of property and equipment	2,280	(56,108)
– Net trading gains	(10,039)	(135,608)
– Net gains arising from fair value of derivatives	(17,149)	(167,036)
– Net gains on disposal of investment securities	(231,478)	(783,127)
– Share of (gains)/losses of joint venture	(101,476)	15,071
– Interest expense on debts securities issued	1,181,141	1,306,959
– Interest expense on lease liabilities	35,755	18,508
	8,335,496	7,957,111
<i>Changes in operating assets</i>		
Net (increase)/decrease in deposits with the central bank	(1,240,129)	4,264,954
Net increase in deposits and placements with banks and other financial institutions	(11,671,834)	(5,063,416)
Net decrease in financial assets held for trading	2,038,540	2,370,305
Net increase in loans and advances to customers	(29,996,262)	(40,053,407)
Net increase in lease receivables	(4,492,327)	(2,341,730)
Net increase in other operating assets	(1,036,731)	(118,619)
	(46,398,743)	(40,941,913)

The notes on pages 86 to 172 form part of these financial statements.



Consolidated cash flow statement

for the six months ended June 30, 2021 – unaudited
(Expressed in thousands of Renminbi, unless otherwise stated)

	Six months ended June 30,	
	2021	2020
Cash flows from operating activities		
<i>Changes in operating liabilities</i>		
Net (decrease)/increase in borrowing from central bank	(3,617,202)	7,113,485
Net increase/(decrease) in deposits from banks and other financial institutions	1,279,984	(7,099,859)
Net increase in placements from banks and other financial institutions	887,455	6,626,568
Net decrease in financial liabilities at fair value through profit or loss	–	(20,437)
Net decrease in financial assets sold under repurchase agreements	(32,695,679)	(19,703,065)
Net increase in deposits from customers	23,518,341	33,310,732
Net increase in other operating liabilities	996,503	558,960
	(9,630,598)	20,786,384
Net cash flows used in operating activities before income tax paid	(47,693,845)	(12,198,418)
Income tax paid	(1,621,961)	(1,941,431)
Net cash flows used in operating activities	(49,315,806)	(14,139,849)
Cash flows from investing activities		
Proceeds from disposal and redemption of investments	172,117,791	1,148,304,009
Proceeds from disposal of property and equipment, intangible assets and other assets	1,849	66,669
Payments on acquisition of investments	(161,142,519)	(1,144,686,617)
Payments on acquisition of subsidiary	–	(263,699)
Payments on acquisition of property and equipment, intangible assets and other assets	(79,160)	(401,728)
Net cash flows generated from investing activities	10,897,961	3,018,634

The notes on pages 86 to 172 form part of these financial statements.

Consolidated cash flow statement

for the six months ended June 30, 2021 – unaudited
(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	Six months ended June 30,	
		2021	2020
Cash flows from financing activities			
Proceeds from issued debt securities		75,030,997	59,471,270
Repayment of debts securities issued		(71,313,273)	(66,710,349)
Interest paid on debts securities issued		(1,060,021)	(1,252,328)
Dividends paid		(48,535)	(640,710)
Capital element of lease liabilities paid		(122,748)	(134,849)
Interest element of lease liabilities paid		(23,156)	(12,991)
Net cash flows generated from/(used in) financing activities		2,463,264	(9,279,957)
Effect of foreign exchange rate changes on cash and cash equivalents		(96,118)	222,115
Net decrease in cash and cash equivalents	39(a)	(36,050,699)	(20,179,057)
Cash and cash equivalents as at January 1		72,151,316	75,325,152
Cash and cash equivalents as at June 30	39(b)	36,100,617	55,146,095
Interest received		15,697,791	14,551,958
Interest paid (excluding interest expense on debts securities issued)		(5,860,739)	(4,898,032)

The notes on pages 86 to 172 form part of these financial statements.

Notes to the unaudited interim financial report

(Expressed in thousands of Renminbi, unless otherwise stated)

1 Background information

The Bank was established in Zhengzhou, Henan Province, the People's Republic of China (the "PRC") on December 23, 2014 with the approval of the former China Banking Regulatory Commission (the former "CBRC"). Prior to its establishment, the banking business (the "Business") was carried out by thirteen city commercial banks (the "Predecessor Entities"), each being located in Henan Province.

Pursuant to the reorganization initiated by the People's Government of Henan Province (the "Henan Government"), the Bank was established through the merger and reorganization of the Predecessor Entities.

The Bank obtained its financial institution license No. B0615H241010001 from the former CBRC, and obtained its business license with unified social credit code 9141000031741675X6 from the State Administration for Industry and Commerce of the PRC. The Bank is regulated by China Banking Insurance Regulatory Commission (the "CBIRC") authorized by the State Council.

In July 2017, the Bank's H-shares were listed on the Main Board of the Stock Exchange of Hong Kong Limited (Stock code: 01216).

As at June 30, 2021, the Bank has one head office and 18 branches across Henan Province, 10 subsidiaries including 9 county banks and 1 financial leasing company and 1 joint venture which is a consumer finance company. The principal activities of the Bank and its subsidiaries (collectively referred to as the "Group") are the provision of corporate and personal deposits, loans and advances, settlement, financial market business, financial leasing and other financial services as approved by the former CBRC.

2 Basis of preparation

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard (IAS) 34, *Interim Financial Reporting*, issued by the International Accounting Standards Board (the "IASB").

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2020 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2021 annual financial statements. Details of any changes in accounting policies are set out in Note 3.

The preparation of an interim financial report in conformity with IAS 34 requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

Notes to the unaudited interim financial report

(Expressed in thousands of Renminbi, unless otherwise stated)

2 Basis of preparation (Continued)

This interim financial report contains condensed financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2020 annual financial statements. The condensed interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with International Financial Reporting Standards (“IFRSs”).

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants.

The financial information relating to the financial year ended December 31, 2020 that is included in the interim financial report as comparative information does not constitute the Bank’s statutory annual financial statements for that financial year but is derived from those financial statements.

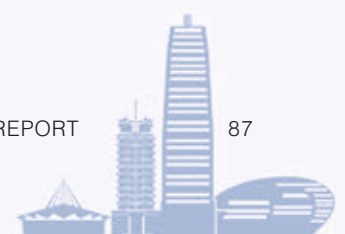
3 Changes in accounting policies

The Group has applied the following amendments to IFRSs issued by the IASB to these financial statements for the current accounting period:

- **Amendments to IFRS 16, *Covid-19-related rent concessions beyond June 30, 2021***

The changes in accounting policies are also expected to be reflected in the Group’s annual financial statements for the year ending December 31, 2021.

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



Notes to the unaudited interim financial report

(Expressed in thousands of Renminbi, unless otherwise stated)

4 Net interest income

	Six months ended June 30,	
	2021	2020
Interest income arising from		
Deposits with the central bank	247,859	266,094
Deposits with banks and other financial institutions	73,003	81,198
Placements with banks and other financial institutions	487,002	351,130
Loans and advances to customers		
– Corporate loans and advances	4,209,795	4,444,340
– Personal loans and advances	4,813,096	4,241,140
– Discounted bills	679,961	420,785
Financial assets held under resale agreements	170,739	143,229
Financial investments	4,064,066	4,299,847
Lease receivables	1,249,700	1,114,590
Sub-total	15,995,221	15,362,353
Interest expenses arising from		
Borrowing from the central bank	(546,071)	(326,723)
Deposits from banks and other financial institutions	(912,808)	(700,828)
Placements from banks and other financial institutions	(498,434)	(444,702)
Deposits from customers	(4,018,417)	(3,964,716)
Financial assets sold under repurchase agreements	(389,759)	(305,791)
Debts securities issued	(1,181,141)	(1,306,959)
Sub-total	(7,546,630)	(7,049,719)
Net interest income	8,448,591	8,312,634

The interest income and expenses are related to financial instruments which are not measured at fair value through profit or loss.

Notes to the unaudited interim financial report

(Expressed in thousands of Renminbi, unless otherwise stated)

5 Net fee and commission income

	Six months ended June 30,	
	2021	2020
Fee and commission income		
Underwriting fees	358,015	277,543
Wealth management business fees	250,732	228,226
Bank card services fees	243,895	195,745
Settlement and clearing services fees	158,922	171,520
Advisory and consulting fees	115,359	88,628
Acceptance and guarantee services fees	76,169	68,325
Agency services fees	67,929	66,695
Custodial services fees	57,446	107,936
Sub-total	1,328,467	1,204,618
Fee and commission expense	(208,694)	(138,187)
Net fee and commission income	1,119,773	1,066,431

6 Net trading (losses)/gains

	Note	Six months ended June 30,	
		2021	2020
Net gains from debt securities	(a)	45,109	135,609
Net foreign exchange (losses)/gains	(b)	(156,547)	198,287
Net gains from interest rate swaps		1,366	3,346
Total		(110,072)	337,242

(a) Net gains from debt securities include gains arising from the buying and selling of, and changes in the fair value of debt securities held for trading.

(b) Net foreign exchange (losses)/gains mainly included (losses)/gains from foreign currency derivatives, the purchase and sale of foreign currency spot, and translation of foreign currency monetary assets and liabilities into Renminbi.

Notes to the unaudited interim financial report

(Expressed in thousands of Renminbi, unless otherwise stated)

7 Net gains arising from investment securities

	Note	Six months ended June 30,	
		2021	2020
Net gains of financial investments at fair value through profit or loss	(a)	77,836	503,183
Net gains of financial investments at fair value through other comprehensive income		153,715	279,952
Others		(73)	(8)
Total		231,478	783,127

(a) Net gains of financial investments at fair value through profit or loss include the investment income and fair value changes of financial investments at fair value through profit or loss except for debt securities held for trading.

8 Other operating income

	Six months ended June 30,	
	2021	2020
Government grants	5,653	10,626
Rental income	14,143	12,107
Net (losses)/gains on disposal of property and equipment	(2,280)	56,108
Others	10,517	13,392
Total	28,033	92,233

9 Operating expenses

	Six months ended June 30,	
	2021	2020
Staff costs		
– Salaries, bonuses and allowances	1,238,794	1,389,879
– Social insurance and annuity	233,275	88,723
– Staff welfares	131,444	140,061
– Housing allowances	109,757	97,062
– Employee education expenses and labor union expenses	43,425	55,796
– Supplementary retirement benefits	2,341	5,905
– Others	25,674	25,641
Sub-total	1,784,710	1,803,067
Office expenses	418,145	382,215
Depreciation and amortization	350,512	394,112
Depreciation charge for the right-of-use assets	141,697	148,333
Taxes and surcharges	101,892	94,184
Interest expense on lease liabilities	35,755	18,508
Other general and administrative expenses	199,226	229,040
Total	3,031,937	3,069,459

Notes to the unaudited interim financial report

(Expressed in thousands of Renminbi, unless otherwise stated)

10 Impairment losses on assets

	Six months ended June 30,	
	2021	2020
Loans and advances to customers	2,370,100	2,869,196
Financial investments	1,459,572	1,737,369
Credit commitments	9,013	11,469
Deposits with banks and other financial institutions	(170)	998
Placements with banks and other financial institutions	1,214	5,523
Financial assets held under resale agreements	(167)	871
Lease receivables	262,672	243,610
Others	273,265	251,637
Total	4,375,499	5,120,673

11 Income tax

(a) Income tax:

	Note	Six months ended June 30,	
		2021	2020
Current tax		895,934	1,321,064
Deferred tax	23(b)	(595,719)	(960,557)
Total		300,215	360,507

(b) Reconciliations between income tax and accounting profit are as follows:

	Note	Six months ended June 30,	
		2021	2020
Profit before tax		2,411,843	2,386,464
Statutory tax rate		25%	25%
Income tax calculated at statutory tax rate		602,961	596,616
Non-deductible expenses			
– Staff welfare expenses		4,190	6,386
– Others		7,990	4,266
Non-taxable income	(i)	(314,926)	(246,761)
Income tax		300,215	360,507

(i) The non-taxable income mainly represents the interest income from the PRC government bonds.

Notes to the unaudited interim financial report

(Expressed in thousands of Renminbi, unless otherwise stated)

12 Basic and diluted earnings per share

	Note	Six months ended June 30,	
		2021	2020
Net profit attributable to ordinary shareholders of the Bank		2,079,477	1,972,018
Weighted average number of ordinary shares (in thousands)	(i)	20,075,000	20,075,000
Basic and diluted earnings per share attributable to ordinary shareholders of the Bank (in RMB)		0.10	0.10

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

(i) Weighted average number of ordinary shares (in thousands)

	Six months ended June 30,	
	2021	2020
Number of ordinary shares as at January 1	20,075,000	20,075,000
New added weighted average number of ordinary shares	–	–
Weighted average number of ordinary shares	20,075,000	20,075,000

13 Cash and deposits with the central bank

	Note	June 30,	December 31,
		2021	2020
Cash on hand		1,300,672	1,268,037
Deposits with the central bank			
– Statutory deposit reserves	(a)	29,845,754	29,051,271
– Surplus deposit reserves	(b)	24,737,253	34,492,657
– Fiscal deposits		953,661	508,015
Sub-total		55,536,668	64,051,943
Accrued interest		15,096	16,352
Total		56,852,436	65,336,332

Notes to the unaudited interim financial report

(Expressed in thousands of Renminbi, unless otherwise stated)

13 Cash and deposits with the central bank (Continued)

- (a) The Group places statutory deposit reserves with the PBOC in accordance with relevant regulations. As at June 30, 2021 and December 31, 2020, the statutory deposit reserve ratios applicable to the Bank were as follows:

	June 30, 2021	December 31, 2020
Reserve ratio for RMB deposits	7.00%	7.00%
Reserve ratio for foreign currency deposits	7.00%	5.00%

The statutory deposit reserves are not available for the Bank's daily business. The subsidiaries of the Bank are required to place statutory RMB deposits reserve at rates determined by the PBOC.

- (b) The surplus deposit reserves are maintained with the PBOC for the purpose of clearing.

14 Deposits with banks and other financial institutions

Analyzed by type and location of counterparty

	June 30, 2021	December 31, 2020
Deposits in mainland China		
– Banks	3,603,705	6,391,104
– Other financial institutions	591,989	2,128,292
Sub-total	4,195,694	8,519,396
Deposits outside mainland China		
– Banks	5,805,733	4,913,283
Total	10,001,427	13,432,679
Accrued interest	54,743	63,841
Less: Provision for impairment losses	(2,830)	(3,000)
Net carrying amount	10,053,340	13,493,520

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(Expressed in thousands of Renminbi, unless otherwise stated)

15 Placements with banks and other financial institutions

Analyzed by type and location of counterparty

	June 30, 2021	December 31, 2020
Placements in mainland China		
– Banks	207,872	209,816
– Other financial institutions	23,544,958	22,894,958
Sub-total	23,752,830	23,104,774
Outside mainland China		
– Banks	2,151,213	1,892,221
Sub-total	2,151,213	1,892,221
Accrued interest	437,886	312,379
Less: Provision for impairment losses	(30,138)	(28,924)
Net carrying amount	26,311,791	25,280,450

16 Derivative financial instruments

A derivative is a financial instrument, the value of which changes in response to the change in a specified interest rate, commodity price, foreign exchange rate, or other similar variables. The Group uses derivative financial instruments mainly including forwards and swaps.

The notional amount of a derivative represents the amount of an underlying asset upon which the value of the derivative is based. It indicates the volume of business transacted by the Group but does not reflect the risk.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in any orderly transaction between market participants at measured date.

	Notional amount	June 30, 2021 Fair value	
		Assets	(Liabilities)
Interest rate swaps	8,420,000	22,397	(17,326)
Foreign exchange forwards	13,307,806	78,046	(53,502)
Currency swaps	417,209	3,524	(1,595)
Precious metal derivatives	20,088	–	(367)
Total		103,967	(72,790)

Notes to the unaudited interim financial report

(Expressed in thousands of Renminbi, unless otherwise stated)

16 Derivative financial instruments (Continued)

	Notional amount	December 31, 2020	
		Fair value Assets	(Liabilities)
Interest rate swaps	6,420,000	22,674	(16,961)
Foreign exchange forwards	9,043,511	–	–
Currency swaps	1,903,919	8,315	–
Total		30,989	(16,961)

17 Financial assets held under resale agreements

(a) Analyzed by type and location of counterparty

	June 30, 2021	December 31, 2020
In mainland China		
– Banks	1,208,958	13,841,531
– Other financial institutions	2,473,767	1,972,041
Total	3,682,725	15,813,572
Accrued interest	280	7,494
Less: Provision for impairment losses	(1,375)	(1,542)
Net carrying amount	3,681,630	15,819,524

(b) Analyzed by type of security held

	June 30, 2021	December 31, 2020
Debt securities	3,682,725	15,813,572
Accrued interest	280	7,494
Less: Provision for impairment losses	(1,375)	(1,542)
Net carrying amount	3,681,630	15,819,524

Notes to the unaudited interim financial report

(Expressed in thousands of Renminbi, unless otherwise stated)

18 Loans and advances to customers

(a) Analyzed by nature

	Note	June 30, 2021	December 31, 2020
Loans and advances to customers measured at amortised cost			
Corporate loans and advances		159,387,888	149,639,100
Personal loans and advances			
– Residential mortgage		92,078,436	85,418,323
– Personal business loans		43,936,457	42,535,656
– Personal consumption loans		28,870,804	29,359,244
– Others		16,183,551	13,188,041
Sub-total		181,069,248	170,501,264
Accrued interest		2,684,711	2,349,930
Less: Provision for loans and advances to customers measured at amortised cost		(12,364,616)	(11,718,971)
Sub-total		330,777,231	310,771,323
Loans and advances to customers measured at fair value through other comprehensive income			
Corporate loans and advances		1,008,754	731,880
Discounted bills	(i)	43,528,146	36,153,629
Sub-total		44,536,900	36,885,509
Net loans and advances to customers		375,314,131	347,656,832

(i) As at the end of the reporting period/year, certain discounted bills were pledged for repurchase agreements (Note 26(a)).

Notes to the unaudited interim financial report

(Expressed in thousands of Renminbi, unless otherwise stated)

18 Loans and advances to customers (Continued)

(b) Analyzed by economic sector

	June 30, 2021		
	Amount	Percentage	Loans and advances secured by collaterals
Renting and business activities	44,107,275	11.46%	18,174,676
Manufacturing	24,156,395	6.26%	9,216,743
Real estate	16,590,011	4.31%	14,358,795
Wholesale and retail trade	15,649,993	4.06%	8,171,034
Construction	14,127,499	3.67%	6,290,068
Water, environment and public utility	13,766,661	3.58%	6,492,075
Transportation, storage and postal services	5,430,864	1.41%	3,310,242
Production and supply of electric power, gas and water	4,795,740	1.25%	1,169,313
Education	4,459,444	1.16%	2,256,762
Mining	3,875,287	1.01%	702,389
Agriculture, forestry, animal husbandry and fishery	2,874,929	0.75%	931,489
Accommodation and catering	2,671,564	0.69%	1,739,651
Others	7,890,980	2.05%	2,301,410
Sub-total of corporate loans and advances	160,396,642	41.66%	75,114,647
Personal loans and advances	181,069,248	47.03%	151,411,881
Discounted bills	43,528,146	11.31%	39,730,775
Gross loans and advances to customers	384,994,036	100.00%	266,257,303

Notes to the unaudited interim financial report

(Expressed in thousands of Renminbi, unless otherwise stated)

18 Loans and advances to customers (Continued)

(b) Analyzed by economic sector (Continued)

	December 31, 2020		Loans and advances secured by collaterals
	Amount	Percentage	
Renting and business activities	38,382,314	10.75%	16,634,827
Manufacturing	27,547,538	7.72%	10,014,112
Real estate	18,276,599	5.12%	16,271,943
Wholesale and retail trade	14,876,265	4.17%	7,420,368
Construction	12,834,825	3.59%	6,034,804
Water, environment and public utility	11,145,945	3.12%	4,946,966
Production and supply of electric power, gas and water	5,326,189	1.49%	1,232,707
Agriculture, forestry, animal husbandry and fishery	3,149,849	0.88%	952,336
Education	3,272,158	0.92%	1,626,270
Accommodation and catering	2,829,797	0.79%	1,806,945
Transportation, storage and postal services	3,554,759	1.00%	1,601,148
Mining	2,159,179	0.60%	648,926
Others	7,015,563	1.97%	1,725,506
Sub-total of corporate loans and advances	150,370,980	42.12%	70,916,858
Personal loans and advances	170,501,264	47.75%	143,409,923
Discounted bills	36,153,629	10.13%	32,631,159
Gross loans and advances to customers	357,025,873	100.00%	246,957,940

(c) Analysed by type of collateral

	June 30, 2021	December 31, 2020
Unsecured loans	38,232,451	39,026,278
Guaranteed loans	80,504,282	71,041,655
Collateralised	191,337,747	182,357,997
Pledged	74,919,556	64,599,943
Gross loans and advances to customers	384,994,036	357,025,873
Accrued interest	2,684,711	2,349,930
Less: Provision for loans and advances to customers measured at amortised cost	(12,364,616)	(11,718,971)
Net loans and advances to customers	375,314,131	347,656,832

Notes to the unaudited interim financial report

(Expressed in thousands of Renminbi, unless otherwise stated)

18 Loans and advances to customers (Continued)

(d) Overdue loans analyzed by overdue period

	June 30, 2021				Total
	Overdue within three months (inclusive)	Overdue more than three months to one year (inclusive)	Overdue more than one year to three years (inclusive)	Overdue more than three years	
Unsecured loans	148,044	325,373	192,350	5,174	670,941
Guaranteed loans	2,607,673	2,036,598	1,351,755	173,341	6,169,367
Collateralised	2,053,313	1,162,509	1,464,533	326,799	5,007,154
Pledged	266,547	39,336	208,246	478,902	993,031
Total	5,075,577	3,563,816	3,216,884	984,216	12,840,493
As a percentage of gross loans and advances to customers	1.31%	0.93%	0.84%	0.26%	3.34%

	December 31, 2020				Total
	Overdue within three months (inclusive)	Overdue more than three months to one year (inclusive)	Overdue more than one year to three years (inclusive)	Overdue more than three years	
Unsecured loans	116,286	194,853	97,127	4,082	412,348
Guaranteed loans	1,861,207	1,916,410	1,226,635	223,815	5,228,067
Collateralised	1,359,420	1,267,639	1,169,795	322,914	4,119,768
Pledged	719,714	31,381	220,990	476,953	1,449,038
Total	4,056,627	3,410,283	2,714,547	1,027,764	11,209,221
As a percentage of gross loans and advances to customers	1.14%	0.95%	0.76%	0.29%	3.14%

Overdue loans represented loan, of which the whole or part of the principal or interest were overdue for one day or more.

Notes to the unaudited interim financial report

(Expressed in thousands of Renminbi, unless otherwise stated)

18 Loans and advances to customers (Continued)

(e) Loans and advances and provision for impairment losses

	June 30, 2021			Total
	Loans and advances that are assessed for expected credit losses over the next 12 months	Loans and advances that are not credit-impaired and assessed for lifetime expected credit loss	Credit-impaired loans and advances that are assessed for lifetime expected credit loss	
Total loans and advances to customers measured at amortised cost	321,545,002	10,684,731	8,227,403	340,457,136
Accrued interest	2,684,711	–	–	2,684,711
Less: Provision for impairment losses	(4,321,501)	(2,411,430)	(5,631,685)	(12,364,616)
Carrying amount of loans and advances to customers measured at amortised cost	319,908,212	8,273,301	2,595,718	330,777,231
Carrying amount of loans and advances to customers measured at fair value through other comprehensive income	44,062,919	–	473,981	44,536,900
Total carrying amount of loans and advances to customers	363,971,131	8,273,301	3,069,699	375,314,131
	December 31, 2020			
	Loans and advances that are assessed for expected credit losses over the next 12 months	Loans and advances that are not credit-impaired and assessed for lifetime expected credit loss	Credit-impaired loans and advances that are assessed for lifetime expected credit loss	Total
Total loans and advances to customers measured at amortised cost	303,331,756	9,168,054	7,640,554	320,140,364
Accrued interest	2,349,930	–	–	2,349,930
Less: Provision for impairment losses	(4,406,550)	(2,295,558)	(5,016,863)	(11,718,971)
Carrying amount of loans and advances to customers measured at amortised cost	301,275,136	6,872,496	2,623,691	310,771,323
Carrying amount of loans and advances to customers measured at fair value through other comprehensive income	36,411,528	–	473,981	36,885,509
Total carrying amount of loans and advances to customers	337,686,664	6,872,496	3,097,672	347,656,832

Notes to the unaudited interim financial report

(Expressed in thousands of Renminbi, unless otherwise stated)

18 Loans and advances to customers (Continued)

(f) Movements of provision for impairment losses

- (i) Movements of provision for impairment of loans and advances to customers measured at amortised cost:

	Six months ended June 30, 2021			
	Loans and advances that are assessed for expected credit losses over the next 12 months	Loans and advances that are not credit-impaired and assessed for lifetime expected credit loss	Credit-impaired loans and advances that are assessed for lifetime expected credit loss	Total
As at January 1	4,406,550	2,295,558	5,016,863	11,718,971
Transferred:				
– to expected credit losses over the next 12 months	590,769	(427,021)	(163,748)	–
– to lifetime expected credit losses: not credit-impaired loans	(91,360)	518,605	(427,245)	–
– to lifetime expected credit losses: credit-impaired loans	(17,883)	(554,683)	572,566	–
(Release)/charge for the period	(566,575)	578,971	2,234,728	2,247,124
Recoveries	–	–	150,676	150,676
Write-offs and disposals	–	–	(1,752,155)	(1,752,155)
As at June 30	4,321,501	2,411,430	5,631,685	12,364,616

	Year ended December 31, 2020			
	Loans and advances that are assessed for expected credit losses over the next 12 months	Loans and advances that are not credit-impaired and assessed for lifetime expected credit loss	Credit-impaired loans and advances that are assessed for lifetime expected credit loss	Total
As at January 1	3,141,812	1,938,267	4,691,337	9,771,416
Transferred:				
– to expected credit losses over the next 12 months	818,662	(380,973)	(437,689)	–
– to lifetime expected credit losses: not credit-impaired loans	(56,951)	386,953	(330,002)	–
– to lifetime expected credit losses: credit-impaired loans	(36,195)	(481,265)	517,460	–
Charge for the year	539,222	832,576	3,511,064	4,882,862
Recoveries	–	–	397,084	397,084
Write-offs and disposals	–	–	(3,332,391)	(3,332,391)
As at December 31	4,406,550	2,295,558	5,016,863	11,718,971

Notes to the unaudited interim financial report

(Expressed in thousands of Renminbi, unless otherwise stated)

18 Loans and advances to customers (Continued)

(f) Movements of provision for impairment losses (Continued)

(ii) Movements of provision for impairment of loans and advances to customers measured at fair value through other comprehensive income:

	Six months ended June 30, 2021			Total
	Loans and advances that are assessed for expected credit losses over the next 12 months	Loans and advances that are not credit-impaired and assessed for lifetime expected credit loss	Credit-impaired loans and advances that are assessed for lifetime expected credit loss	
As at January 1	11,125	–	355,486	366,611
Charge for the period	4,481	–	118,495	122,976
As at June 30	15,606	–	473,981	489,587

	Year ended December 31, 2020			Total
	Loans and advances that are assessed for expected credit losses over the next 12 months	Loans and advances that are not credit-impaired and assessed for lifetime expected credit loss	Credit-impaired loans and advances that are assessed for lifetime expected credit loss	
As at January 1	8,989	–	355,486	364,475
Charge for the year	2,136	–	–	2,136
As at December 31	11,125	–	355,486	366,611

(g) Disposal of loans and advances to customers

In the first half of 2021, the Group disposed loans and advances with gross amount of RMB1,518.33 million. The consideration received by the Group amounted to RMB665.00 million.

In the first half of 2020, the Group disposed loans and advances with gross amount of RMB281.57 million. The consideration received by the Group amounted to RMB215.62 million.

Notes to the unaudited interim financial report

(Expressed in thousands of Renminbi, unless otherwise stated)

19 Financial investments

	Note	June 30, 2021	December 31, 2020
Financial investments at fair value through profit or loss	(a)	17,550,898	21,480,393
Financial investments at fair value through other comprehensive income	(b)	49,953,856	47,301,530
Financial investments at amortised cost	(c)	157,538,665	170,615,595
Total		225,043,419	239,397,518

(a) Financial investments at fair value through profit or loss

	Note	June 30, 2021	December 31, 2020
Debt securities	(i)		
– Government		434,680	42,478
– Policy banks		304,058	551,597
– Banks and other financial institutions		3,282,317	5,783,979
– Corporate		510,068	181,570
Sub-total		4,531,123	6,559,624
Listed		293,847	42,478
Unlisted		4,237,276	6,517,146
Sub-total		4,531,123	6,559,624
Wealth management products issued by financial institutions		–	203,389
Investment management products managed by securities companies		–	609,252
Investment fund managed by public fund manager		12,551,587	14,018,371
Sub-total		12,551,587	14,831,012
Equity investments		468,188	89,757
Total		17,550,898	21,480,393

- (i) As at the end of the reporting period, certain debt securities were pledged for repurchase agreements (Note 26(a)). No other investment was subject to material restrictions in the realization.

Notes to the unaudited interim financial report

(Expressed in thousands of Renminbi, unless otherwise stated)

19 Financial investments (Continued)

(b) Financial investments at fair value through other comprehensive income

	Note	June 30, 2021	December 31, 2020
Debt securities	(i)		
– Government		31,638,586	23,639,431
– Policy banks		13,577,543	17,242,734
– Banks and other financial institutions		2,006,446	2,097,871
– Corporate		2,021,382	2,804,352
Sub-total		49,243,957	45,784,388
Listed		17,646,426	11,601,702
Unlisted		31,597,531	34,182,686
Sub-total		49,243,957	45,784,388
Investment portfolio managed by financial institutions		–	771,461
Sub-total		–	771,461
Accrued interest		686,003	721,785
Equity investments	(ii)	23,896	23,896
Total		49,953,856	47,301,530

(i) As at the end of the reporting period, certain debt securities were pledged for repurchase agreements (Note 26(a)). No other investment was subject to material restrictions in the realization.

(ii) The Group designates non-trading equity investments as financial investments at fair value through other comprehensive income. The Group did not dispose of any such equity investment, nor transfer any cumulative gain or loss from other comprehensive income to retained earnings during the reporting period.

Notes to the unaudited interim financial report

(Expressed in thousands of Renminbi, unless otherwise stated)

19 Financial investments (Continued)

(b) Financial investments at fair value through other comprehensive income (Continued)

(iii) Movements of provision for impairment of financial investments at fair value through other comprehensive income are as follows:

	Six months ended June 30, 2021			Total
	Expected credit losses over the next 12 months	Lifetime expected credit losses: not credit-impaired	Lifetime expected credit losses: credit-impaired	
Balance at January 1	37,831	13,678	127,501	179,010
(Release)/charge for the period	(27,475)	481	17,900	(9,094)
Balance at June 30	10,356	14,159	145,401	169,916

	Year ended December 31, 2020			Total
	Expected credit losses over the next 12 months	Lifetime expected credit losses: not credit-impaired	Lifetime expected credit losses: credit-impaired	
Balance at January 1	10,900	–	110,776	121,676
Charge for the year	26,931	13,678	16,725	57,334
Balance at December 31	37,831	13,678	127,501	179,010

Notes to the unaudited interim financial report

(Expressed in thousands of Renminbi, unless otherwise stated)

19 Financial investments (Continued)

(c) Financial investments at amortised cost

	Note	June 30, 2021	December 31, 2020
Debt securities	(i)		
– Government		42,815,713	41,957,350
– Policy banks		28,511,160	28,655,674
– Banks and other financial institutions		120,000	3,101,098
– Corporate		8,099,091	10,957,245
Sub-total		79,545,964	84,671,367
Listed		28,728,750	28,363,574
Unlisted		50,817,214	56,307,793
Sub-total		79,545,964	84,671,367
Investment management products managed by trust plans		40,180,396	50,062,840
Investment fund managed by private fund manager		8,765,853	8,153,843
Investment management products managed by securities companies		2,529,000	2,238,000
Debt investment plans		29,077,610	26,530,041
Investment fund managed by financial institutions		710,611	717,739
Sub-total		81,263,470	87,702,463
Accrued interest		2,144,164	2,188,032
Less: Provision for impairment losses	(ii)	(5,414,933)	(3,946,267)
Total		157,538,665	170,615,595

- (i) As at the end of the reporting period, certain debt securities were pledged for repurchase agreements (Note 26(a)). No other investment was subject to material restrictions in the realization.

Notes to the unaudited interim financial report

(Expressed in thousands of Renminbi, unless otherwise stated)

19 Financial investments (Continued)

(c) Financial investments at amortised cost (Continued)

(ii) Movements of provision for impairment of financial investments at amortised cost are as follows:

	Six months ended June 30, 2021			Total
	Expected credit losses over the next 12 months	Lifetime expected credit losses: not credit-impaired	Lifetime expected credit losses: credit-impaired	
Balance at January 1	132,621	212,770	3,600,876	3,946,267
Transfers:				
– to lifetime expected credit losses: not credit-impaired	(1,769)	1,769	–	–
– to lifetime expected credit losses: credit-impaired	(1,933)	(107,287)	109,220	–
(Release)/charge for the period	(21,706)	71,799	1,418,573	1,468,666
Balance at June 30	107,213	179,051	5,128,669	5,414,933

	Year ended December 31, 2020			Total
	Expected credit losses over the next 12 months	Lifetime expected credit losses: not credit-impaired	Lifetime expected credit losses: credit-impaired	
Balance at January 1	139,946	27,019	1,793,994	1,960,959
Transfers:				
– to expected credit losses over the next 12 months	(2,192)	2,192	–	–
– to lifetime expected credit losses: credit-impaired	(8,339)	(27,019)	35,358	–
Charge for the year	3,206	210,578	1,564,052	1,777,836
Recoveries	–	–	258,997	258,997
Write-offs	–	–	(51,525)	(51,525)
Balance at December 31	132,621	212,770	3,600,876	3,946,267

Notes to the unaudited interim financial report

(Expressed in thousands of Renminbi, unless otherwise stated)

20 Lease receivables

	Note	June 30, 2021	December 31, 2020
Minimum finance lease receivables	(i)	183,536	236,510
Less: unearned finance lease income	(i)	(12,165)	(19,654)
Present value of finance lease receivables	(i)	171,371	216,856
Receivables from sale-and-leaseback transactions		36,773,299	31,972,815
Sub-total	(ii)	36,944,670	32,189,671
Less: provision for impairment losses	(iii)	(1,646,813)	(1,384,141)
Total		35,297,857	30,805,530

- (i) Finance lease receivables, unearned finance lease income and minimum finance lease receivables analysed by remaining period are listed as follows:

	June 30, 2021		
	Minimum finance lease receivables	Unearned finance income	Present value of finance lease receivables
Less than 1 year	40,207	(3,511)	36,696
1 year to 2 year	16,926	(1,478)	15,448
2 year to 3 year	126,403	(7,176)	119,227
Total	183,536	(12,165)	171,371

	December 31, 2020		
	Minimum finance lease receivables	Unearned finance income	Present value of finance lease receivables
Less than 1 year	8,890	(876)	8,014
1 year to 2 year	90,141	(8,888)	81,253
2 year to 3 year	137,479	(9,890)	127,589
Total	236,510	(19,654)	216,856

- (ii) Receivables from sale-and-leaseback transactions which do not satisfy sales under IFRS 15 for the seller-lessees, were recognised as receivables from sale-and-leaseback transactions.

Notes to the unaudited interim financial report

(Expressed in thousands of Renminbi, unless otherwise stated)

20 Lease receivables (Continued)

(iii) Movements of provision for impairment losses:

	Six months ended June 30, 2021			Total
	Expected credit losses over the next 12 months	Lifetime expected credit losses: not credit-impaired	Lifetime expected credit losses: credit-impaired	
Balance at January 1	973,417	213,666	197,058	1,384,141
Transfers:				
– to expected credit losses over the next 12 months	155,995	(102,106)	(53,889)	–
– to lifetime expected credit losses: not credit-impaired	(31,760)	31,760	–	–
– to lifetime expected credit losses: credit-impaired	(3,406)	–	3,406	–
(Release)/charge for the period	(258,293)	364,418	156,547	262,672
Balance at June 30	835,953	507,738	303,122	1,646,813
	Year ended December 31, 2020			
	Expected credit losses over the next 12 months	Lifetime expected credit losses: not credit-impaired	Lifetime expected credit losses: credit-impaired	Total
Balance at January 1	521,976	166,745	117,768	806,489
Transfers:				
– to expected credit losses over the next 12 months	201,426	(153,866)	(47,560)	–
– to lifetime expected credit losses: not credit-impaired	(28,078)	28,078	–	–
– to lifetime expected credit losses: credit-impaired	(5,460)	(9,263)	14,723	–
Charge for the year	283,553	181,972	152,335	617,860
Write-offs	–	–	(40,208)	(40,208)
Balance at December 31	973,417	213,666	197,058	1,384,141

Notes to the unaudited interim financial report

(Expressed in thousands of Renminbi, unless otherwise stated)

21 Investments in subsidiaries and interest in joint venture

(a) Investment in subsidiaries

The Group's subsidiaries as at the end of the reporting period are as follows:

	Note	June 30, 2021	December 31, 2020
Xiping Zhongyuan County Bank Co., Ltd. ("西平中原村鎮銀行股份有限公司")	(i)	176,686	176,686
Xinyang Pingqiao Zhongyuan County Bank Co., Ltd. ("信陽平橋中原村鎮銀行股份有限公司")	(ii)	38,341	38,341
Qixian Zhongyuan County Bank Co., Ltd. ("淇縣中原村鎮銀行股份有限公司")	(iii)	41,531	41,531
Xinxiang Zhongyuan County Bank Co., Ltd. ("新鄉中原村鎮銀行股份有限公司")	(iv)	150,306	150,306
Linzhou Zhongyuan County Bank Co., Ltd. ("林州中原村鎮銀行股份有限公司")	(v)	29,771	29,771
Puyang Zhongyuan County Bank Co., Ltd. ("濮陽中原村鎮銀行股份有限公司")	(vi)	30,736	30,736
Lushi Zhongyuan County Bank Co., Ltd. ("盧氏中原村鎮銀行股份有限公司")	(vii)	32,497	32,497
Xiangcheng Huipu County Bank Co., Ltd. ("襄城匯浦村鎮銀行股份有限公司")	(viii)	38,044	38,044
Suiping Zhongyuan County Bank Co., Ltd. ("遂平中原村鎮銀行股份有限公司")	(ix)	35,084	35,084
AB Leasing Co., Ltd. ("邦銀金融租賃股份有限公司")	(x)	4,525,199	4,525,199
Total		5,098,195	5,098,195

Notes:

- (i) Xiping Zhongyuan County Bank Co., Ltd. ("Xiping Zhongyuan", formerly known as Xiping Fortune County Bank Co., Ltd.) was incorporated on December 17, 2009 at Zhumadian, Henan Province, with registered capital of RMB208.52 million. The principal activities of Xiping Zhongyuan are the provision of corporate and retail banking services. The Bank holds 43.69% of equity interest of Xiping Zhongyuan as at June 30, 2021 (2020: 43.69%). According to the acting in concert arrangement between the Bank and certain other shareholders with 23.95% equity interest of Xiping, Xiping Zhongyuan was deemed to be controlled by the Bank and was a subsidiary of the Bank since 2014.
- (ii) Xinyang Pingqiao Zhongyuan County Bank Co., Ltd. ("Xinyang Pingqiao", formerly known as Xinyang Pingqiao Hengfeng County Bank Co., Ltd.) was incorporated on December 13, 2010 at Xinyang, Henan Province, with registered capital of RMB83.52 million. The principal activities of Xinyang Pingqiao are the provision of corporate and retail banking services. The Bank holds 51.72% of equity interest and voting rights of Xinyang Pingqiao as at June 30, 2021 (2020: 51.72%).
- (iii) Qixian Zhongyuan County Bank Co., Ltd. ("Qixian Zhongyuan", formerly known as Qixian Heyin County Bank Co., Ltd.) was incorporated on December 23, 2010 at Hebi, Henan Province, with registered capital of RMB50.00 million. The principal activities of Qixian Zhongyuan are the provision of corporate and retail banking services. The Bank holds 51% of equity interest and voting rights of Qixian Zhongyuan as at June 30, 2021 (2020: 51%).

Notes to the unaudited interim financial report

(Expressed in thousands of Renminbi, unless otherwise stated)

21 Investments in subsidiaries and interest in joint venture (Continued)

(a) Investment in subsidiaries (Continued)

Notes: (Continued)

- (iv) Xinxiang Zhongyuan County Bank Co., Ltd. (“Xinxiang Zhongyuan”, formerly known as Henan Xinxiang Xinxing County Bank Co., Ltd.) was incorporated on March 23, 2010 at Xinxiang, Henan Province, with registered capital of RMB130.00 million. The principal activities of Xinxiang Zhongyuan are the provision of corporate and retail banking services. After purchased a portion of minority shareholders’ right and interest amounting to RMB91.50 million in November 26, 2018, the Bank holds 78.46% of equity interest and voting rights of Xinxiang Zhongyuan as at June 30, 2021 (2020: 78.46%).
- (v) Linzhou Zhongyuan County Bank Co., Ltd. (“Linzhou Zhongyuan”, formerly known as Linzhou Defeng County Bank Co., Ltd.) was incorporated on September 30, 2011 at Linzhou, Henan Province, with registered capital of RMB75.00 million. The principal activities of Linzhou Zhongyuan are the provision of corporate and retail banking services. The Bank holds 51% of equity interest and voting rights of Linzhou Zhongyuan as at June 30, 2021 (2020: 51%).
- (vi) Puyang Zhongyuan County Bank Co., Ltd. (“Puyang Zhongyuan”, formerly known as Puyang Heyin County Bank Co., Ltd.) was incorporated on March 16, 2012 at Puyang, Henan Province, with registered capital of RMB58.75 million. The principal activities of Puyang Zhongyuan are the provision of corporate and retail banking services. The Bank holds 51% of equity interest and voting rights of Puyang Zhongyuan as at June 30, 2021 (2020: 51%).
- (vii) Lushi Zhongyuan County Bank Co., Ltd. (“Lushi Zhongyuan”, formerly known as Lushi Defeng County Bank Co., Ltd.) was incorporated on May 15, 2012 at Sanmenxia, Henan Province, with registered capital of RMB60.00 million. The principal activities of Lushi Zhongyuan are the provision of corporate and retail banking services. The Bank holds 51% of equity interest and voting rights of Lushi Zhongyuan as at June 30, 2021 (2020: 51%).
- (viii) Xiangcheng Huipu County Bank Co., Ltd. (“Xiangcheng Huipu”) was incorporated on October 27, 2011 at Xuchang, Henan Province, with registered capital of RMB61.00 million. The principal activities of Xiangcheng Huipu are the provision of corporate and retail banking services. The Bank holds 51% of equity interest of Xiangcheng Huipu as at June 30, 2021 (2020: 51%).
- (ix) Suiping Zhongyuan County Bank Co., Ltd. (“Suiping Zhongyuan”, formerly known as Suiping Hengsheng County Bank Co., Ltd.) was incorporated on March 12, 2012 at Zhumadian, Henan Province, with registered capital of RMB56.15 million. The principal activities of Suiping Zhongyuan are the provision of corporate and retail banking services. The Bank holds 51.02% of equity interest of Suiping Zhongyuan as at June 30, 2021 (2020: 51.02%).
- (x) AB Leasing Co., Ltd. (“AB Leasing”) was incorporated on August 16, 2013 at Tianjin City, with registered capital of RMB3,000.00 million. The Bank acquired equity interest in AB Leasing on February 19, 2019. The above acquisition was completed on October 12, 2019 (the “acquisition date”) with the approval of the CBIRC, and the Bank holds 90% of equity interest and voting rights of AB Leasing as at June 30, 2021 (2020: 90%).



Notes to the unaudited interim financial report

(Expressed in thousands of Renminbi, unless otherwise stated)

21 Investments in subsidiaries and interest in joint venture (Continued)

(b) Interest in joint venture

	Note	June 30, 2021	December 31, 2020
Interest in joint venture	(i)	1,185,443	1,083,967

Note:

- (i) Henan Zhongyuan Consumer Finance Co., Ltd. ("Consumer Finance") is a joint venture in which the Bank has joint control and a 49.25% ownership interest. Consumer Finance is not publicly listed.

Name	Percentages of equity/voting rights%		Place of incorporation/ registration	Business sector
	June 30, 2021	December 31, 2020		
Consumer Finance	49.25%	49.25%	Zhengzhou, China	Consumer credit

The following table illustrates the aggregate information of the Bank's joint venture:

	June 30, 2021	December 31, 2020
Aggregate carrying amount of the joint venture in the consolidated statements of financial position of the Bank	1,185,443	1,083,967
Aggregate amounts of the Bank's share of results of the joint venture		
– Gains/(losses) from continuing operations	101,476	(11,600)
– Other comprehensive income	–	–
– Total comprehensive income	101,476	(11,600)

Notes to the unaudited interim financial report

(Expressed in thousands of Renminbi, unless otherwise stated)

22 Property and equipment

	Premises	Investment properties	Electronic equipments	Motor vehicles	Office equipment & others	Construction in progress	Total
Cost							
As at January 1, 2020	4,976,185	10,095	1,274,376	19,776	470,877	1,021,774	7,773,083
Additions	264,212	-	86,793	7,871	53,066	236,502	648,444
Disposals	(67,231)	-	(44,795)	(1,095)	(6,824)	-	(119,945)
Transfers out of construction in progress	-	-	-	-	-	(238,992)	(238,992)
As at December 31, 2020	5,173,166	10,095	1,316,374	26,552	517,119	1,019,284	8,062,590
Additions	23,248	-	23,307	1,747	10,323	29,732	88,357
Disposals	(15,367)	-	(20,650)	(3,068)	(11,782)	-	(50,867)
Transfers out of construction in progress	-	-	-	-	-	(15,160)	(15,160)
As at June 30, 2021	5,181,047	10,095	1,319,031	25,231	515,660	1,033,856	8,084,920
Accumulated depreciation							
As at January 1, 2020	(2,089,493)	(6,541)	(1,031,071)	(18,291)	(299,254)	-	(3,444,650)
Additions	(272,102)	(755)	(130,001)	(1,067)	(49,633)	-	(453,558)
Disposals	64,595	-	43,240	471	5,779	-	114,085
As at December 31, 2020	(2,297,000)	(7,296)	(1,117,832)	(18,887)	(343,108)	-	(3,784,123)
Additions	(154,967)	(377)	(53,191)	(1,385)	(23,483)	-	(233,403)
Disposals	11,953	-	20,131	3,003	11,401	-	46,488
As at June 30, 2021	(2,440,014)	(7,673)	(1,150,892)	(17,269)	(355,190)	-	(3,971,038)
Impairment							
As at January 1, 2020	(6,670)	-	(2,390)	(229)	(1,860)	-	(11,149)
Disposals	44	-	499	-	17	-	560
As at December 31, 2020	(6,626)	-	(1,891)	(229)	(1,843)	-	(10,589)
Disposals	-	-	249	-	1	-	250
As at June 30, 2021	(6,626)	-	(1,642)	(229)	(1,842)	-	(10,339)
Net book value							
As at December 31, 2020	2,869,540	2,799	196,651	7,436	172,168	1,019,284	4,267,878
As at June 30, 2021	2,734,407	2,422	166,497	7,733	158,628	1,033,856	4,103,543

The carrying amount of the premises with incomplete title deeds as June 30, 2021 was RMB789.83 million (December 31, 2020: RMB871.87 million). The Group is still in the progress of application for the outstanding title deeds for the above premises. The directors of the Group are of the opinion that there would be no significant cost in obtaining the title deeds.

Notes to the unaudited interim financial report

(Expressed in thousands of Renminbi, unless otherwise stated)

22 Property and equipment (Continued)

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

	June 30, 2021	December 31, 2020
Held in mainland China		
– Long-term leases (over 50 years)	635,388	782,142
– Medium-term leases (10 – 50 years)	1,718,760	1,591,400
– Short-term leases (less than 10 years)	380,259	495,998
Total	2,734,407	2,869,540

The net book value of investment properties as at the end of the reporting period are analyzed by the remaining terms of the leases as follows:

	June 30, 2021	December 31, 2020
Held in mainland China		
– Medium-term leases (10 – 50 years)	2,422	2,799

23 Deferred tax assets

(a) Analyzed by nature

	June 30, 2021		December 31, 2020	
	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)
Deferred income tax assets/(liabilities):				
Allowance for impairment losses	20,164,784	5,041,196	17,824,704	4,456,176
Accrued staff cost payable	1,195,372	298,843	1,326,132	331,533
Supplemental retirement benefits	71,008	17,752	77,064	19,266
Fair value changes of financial assets	674,084	168,521	299,008	74,752
Deferred income	875,560	218,890	712,672	178,168
Assets appraisal and related depreciation	(1,360,644)	(340,161)	(1,420,040)	(355,010)
Others	360,508	90,127	510,600	127,650
Net balances	21,980,672	5,495,168	19,330,140	4,832,535

Notes to the unaudited interim financial report

(Expressed in thousands of Renminbi, unless otherwise stated)

23 Deferred tax assets (Continued)

(b) Movements of deferred tax assets

	Allowance for impairment losses	Staff cost payable	Supplemental retirement benefits	Change in fair value	Deferred income	Assets appraisal and related depreciation	Others	Net balance of deferred tax assets
January 1, 2020	3,428,969	362,917	22,094	5,328	137,251	(392,401)	86,603	3,650,761
Recognized in profit or loss	1,027,207	(31,384)	(2,828)	(58,569)	40,917	37,391	41,047	1,053,781
Recognized in other comprehensive income	-	-	-	127,993	-	-	-	127,993
December 31, 2020 and January 1, 2021	4,456,176	331,533	19,266	74,752	178,168	(355,010)	127,650	4,832,535
Recognized in profit or loss	585,020	(32,690)	(1,514)	26,855	40,722	14,849	(37,523)	595,719
Recognized in other comprehensive income	-	-	-	66,914	-	-	-	66,914
June 30, 2021	5,041,196	298,843	17,752	168,521	218,890	(340,161)	90,127	5,495,168

24 Goodwill

Goodwill

Cost:

At January 1, 2020, December 31, 2020 and June 30, 2021 970,780

Accumulated impairment losses:

At January 1, 2020, December 31, 2020 and June 30, 2021 -

Carrying amount:

At December 31, 2020 and June 30, 2021 970,780

Notes to the unaudited interim financial report

(Expressed in thousands of Renminbi, unless otherwise stated)

24 Goodwill (Continued)

Impairment testing on goodwill

For the purpose of impairment testing, goodwill has been allocated to three individual cash generating units (CGUs), including corporate banking, retail banking and financial markets business. The carrying amounts of goodwill at the end of the reporting period allocated to these units are as follows:

	June 30, 2021	December 31, 2020
Corporate banking	811,602	811,602
Retail banking	97,029	97,029
Financial markets business	62,149	62,149
Total	970,780	970,780

The recoverable amounts of corporate banking unit, retail banking unit and financial markets business unit have been determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period, and the discount rate at June 30, 2021. Cash flows beyond five-year period are extrapolated using an estimated weighted average growth rate. The cash flows are discounted using a discount rate which is used are pre-tax and reflect specific risks relating to the CGUs. At the end of the reporting period, the directors of the Bank determine that there is no impairment of any of its CGUs containing goodwill.

Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amount of each of these CGUs to exceed its recoverable amount.

Notes to the unaudited interim financial report

(Expressed in thousands of Renminbi, unless otherwise stated)

25 Other assets

	Note	June 30, 2021	December 31, 2020
Intangible assets	(b)	1,530,312	1,585,362
Repossessed assets	(e)	1,488,751	1,516,134
Interests receivable	(a)	956,006	821,400
Continuing involvement assets	(d)	830,928	830,928
Receivables from disposal of loans	(f)	810,176	884,243
Right-of-use assets	(c)	731,825	812,944
Advances for fiscal payments		617,668	–
Leasehold improvements		386,163	442,353
Payment and collection clearance accounts		–	190,765
Other receivables		1,236,164	1,422,488
Total		8,587,993	8,506,617

(a) Interests receivable

	June 30, 2021	December 31, 2020
Interests receivable arising from:		
Investments	581,631	369,007
Loans and advances to customers	558,802	561,981
Total	1,140,433	930,988
Less: Provision for impairment losses	(184,427)	(109,588)
Net carrying amount	956,006	821,400

Interest receivable only includes interest that has been due for the relevant financial instruments but not yet received at the balance sheet date. Interest on financial instruments based on the effective interest method has been reflected in the balance of corresponding financial instruments.

Notes to the unaudited interim financial report

(Expressed in thousands of Renminbi, unless otherwise stated)

25 Other assets (Continued)

(b) Intangible assets

	Land use rights	Computer software	Leasing license	Total
Cost				
As at January 1, 2020	1,189,787	876,923	173,305	2,240,015
Additions	–	390,531	–	390,531
Disposals	(12,165)	(78,206)	–	(90,371)
As at December 31, 2020 and January 1, 2021	1,177,622	1,189,248	173,305	2,540,175
Additions	–	28,483	–	28,483
Disposals	–	(11,636)	–	(11,636)
As at June 30, 2021	1,177,622	1,206,095	173,305	2,557,022
Accumulated amortization				
As at January 1, 2020	(195,579)	(574,851)	–	(770,430)
Additions	(34,797)	(149,268)	–	(184,065)
Disposals	4,783	3,442	–	8,225
As at December 31, 2020 and January 1, 2021	(225,593)	(720,677)	–	(946,270)
Additions	(17,293)	(66,240)	–	(83,533)
Disposals	–	11,636	–	11,636
As at June 30, 2021	(242,886)	(775,281)	–	(1,018,167)
Impairment				
As at January 1, 2020	(9,097)	(1,310)	–	(10,407)
Disposals	1,864	–	–	1,864
As at December 31, 2020 and January 1, 2021	(7,233)	(1,310)	–	(8,543)
As at June 30, 2021	(7,233)	(1,310)	–	(8,543)
Net book value				
As at December 31, 2020	944,796	467,261	173,305	1,585,362
As at June 30, 2021	927,503	429,504	173,305	1,530,312

Notes to the unaudited interim financial report

(Expressed in thousands of Renminbi, unless otherwise stated)

25 Other assets (Continued)

(c) Right-of-use assets

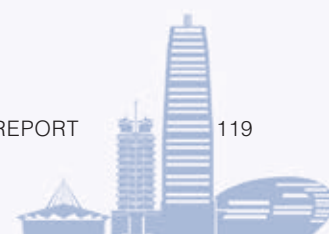
	Leased properties and buildings	Leased other equipments	Total
Cost			
As at January 1, 2020	1,227,936	20,955	1,248,891
Additions	126,856	3,060	129,916
As at December 31, 2020	1,354,792	24,015	1,378,807
Additions	59,368	1,210	60,578
As at June 30, 2021	1,414,160	25,225	1,439,385
Accumulated depreciation			
As at January 1, 2020	(274,495)	(5,762)	(280,257)
Additions	(277,823)	(7,783)	(285,606)
As at December 31, 2020	(552,318)	(13,545)	(565,863)
Additions	(138,826)	(2,871)	(141,697)
As at June 30, 2021	(691,144)	(16,416)	(707,560)
Net book value			
As at December 31, 2020	802,474	10,470	812,944
As at June 30, 2021	723,016	8,809	731,825

(d) Continuing involvement assets

In 2020, the Bank entered into securitization transactions by which it transferred its loans to the structured entities which issued asset-backed securities to investors at China Credit Assets Registration & Exchange Co., Ltd. The total loans amounted to RMB4,870.93 million. The total consideration amounted to RMB4,870.93 million and the Bank held the RMB830.93 million subordinated tranche.

The Bank retains part of interests in the form of subordinated tranche which gives rise to the Bank's continuing involvement in the transferred assets. The financial asset is recognized on the statements of financial position to the extent of the Bank's continuing involvement. The extent of the Bank's continuing involvement is the extent to which the Bank is exposed to the changes in the value of the transferred assets.

As at June 30, 2021, arising from this continuing involvement, the Bank recognized continuing involvement assets and liabilities of RMB830.93 million respectively (December 31, 2020: RMB830.93 million).



Notes to the unaudited interim financial report

(Expressed in thousands of Renminbi, unless otherwise stated)

25 Other assets (Continued)

(e) Repossessed assets

	June 30, 2021	December 31, 2020
Repossessed assets	1,670,765	1,708,130
Less: Provision for impairment losses	(182,014)	(191,996)
Net carrying amount	1,488,751	1,516,134

(f) Receivables from disposal of loans

	June 30, 2021	December 31, 2020
Receivables from disposal of loans	1,201,740	1,201,740
Less: Provision for impairment losses	(391,564)	(317,497)
Net carrying amount	810,176	884,243

In 2016, the Group disposed certain loans having credit enhancement support from the Henan Government as part of the Reorganization with gross amount of RMB8,623.80 million to asset management companies and institutional investors at a consideration of RMB8,270.01 million. As at June 30, 2021, the Group has received cash of RMB7,068.27 million, and the remaining consideration was recorded as other assets after discounting based on the repayment schedule.

Notes to the unaudited interim financial report

(Expressed in thousands of Renminbi, unless otherwise stated)

26 Pledged assets

(a) Assets pledged as collateral

	Note	June 30, 2021	December 31, 2020
For repurchase agreements			
– Discounted bills	18(a)	6,485,750	4,005,490
– Financial investments at fair value through other comprehensive income	19(b)	3,784,429	13,064,692
– Financial investments at amortised cost	19(c)	2,864,552	27,211,332
– Financial investments at fair value through profit or loss	19(a)	300,000	1,850,218
Total		13,434,731	46,131,732

Financial assets pledged by the Group as collaterals for liabilities which are for repurchase agreements.

(b) Received pledged assets

The Group conducts resale agreements under the usual and customary terms of placements, and holds collaterals for these transactions. As at June 30, 2021, fair value of the received pledged assets is RMB4,216.33 million (December 31, 2020: RMB17,549.05 million).

27 Deposits from banks and other financial institutions

Analyzed by type and location of counterparty

	June 30, 2021	December 31, 2020
In mainland China		
– Banks	3,391,550	5,575,419
– Other financial institutions	56,974,246	53,510,393
Sub-total	60,365,796	59,085,812
Accrued interest	269,883	302,896
Total	60,635,679	59,388,708

Notes to the unaudited interim financial report

(Expressed in thousands of Renminbi, unless otherwise stated)

28 Placements from banks and other financial institutions

	June 30, 2021	December 31, 2020
In mainland China		
– Banks	27,685,789	27,591,011
– Other financial institutions	2,420,000	1,532,000
Sub-total	30,105,789	29,123,011
Outside mainland China		
– Banks	1,769,282	1,864,605
Sub-total	31,875,071	30,987,616
Accrued interest	247,848	226,732
Total	32,122,919	31,214,348

29 Financial assets sold under repurchase agreements

(a) Analyzed by type and location of counterparty

	June 30, 2021	December 31, 2020
In mainland China		
– Banks	12,119,200	19,344,987
– PBOC	1,010,000	24,870,000
– Other financial institutions	300,000	1,909,892
Sub-total	13,429,200	46,124,879
Accrued interest	1,032	16,187
Total	13,430,232	46,141,066

Notes to the unaudited interim financial report

(Expressed in thousands of Renminbi, unless otherwise stated)

29 Financial assets sold under repurchase agreements (Continued)

(b) Analyzed by collateral

	June 30, 2021	December 31, 2020
Debt securities	6,948,981	42,126,242
Discounted bills	6,480,219	3,998,637
Sub-total	13,429,200	46,124,879
Accrued interest	1,032	16,187
Total	13,430,232	46,141,066

30 Deposits from customers

	June 30, 2021	December 31, 2020
Demand deposits		
– Corporate customers	136,434,608	136,308,777
– Individual customers	71,140,342	61,324,243
Sub-total	207,574,950	197,633,020
Time deposits		
– Corporate customers	53,501,348	52,577,269
– Individual customers	147,764,042	139,167,903
Sub-total	201,265,390	191,745,172
Pledged deposits	39,578,813	35,522,993
Inward and outward remittances	81,079	80,706
Sub-total	448,500,232	424,981,891
Accrued interest	6,496,427	6,359,552
Total	454,996,659	431,341,443

Notes to the unaudited interim financial report

(Expressed in thousands of Renminbi, unless otherwise stated)

31 Debt securities issued

	Note	June 30, 2021	December 31, 2020
Interbank deposits issued	(a)	65,478,092	62,824,618
Financial bonds	(b)	3,997,643	2,999,894
Tier-two capital bonds	(c)	9,997,628	9,999,538
Sub-total		79,473,363	75,824,050
Accrued interest		420,101	230,570
Total		79,893,464	76,054,620

Notes:

- (a) For the six months end June 30, 2021, the Bank issued a number of certificates of interbank deposits with total nominal amount of RMB76,810.00 million and duration between 1-12 months. The coupon rates ranged from 2.35% to 3.45% per annum.

In 2020, the Bank issued a number of certificates of interbank deposits with total nominal amount of RMB133,620.00 million and duration between 1-12 months. The coupon rates ranged from 1.2% to 2.92% per annum.

As at June 30, 2021, the fair value of interbank deposits issued was RMB65,903.00 million (December 31, 2020: RMB62,793.00 million).

- (b) Fixed rate financial bonds of RMB2 billion with a term of three years was issued by the Bank in March 2021. The coupon rate is 3.60% per annum.

Fixed rate micro-business financial bonds of RMB2 billion with a term of three years was issued by the Bank in June 2021. The coupon rate is 3.48% per annum.

Fixed rate financial bonds of RMB1.5 billion with a term of three years was issued by the Bank in May 2018 and has been repaid in May 2021. The coupon rate is 4.79% per annum.

Fixed rate green financial bonds of RMB1.5 billion with a term of three years was issued by the Bank in April 2018 and has been repaid in April 2021. The coupon rate is 4.70% per annum.

As at June 30, 2021, the fair value of financial bonds issued was RMB4,018.23 million (December 31, 2020: RMB3,017.84 million).

- (c) Fixed rate tier-two capital bonds of RMB10 billion with a term of 10 years was issued by the Bank in September 2018. The coupon rate is 5.20% per annum.

As at June 30, 2021, the fair value of tier-two capital bonds issued was RMB10,302.51 million (December 31, 2020: RMB10,151.19 million).

Notes to the unaudited interim financial report

(Expressed in thousands of Renminbi, unless otherwise stated)

32 Other liabilities

	Note	June 30, 2021	December 31, 2020
Finance lease deposits		2,920,763	2,652,483
Accrued staff cost	(a)	1,597,983	2,300,601
Continuing involvement in liabilities	25(d)	830,928	830,928
Lease liabilities		781,553	843,723
Other tax payable		569,369	534,022
Payment and collection clearance accounts		538,612	–
Dividend payable		254,594	299,018
Provisions	(b)	112,718	103,705
Other payable		2,085,929	1,552,875
Total		9,692,449	9,117,355

(a) Accrued staff cost

	Note	June 30, 2021	December 31, 2020
Salary, bonuses and allowances payable		1,379,918	2,079,263
Labor union fee, staff and workers' education fee		111,049	106,858
Supplementary retirement benefits payable	(1)	74,106	79,759
Social insurance payable		31,372	33,001
Housing allowances payable		1,538	1,720
Total		1,597,983	2,300,601

(1) Supplementary retirement benefits

The supplementary retirement benefits of the Bank include early retirement plan and supplementary retirement plan. The early retirement benefits is provided to employees who voluntarily agreed to retire before the retirement age during the period from the date of early retirement to the statutory retirement date. The supplementary retirement plan is provided to the Bank's eligible employees.

(i) The balances of supplementary retirement benefits of the Group are as follows:

	June 30, 2021	December 31, 2020
Present value of early retirement plan	65,367	71,470
Supplementary retirement plan	8,739	8,289
Total	74,106	79,759

Notes to the unaudited interim financial report

(Expressed in thousands of Renminbi, unless otherwise stated)

32 Other liabilities (Continued)

(a) Accrued staff cost (Continued)

(1) Supplementary retirement benefits (Continued)

(ii) The movements of supplementary retirement benefits of the Group are as follows:

	June 30, 2021	December 31, 2020
As at January 1	79,759	91,748
Benefits paid during the period/year	(7,980)	(15,520)
Defined benefit cost recognized in profit or loss	1,924	3,990
Defined benefit cost recognized in other comprehensive income	403	(459)
As at June 30/December 31	74,106	79,759

(iii) Principal actuarial assumptions of the Group are as follows:

Early retirement plan	June 30, 2021	December 31, 2020
Discount rate	2.75%	3.00%
Annual increase rate of internal salary	4.50%	4.50%

Supplementary retirement plan	June 30, 2021	December 31, 2020
Discount rate	3.75%	4.00%

Notes to the unaudited interim financial report

(Expressed in thousands of Renminbi, unless otherwise stated)

32 Other liabilities (Continued)

(b) Provisions

	Note	June 30, 2021	December 31, 2020
Litigations and disputes provision		11,993	11,993
Credit commitments provision	(i)	100,725	91,712
Total		112,718	103,705

(i) movements of credit commitments provision are as follows:

	Six months ended June 30, 2021			
	Expected credit losses over the next 12 months	Lifetime expected credit losses not credit-impaired	Lifetime expected credit losses credit-impaired	Total
Balance at January 1	88,091	463	3,158	91,712
Transfers:				
– to expected credit losses over the next 12 months	65	(55)	(10)	–
– to lifetime expected credit losses not credit-impaired	(7)	8	(1)	–
– to lifetime expected credit losses credit-impaired	(22)	(213)	235	–
(Release)/charge for the period	(44,138)	52,428	723	9,013
Balance at June 30	43,989	52,631	4,105	100,725

	Year ended December 31, 2020			
	Expected credit losses over the next 12 months	Lifetime expected credit losses not credit-impaired	Lifetime expected credit losses credit-impaired	Total
Balance at January 1	65,560	566	1,092	67,218
Transfers:				
– to expected credit losses over the next 12 months	49	(43)	(6)	–
– to lifetime expected credit losses not credit-impaired	(5)	6	(1)	–
– to lifetime expected credit losses credit-impaired	(15)	(170)	185	–
Charge for the year	22,502	104	1,888	24,494
Balance at December 31	88,091	463	3,158	91,712

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(Expressed in thousands of Renminbi, unless otherwise stated)

33 Share capital

Authorised and issued share capital

	Note	June 30, 2021	December 31, 2020
Ordinary shares in Mainland China		16,280,000	16,280,000
Ordinary shares listed in Hong Kong (H-share)	(a)	3,795,000	3,795,000
Total		20,075,000	20,075,000

Note:

- (a) On July 19, 2017, the Bank issued 3,000.00 million H-shares with a par value of RMB1 at an offering price of HKD2.45 per share (the "H-share offering"). On August 15, 2017, the Bank exercised the over-allotment option and issued 450.00 million H-shares with a nominal value of RMB1.00 at HKD2.45 per share. The capital contribution was verified by KPMG Huazhen LLP.

Immediately following the H-share offering, 345 million ordinary shares in Mainland China shares held by the National Council and Social Security Fund were converted to H-shares pursuant to the relevant PRC regulations relating to the reduction of state-owned shares.

All the above H-shares have been listed on the Stock Exchange of Hong Kong Limited. The H-shares rank pari passu in all respects with the existing ordinary shares in Mainland China including the right to receive all dividends and distributions declared or made.

34 Reserves

(a) Capital reserve

	Note	June 30, 2021	December 31, 2020
Share premium		14,477,471	14,477,471
Changes in ownership in subsidiaries without changes in control		(159,508)	(159,508)
Total		14,317,963	14,317,963

Notes to the unaudited interim financial report

(Expressed in thousands of Renminbi, unless otherwise stated)

34 Reserves (Continued)

(b) Surplus reserve

The surplus reserve at the end of reporting period represented statutory surplus reserve fund and discretionary surplus reserve fund. Pursuant to the Company Law of the PRC and the Article of Association of the Bank, the Bank is required to appropriate 10% of its net profit as on an annual basis determined under the PRC GAAP after making good prior year's accumulated loss, to statutory surplus reserve fund until the reserve fund balance reaches 50% of its registered capital.

The Bank may also appropriate discretionary surplus reserve fund in accordance with the resolution of the shareholders.

(c) General reserve

Pursuant to the "Measures on Impairment Allowances for Financial Enterprises (Cai Jin [2012] No. 20)" issued by the Ministry of Finance, the Bank is required to set aside a general reserve through profit appropriation which should not be lower than 1.5% of the ending balance of its gross risk-bearing assets on an annual basis.

(d) Other reserves

	Note	June 30, 2021	December 31, 2020
Investment revaluation reserve	(i)	(349,343)	(145,619)
Impairment reserve	(ii)	659,503	545,621
Deficit on remeasurement of net defined benefit liability	(iii)	(3,099)	(2,696)
Total		307,061	397,306

(i) Investment revaluation reserve

	June 30, 2021	December 31, 2020
As at January 1	(145,619)	218,956
Changes in fair value recognised in other comprehensive income	597,997	(125,496)
Transfer to profit or loss upon disposal	(869,629)	(360,604)
Less: deferred income tax	67,908	121,525
Total	(349,343)	(145,619)

Notes to the unaudited interim financial report

(Expressed in thousands of Renminbi, unless otherwise stated)

34 Reserves (Continued)

(d) Other reserves (Continued)

(ii) Impairment reserve

	June 30, 2021	December 31, 2020
As at January 1	545,621	486,151
Impairment losses recognized in other comprehensive income	113,882	59,470
Total	659,503	545,621

(iii) Deficit on remeasurement of net defined benefit liability

Deficit on remeasurement of net defined benefit liability represents actuarial gains or losses, net of tax, from remeasuring the net defined benefit liability.

	June 30, 2021	December 31, 2020
As at January 1	(2,696)	(3,155)
Changes in fair value recognised in other comprehensive income	(403)	459
Total	(3,099)	(2,696)

35 Retained earnings

As at June 30, 2021, the consolidated retained profits attributable to equity shareholders of the Bank included an appropriation of RMB207.60 million of surplus reserve made by subsidiaries (December 31, 2020: RMB166.95 million).

Notes to the unaudited interim financial report

(Expressed in thousands of Renminbi, unless otherwise stated)

36 Other equity instruments

(a) Preference shares outstanding:

Financial instrument outstanding	Time issued	Classifications	Dividend yield ratio/ Interest rate	Issue price	Quantities	In original currency million	In RMB million	Maturity	Conversion conditions
Offshore preference shares	21/11/2018	Equity	5.60%	USD20/ share	69,750,000	1,395	9,688	None	Mandatory conversion trigger events
Less: issuing cost							(55)		
Book value							9,633		

(b) Main clause

(i) Dividend

Fixed rate for a certain period after issuance. Dividend reset every 5 years thereafter to the sum of the benchmark rate and the fixed spread. The fixed spread will be equal to the spread between the dividend rate at the time of issuance and the benchmark rate. The fixed spread will remain unchanged throughout the term of the preference shares. Dividends will be paid annually.

If the Bank has distributable after-tax profit after making up for previous years' losses and contributing to the statutory reserve and general reserve, the Bank may pay dividends to the offshore preference shareholders in accordance with the articles of association of the Bank, provided that the capital adequacy ratio of the Bank meets regulatory requirements. The offshore preference shareholders shall rank in priority to the ordinary shareholders in terms of dividend distribution.

Any declaration and payment of all of the dividends on the offshore preference shares by the Bank will be determined by the board in accordance with the authorisation given by the general meeting. Any cancellation of all or part of the dividends on the offshore preference shares shall be subject to the consideration and approval by the general meeting. If the Bank cancels all or part of the distribution of dividends on the offshore preference shares, the Bank shall not distribute any dividends to the ordinary shareholders from the next day following the resolution being approved at the general meeting until the resumption of payment of dividends in full.

(ii) Dividend accumulation

The dividends on the offshore preference shares will be non-cumulative (namely, in the event of any cancellation by the Bank of all or part of the dividends on the offshore preference shares, any amount of dividends not paid to the offshore preference shareholders in full in the current period will not be accumulated to the following dividend periods).

(iii) Distribution of residual profits

After receiving the dividends at the prescribed dividend rate, the offshore preference shareholders shall not be entitled to any distribution of residual profits of the Bank together with the ordinary shareholders.

Notes to the unaudited interim financial report

(Expressed in thousands of Renminbi, unless otherwise stated)

36 Other equity instruments (Continued)

(b) Main clause (Continued)

(iv) Mandatory conversion trigger events

Upon the occurrence of an additional tier 1 capital trigger event (namely, the core tier 1 capital adequacy ratio of the Bank falling to 5.125% or below), the Bank shall have the right to convert, without the approval of the offshore preference shareholders, all or part of the offshore preference shares then issued and outstanding into H Shares based on the aggregate value of such offshore preference shares in order to restore the core tier 1 capital adequacy ratio of the Bank to above 5.125%. In case of partial conversion, the offshore preference shares shall be converted ratably and on the same conditions. Upon conversion of the offshore preference shares into H Shares, such H Shares will not be converted back to preference shares under any circumstances.

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

(v) Conditional redemption

From the fifth year following the date of issuance of the offshore preference shares, and subject to obtaining the approval of the former CBRC or its affiliates and the compliance with the relevant requirements, the Bank shall have the right to redeem all or part of the offshore preference shares. The redemption price of the offshore preference shares will be an amount equal to the issue price plus the amount of dividend declared but unpaid for the current period.

37 Involvement with unconsolidated structured entities

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

The Group holds interests in certain structured entities sponsored by third party institutions through investments in the units issued by these structured entities. Such structured entities include investment management products under trust scheme, investment management products managed by securities companies and wealth management products issued by financial institutions. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of third party investors. These vehicles are financed through the issue of units to investors.

Notes to the unaudited interim financial report

(Expressed in thousands of Renminbi, unless otherwise stated)

37 Involvement with unconsolidated structured entities (Continued)

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

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

	June 30, 2021	
	Carrying amount	Maximum exposure
Financial investments at fair value through profit or loss	12,551,587	12,551,587
Financial investments at amortised cost	49,317,401	49,317,401
Total	61,868,988	61,868,988

	December 31, 2020	
	Carrying amount	Maximum exposure
Financial investments at fair value through profit or loss	14,831,012	14,831,012
Financial investments at amortised cost	59,057,626	59,057,626
Total	73,888,638	73,888,638

As at June 30, 2021 and December 31, 2020, the carrying amounts of the unconsolidated structural entities are equal to the maximum exposures.

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

The types of unconsolidated structured entities sponsored by the Group include non-principal guaranteed wealth management products. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors. These structured entities are financed through the issue of units to investors. Interest held by the Group includes investments in units issued by these structured entities and fees charged by providing management services. As at June 30, 2021 and December 31, 2020, the carrying amounts of the investments in the units issued by these structured entities and management fee receivables being recognized are not material in the statement of financial positions.

As at June 30, 2021, the amount of assets held by the unconsolidated non-principal guaranteed wealth management products, which are sponsored by the Group, was RMB74,194.99 million (December 31, 2020: RMB71,416.83 million).

Notes to the unaudited interim financial report

(Expressed in thousands of Renminbi, unless otherwise stated)

37 Involvement with unconsolidated structured entities (Continued)

(c) Unconsolidated structure entities sponsored by the Group during the years which the Group does not consolidate but have an interest in at the end of the reporting period:

For the six months ended June 30, 2021, the aggregated amount of the non-principal guaranteed wealth management products sponsored and issued by the Group after January 1, but matured before June 30 amounted to RMB714.96 million (December 31, 2020: RMB23,716.11 million).

38 Capital management

The Group's capital management includes capital adequacy ratio management, capital financing management and economic capital management, of which the primary focus is on capital adequacy ratio management. The Group calculates the capital adequacy ratio in accordance with guidelines issued by the former CBRC. The capital of the Group is divided into core tier-one capital, other tier-one capital and tier-two capital.

Capital adequacy ratio management is the key in capital management. The capital adequacy ratio reflects the soundness of the Group's operations and risk management capabilities. The main objective in capital adequacy ratio management is to set an optimal capital adequacy ratio that meets the regulatory requirements by benchmarking against the capital adequacy ratio level of leading peer banks with reference to its own business environment and conditions.

The Group considers its strategic development plans, business expansion plans and risk variables when conducting scenario analysis and stress testing and executing other measures to forecast, plan and manage its capital adequacy ratio.

The Group calculates its capital adequacy ratios in accordance with "Regulation Governing Capital of Commercial Banks (Provisional)" and other relevant regulations promulgated by the former CBRC.

The former CBRC requires commercial banks to meet the requirements of capital adequacy ratios by the end of 2018 in accordance with "Regulation Governing Capital of Commercial Banks (Provisional)". For non-systemically important banks, the minimum ratios for core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio are 7.50%, 8.50% and 10.50%, respectively.

The on-balance sheet risk-weighted assets are measured using different risk weights, which are determined according to the credit, market and other risks associated with each asset and counterparty, taking into account any eligible collaterals or guarantees. Similar treatment is adopted for off-balance sheet exposure, with adjustments made to reflect the more contingent nature of any potential losses. Market risk-weighted assets are calculated using the standardised approach. Operational risk-weighted assets are calculated using basic indicator approach.

The capital adequacy ratios and related components of the Group illustrated below are computed based on the Group's statutory financial statements prepared in accordance with PRC GAAP.

Notes to the unaudited interim financial report

(Expressed in thousands of Renminbi, unless otherwise stated)

38 Capital management (Continued)

The Group's capital adequacy ratios as at the end of the reporting period calculated in accordance with "Regulation Governing Capital of Commercial Banks (Provisional)" and relevant requirements promulgated by the former CBRC are as follows:

	June 30, 2021	December 31, 2020
Total core tier-one capital		
– Share capital	20,075,000	20,075,000
– Qualifying portion of capital reserve	13,828,375	13,951,352
– Qualifying portion of other reserve	307,601	397,306
– Surplus reserve	2,115,521	2,115,521
– General reserve	9,660,324	9,660,324
– Retained earnings	4,142,116	2,062,639
– Qualifying portions of non-controlling interests	616,668	575,587
Core tier-one capital deductions		
– Goodwill	(970,780)	(970,780)
– Other intangible assets other than land use rights	(602,809)	(640,566)
Net core tier-one capital	49,171,476	47,226,383
Other tier-one capital	9,715,013	9,709,536
Net tier-one capital	58,886,489	56,935,919
Tier-two capital		
– Instruments issued and share premium	9,997,628	9,999,538
– Surplus provision for loan impairment	6,406,429	5,521,955
– Qualifying portions of non-controlling interests	162,755	150,691
Net capital base	75,453,301	72,608,103
Total risk weighted assets	555,411,928	549,877,844
Core tier-one capital adequacy ratio	8.85%	8.59%
Tier-one capital adequacy ratio	10.60%	10.35%
Capital adequacy ratio	13.59%	13.20%

39 Notes to the consolidated cash flow statement

(a) Net decrease in cash and cash equivalents

	June 30, 2021	June 30, 2020
Cash and cash equivalents as at June 30	36,100,617	55,146,095
Less: Cash and cash equivalents as at January 1	72,151,316	75,325,152
Net decrease in cash and cash equivalents	(36,050,699)	(20,179,057)

Notes to the unaudited interim financial report

(Expressed in thousands of Renminbi, unless otherwise stated)

39 Notes to the consolidated cash flow statement (Continued)

(b) Cash and cash equivalents

	June 30, 2021	June 30, 2020
Cash on hand	1,300,672	1,805,800
Deposits with the central bank	24,737,253	16,600,720
Deposits with banks and other financial institutions	3,021,563	8,336,273
Financial assets held under resale agreements	3,682,725	6,933,337
Placements with banks and other financial institutions	3,358,404	21,469,965
Total	36,100,617	55,146,095

(c) Reconciliation of movements of liabilities to cash flows arising from financing activities:

	Debt securities issued	Lease liabilities	Total
At January 1, 2021	76,054,620	843,723	76,898,343
Changes from financing cash flow			
Proceeds received from debt securities issued	75,030,997	–	75,030,997
Interest paid on debt securities issued	(1,060,021)	–	(1,060,021)
Repayment of debt securities issued	(71,313,273)	–	(71,313,273)
Capital element of lease liabilities paid	–	(122,748)	(122,748)
Interest element of lease liabilities paid	–	(23,156)	(23,156)
Total changes from financing cash flows	2,657,703	(145,904)	2,511,799
Other changes:			
Interest expense	1,181,141	35,755	1,216,896
Increase in lease liabilities	–	47,979	47,979
Total other changes	1,181,141	83,734	1,264,875
At June 30, 2021	79,893,464	781,553	80,675,017

Notes to the unaudited interim financial report

(Expressed in thousands of Renminbi, unless otherwise stated)

39 Notes to the consolidated cash flow statement (Continued)

(c) Reconciliation of movements of liabilities to cash flows arising from financing activities: (Continued)

	Debt securities issued	Lease liabilities	Total
At 1 January 2020	79,720,418	973,877	80,694,295
Changes from financing cash flow			
Proceeds received from debt securities issued	59,471,270	–	59,471,270
Interest paid on debt securities issued	(1,252,328)	–	(1,252,328)
Repayment of debt securities issued	(66,710,349)	–	(66,710,349)
Capital element of lease liabilities paid	–	(134,849)	(134,849)
Interest element of lease liabilities paid	–	(12,991)	(12,991)
Total changes from financing cash flows	(8,491,407)	(147,840)	(8,639,247)
Other changes:			
Interest expense	1,306,959	18,508	1,325,467
Increase in lease liabilities	–	48,574	48,574
Total other changes	1,306,959	67,082	1,374,041
At 30 June 2020	72,535,970	893,119	73,429,089

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40 Related party relationships and transactions

(a) Relationship of related parties:

(i) Major shareholders

Major shareholders include shareholders of the Bank with direct or indirect 5% or above shareholding, or with the right to appoint a director in the Bank.

Shareholding in the Bank:

	June 30, 2021	December 31, 2020
Henan Investment Group Co., Ltd.	10.25%	10.25%
Piramid Park Co., Ltd	5.98%	5.98%

(ii) Subsidiaries and joint venture of the Bank

The detailed information of the Bank's subsidiaries and joint venture are set out in Note 21.

(iii) Other related parties

Other related parties can be individuals or enterprises, which include: members of the board of directors and senior management, and close family members of such individuals; entities (and their subsidiaries) controlled or jointly controlled by members of the board of directors and senior management, and close family members of such individuals; and entities controlled or jointly controlled by the major shareholders of the Bank as set out in Note 40(a) or their controlling shareholders.

(b) Related party transactions and balances:

(i) Transactions between the Bank and major shareholders:

	Six months ended June 30,	
	2021	2020
Transactions during the reporting period:		
Interest income	27,986	24,347
Interest expense	671	327

	June 30, 2021	December 31, 2020
Balances at end of the reporting period/year:		
Financial investments	1,407,496	600,854
Deposits from customers	137,990	613,010

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(Expressed in thousands of Renminbi, unless otherwise stated)

40 Related party relationships and transactions (Continued)

(b) Related party transactions and balances: (Continued)

(ii) Transactions between the Bank and subsidiaries:

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

(iii) Transactions between the Bank and other related parties and joint venture:

	Six months ended June 30,	
	2021	2020
Transactions during the reporting period:		
Interest income	228,200	129,221
Interest expense	20,217	31,793
Operating expense	8,586	4,947
Assets disposal	160,160	-
	June 30, 2021	December 31, 2020
Balances at end of the reporting period/year:		
Loans and advances to customers	1,919,908	3,177,326
Lease receivables	-	390,000
Financial investments	244,391	1,668,991
Deposits with banks and other financial institutions	1,246,997	1,832,152
Placements with banks and other financial institutions	3,836,923	3,019,680
Right-of-use assets	29,059	32,934
Deposits from customers	1,366,659	737,894
Deposits from banks and other financial institutions	2,324,717	526,872
Lease liabilities	31,705	35,508
	June 30, 2021	December 31, 2020
Balances of items off the consolidated statement of financial position outstanding at the end of the reporting period/year:		
Letters of credit	30,000	130,000
Bank acceptances	1,515,832	792,489
Letters of guarantees	1,500	1,500

Notes to the unaudited interim financial report

(Expressed in thousands of Renminbi, unless otherwise stated)

40 Related party relationships and transactions (Continued)

(c) Key management personnel

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

(i) Transactions between the Bank and key management personnel

	Six months ended June 30,	
	2021	2020
Transactions during the reporting period:		
Interest income	366	341
Interest expense	169	114
	June 30, 2021	December 31, 2020
Balances at end of the reporting period/year:		
Loans and advances to customers	13,659	17,929
Deposits from customers	13,285	14,753

(ii) Key management personnel compensation

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

	Six months ended June 30,	
	2021	2020
Salaries and other emoluments	6,464	6,471
Discretionary bonuses	3,736	3,925
Contribution by the employer to social insurance and welfare plans, housing allowance, etc.	580	384
Total	10,780	10,780

(d) Loans and advances to directors, supervisors and officers

Loans and advances to directors, supervisors and officers of the Group disclosed pursuant to section 78 of Schedule 11 to the new Hong Kong Companies Ordinance (Cap. 622), with reference to section 161 of the predecessor Hong Kong Companies Ordinance (Cap. 32), are as follows:

	June 30, 2021	December 31, 2020
Aggregate amount of relevant loans outstanding at the end of the period/year	13,660	12,949
Maximum aggregate amount of relevant loans outstanding during the period/year	13,660	12,949

There was no amount due but unpaid, nor any impairment provision made against the principal or interest on these loans at June 30, 2021 and December 31, 2020.

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41 Segment reporting

The Group manages its business by business lines. Consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group defines reporting segments based on the following operating segments:

Corporate banking

This segment represents the provision of a range of financial products and services to corporations, government agencies and financial institutions. These products and services include corporate loans and advances, trade financing and deposit taking activities, agency services, consulting and advisory services, remittance and settlement services and guarantee services.

Retail banking

This segment represents the provision of a range of financial products and services to retail customers. These products and services include personal loans and deposit taking activities, bank card business, personal wealth management services and remittance services.

Financial markets business

This segment covers the Group's financial markets business operations. The financial markets business enters into inter-bank money market transactions, repurchases transactions and investments. It also trades in debt securities. The financial markets business segment also covers management of the Group's overall liquidity position, including the issuance of debts.

Others

These represent assets, liabilities, income and expenses which cannot directly attributable or cannot be allocated to a segment on a reasonable basis.

Measurement of segment assets and liabilities and of segment income, expenses and results is based on the Group's accounting policies.

Internal charges and transfer prices are determined with reference to market rates and have been reflected in the performance of each segment. Interest income and expense earned from third parties are referred to as "external net interest income/expense". Net income and expense arising from internal charges and transfer pricing adjustments are referred to as "internal net interest income/expense".



Notes to the unaudited interim financial report

(Expressed in thousands of Renminbi, unless otherwise stated)

42 Risk management

The Group has exposure to the following risks from its use of financial instruments: credit risk, market risk, liquidity risk and operational risk.

This note presents information about the Group's exposure to each of the above risks and their sources, and the Group's objectives, policies and procedures for measuring and managing these risks.

The Group's risk management policies were established to identify and analyze the risks to which the Group is exposed, to set appropriate risk limits, and to design relevant internal control policies and systems for monitoring risks and adhering to risk limits. Risk management policies and relevant internal control systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Internal Audit Department of the Group undertakes both regular and ad hoc reviews of the compliance of internal control implementation with risk management policies.

(a) Credit risk

Credit risk represents the potential loss that may arise from the failure of a debtor or counterparty to meet its contractual obligation or commitment to the Group. It arises primarily from credit and bond investment portfolios and guarantees granted.

Credit business

The board of directors is responsible for setting the Group's risk management strategy and the overall risk tolerance level. The board also monitors the Group's risk management process and regularly assesses the Group's risk position and risk management strategies. The board gives advice on internal controls relating to risk management. The responsible departments for credit risk management include the Credit Approval Department, Credit Management Department, and Risk Management Department. The Risk Management Department is responsible for implementing the Group's overall risk management system. Besides risk monitoring and control, the Risk Management Department is also responsible for formulating risk management policies. To ensure the independence of credit approval, the Credit Approval Department is independent from customer relationship and product management departments. Front office departments of branches carry out credit businesses according to the Group's risk management policies and procedures.

The Group continuously improves the internal control mechanism and strengthens the management of the credit business. The Group has established comprehensive assessment and inquiry mechanisms, assigning the credit management accountability to the relevant departments and individuals.

Notes to the unaudited interim financial report

(Expressed in thousands of Renminbi, unless otherwise stated)

42 Risk management (Continued)

(a) Credit risk (Continued)

Credit business (Continued)

For corporate and institutional businesses, the Group has established industry-specific limits for credit approval. It has put in place continuous monitoring mechanism, with regular reporting of credit exposures to the board. The Group's credit risk management covers key operational phases, including pre-lending evaluations, credit approval, and post-lending monitoring. With respect to pre-lending evaluations, the Group assesses customer credit ratings and performs integrated analysis on the risk and return of the loan. In the credit approval phase, all credit applications are approved by designated credit officers. During the post-lending monitoring, the Group continually monitors outstanding loans and other credit related businesses. Any adverse events that may significantly affect a borrower's repayment ability are reported immediately, and actions are taken to mitigate the risks.

For personal credit operation business, credit assessment of applicants is used as the basis for loan approval. In the credit assessment, customer relationship managers are required to assess the income level, credit history, and repayment ability of the applicant. The customer relationship managers then forward the application and their recommendations to the loan-approval departments for further approval. The Group monitors borrowers' repayment ability, the status of collateral and any changes to their value during the post-lending phase. Once a loan becomes overdue, the Group starts the recovery process according to standardized loan recovery procedures.

The Group adopts a loan risk classification approach to manage its loan portfolio risk. Loans are generally classified as normal, special mention, substandard, doubtful and loss according to their levels of risk. Substandard, doubtful and loss loans are considered to be impaired loans and advances. They are classified as such when one or more events demonstrate that there is objective evidence of a loss event. The impairment loss is assessed collectively or individually as appropriate.

Financial markets business

The Group sets credit limits for financial markets business operations based on the credit risk inherent in the products, counterparties and geographical areas. Credit risk exposure is closely monitored on a systematic, real-time basis, and credit risk limits are reviewed and updated regularly.



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(Expressed in thousands of Renminbi, unless otherwise stated)

42 Risk management (Continued)

(a) Credit risk (Continued)

Credit risk management

The financial assets are categorised by the Group into the following stages to manage its financial assets' credit risk:

Stage 1

Financial assets have not experienced a significant increase in credit risk since origination and impairment recognised on the basis of 12 months expected credit losses.

Stage 2

Financial assets have experienced a significant increase in credit risk since origination and impairment is recognised on the basis of lifetime expected credit losses.

Stage 3

Financial assets that are in default and considered credit-impaired.

Significant increase in credit risk

When one or more quantitative, qualitative standards or upper limits are triggered, the Group assumes that credit risk on financial assets has increased significantly.

If the borrower is listed in the watch list and one or more of the following criteria are met:

- The credit spread increases significantly;
- Significant changes with an adverse effect that have taken place in the borrower's business, financial and economic status;
- Application of a grace period or debt – restructuring;
- Significant changes with an adverse effect in the borrower's business conditions;
- Less value of the collaterals (for the collateral loans and pledged loans only);
- Early indicators of problems of cash flow/liquidity, such as late payment of accounts payable/repayment of loans;
- The borrower is more than 30 days past due.

The Group uses watch lists to monitor credit risk of financial assets related to loans and treasury operations, and conducts regular assessments at the counterparty level. The standards used in determining whether credit risk increases significantly are regularly monitored and reviewed by the management for the appropriateness.

As at June 30, 2021, the Group has not considered that any of its financial assets has lower credit risk and no longer compared the credit risk at the balance sheet date with that at the initial recognition to identify whether there was a significant increase in credit risk.

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(Expressed in thousands of Renminbi, unless otherwise stated)

42 Risk management (Continued)

(a) Credit risk (Continued)

Credit risk management (Continued)

Stage 3 (Continued)

Definition of “default” and “credit-impaired assets”

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it is becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor;
- the disappearance of an active market for a security because of financial difficulties of the issuer; or
- overdue more than 90 days.

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

Measurement of expected credit losses (“ECL”)

The Group adopts ECL model to measure provision for loss of financial assets based on the stages categorised above.

The ECL is the result of the discounted product of probability of default (PD), exposure at default (EAD) and loss given default (LGD). The definitions of these terms are as follows:

- PD refers to the likelihood that a borrower will be unable to meet his repayment obligations over the next 12 months or the remaining lifetime of the loan;
- EAD is the amount that the Group should be reimbursed upon default of an obligor over the next 12 months or the remaining lifetime of the loan;
- LGD refers to the expected degree of loss arising from the exposure at default which is predicted by the Group. LGD varies according to different types of counterparties, methods and priority of recovering debts, and the availability of collaterals or other credit support.



Notes to the unaudited interim financial report

(Expressed in thousands of Renminbi, unless otherwise stated)

42 Risk management (Continued)

(a) Credit risk (Continued)

Credit risk management (Continued)

Stage 3 (Continued)

Measurement of expected credit losses (“ECL”) (Continued)

The Group determines the ECL by estimating the PD, LGD and EAD of individual exposure or asset portfolios in the future months. The Group multiplies these three parameters and makes adjustments according to the probability of their continuance (i.e. there is no prepayment or default at an earlier period). By adopting this approach, the Group can calculate the ECL for the future months. The results of calculation for each month are then discounted to the balance sheet date and added up. The discount rate used in the calculation of ECL is the initial effective interest rate or its approximate value.

The lifetime PD is deduced from using the maturity model or 12-month probability of default. The maturity model describes the development rule of the defaults of the asset portfolio over its lifetime. The model is developed based on historical observational data and applicable to all assets in the same portfolio with the same credit rating. The above method is supported by empirical analysis.

The 12-month EAD and lifetime EAD are determined based on expected repayment arrangements, which are different according to different types of products.

The Group quarterly monitors and reviews assumptions related to the calculation of expected credit losses, including the changes in PD and the value of collaterals under the different time limits.

Both the assessment of the significant increase in credit risk and the measurement of ECL involve forward-looking information. Based on the analysis on historical data, the Group identified critical economic indicators that affect the credit risk and ECL of all asset portfolios, including GDP, Import amount, Fixed investments cumulative year-on-year, etc. The impact of these economic variables on the PD and LGD has been determined by performing statistical regression analysis to understand the correlations among the historical changes of the economic variables, PD and LGD. Forecasts of these economic indicators are provided quarterly by the Group and provide the best estimate view of the economy over the next year.

When calculating the weighted average ECL, the optimism, neutral and pessimism scenarios and its weightings determined by a combination of macro-statistical analysis and expert judgment are taken into account by the Group.

As at June 30, 2021, the Group has taken into account different macroeconomic scenarios, combined with the impact of factors such as the Covid-19 epidemic on economic development trends, and made forward-looking forecasts of macroeconomic indicators. Including: quarter-on-quarter GDP growth, used to estimate ECL, ranges from 5.58% to 6.42% in the neutral scenario for the second half of 2021.

Assessing credit risk of financial assets after the amendment of contractual cash flows

In order to achieve maximum collection, the Group may modify the contractual terms of loans due to business negotiations or financial difficulties of the borrowers at times.

Such rescheduling activities include extended payment term arrangements, payment holidays and payment forgiveness. Rescheduling policies and practices are based on indicators or criteria which, in the judgment of management, indicate that payment will most likely continue. These policies are kept under continuous review. The restructuring of loans is most common in the management of medium and long-term loans. The risk stage can only be adjusted lower if the rescheduled loans are reviewed for at least 6 consecutive months and the corresponding stage classification criteria is reached.

Notes to the unaudited interim financial report

(Expressed in thousands of Renminbi, unless otherwise stated)

42 Risk management (Continued)

(a) Credit risk (Continued)

(i) Maximum credit risk exposure

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

(ii) Financial assets analyzed by credit quality are summarized as follows:

	June 30, 2021				
	Loans and advances to customers	Deposits/ Placements with banks and other financial institutions	Financial assets held under resale agreements	Financial investments (*)	Lease receivables
Balance of financial assets that are assessed for expected credit losses over the next 12 months					
– Neither overdue nor credit-impaired	365,607,921	35,886,443	3,682,725	193,124,866	34,965,415
Sub-total	365,607,921	35,886,443	3,682,725	193,124,866	34,965,415
Balance of financial assets that are not credit-impaired and assessed for lifetime expected credit losses					
– Overdue but not credit-impaired	4,697,335	–	–	844,893	1,619,182
– Neither overdue nor credit-impaired	5,987,396	–	–	860,784	–
Sub-total	10,684,731	–	–	1,705,677	1,619,182
Balance of credit-impaired financial assets that are assessed for lifetime expected credit losses					
– Overdue and credit-impaired	8,143,158	19,027	–	12,243,360	360,073
– Credit-impaired but not overdue	558,226	–	–	2,979,488	–
Sub-total	8,701,384	19,027	–	15,222,848	360,073
Accrued interest	2,684,711	492,629	280	2,830,167	–
Less: Provision for impairment losses	(12,364,616)	(32,968)	(1,375)	(5,414,933)	(1,646,813)
Net value	375,314,131	36,365,131	3,681,630	207,468,625	35,297,857

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(Expressed in thousands of Renminbi, unless otherwise stated)

42 Risk management (Continued)

(a) Credit risk (Continued)

(ii) Financial assets analyzed by credit quality are summarized as follows: (Continued)

	December 31, 2020				
	Loans and advances to customers	Deposits/ Placements with banks and other financial institutions	Financial assets held under resale agreements	Financial investments (*)	Lease receivables
Balance of financial assets that are assessed for expected credit losses over the next 12 months					
– Neither overdue nor credit-impaired	339,743,284	38,410,647	15,813,572	205,002,688	30,874,131
Sub-total	339,743,284	38,410,647	15,813,572	205,002,688	30,874,131
Balance of financial assets that are not credit-impaired and assessed for lifetime expected credit losses					
– Overdue but not credit-impaired	3,308,797	–	–	710,853	1,014,112
– Neither overdue nor credit-impaired	5,859,257	–	–	1,382,021	–
Sub-total	9,168,054	–	–	2,092,874	1,014,112
Balance of credit-impaired financial assets that are assessed for lifetime expected credit losses					
– Overdue and credit-impaired	7,900,424	19,027	–	8,734,135	301,428
– Credit-impaired but not overdue	214,111	–	–	3,099,982	–
Sub-total	8,114,535	19,027	–	11,834,117	301,428
Accrued interest	2,349,930	376,220	7,494	2,909,817	–
Less: Provision for impairment losses	(11,718,971)	(31,924)	(1,542)	(3,946,267)	(1,384,141)
Net value	347,656,832	38,773,970	15,819,524	217,893,229	30,805,530

* Financial investments don't include financial investments at fair value through profit or loss and non-trading equity investments designated as financial investments at fair value through other comprehensive income.

As at June 30, 2021, the fair value of collaterals held against loans and advances that are not credit-impaired and assessed for lifetime expected credit losses amounted to RMB5,147.88 million (December 31, 2020: RMB5,237.29 million). The fair value of collaterals held against loans and advances that are assessed for lifetime expected credit losses amounted to RMB1,360.10 million (December 31, 2020: RMB1,594.06 million). The collaterals mainly include land, buildings, machinery and equipment, etc. The fair value of collaterals was estimated by the Bank based on the latest external valuations available, adjusted in light of disposal experience and current market conditions.

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(Expressed in thousands of Renminbi, unless otherwise stated)

42 Risk management (Continued)

(a) Credit risk (Continued)

(iii) Amounts due from banks and other financial institutions

The amounts due from banks and non-bank financial institutions including deposits with banks and other financial institutions, placements with banks and other financial institutions, and financial assets held under resale agreements for which counterparties are banks and non-bank financial institutions. Neither overdue nor impaired amounts due from banks and non-bank financial institutions are rated with reference to major rating agencies accepted by the People's Bank of China.

	June 30, 2021	December 31, 2020
Neither overdue nor impaired		
Ratings		
– A to AAA	26,067,867	43,029,412
– B to BBB+	278	–
– unrated	13,978,616	11,564,082
Total	40,046,761	54,593,494

(iv) Debt securities

The Group adopts a credit rating approach in managing the credit risk of the debt securities portfolio. Debt securities are rated with reference to major rating agencies where the issuers of the securities are located. The carrying amounts of debt securities investments analyzed by the rating agency designations at the end of the reporting period are as follows:

	June 30, 2021	December 31, 2020
Neither overdue nor impaired		
Ratings		
– AAA	18,046,406	11,247,183
– AA- to AA+	2,968,401	3,473,474
– BB- to BB+	48,001	41,053
– B- to B+	154,770	461,515
– unrated	112,538,413	122,494,660
Overdue and credit impaired		
– unrated	663,216	768,403
Total	134,419,207	138,486,288

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42 Risk management (Continued)

(b) Market risk

Market risk is the risk of loss, in respect of the Group's activities, arising from adverse movements in market rates including interest rates, foreign exchange rates, commodity prices, stock prices and other prices.

The board of directors is ultimately responsible for monitoring the Group's market risk to ensure that the Group has effectively identified, measured and monitored all types of market risk. The Risk and Internal Control Management Committee monitors the market risk management process within the scope authorized by the board of directors, which include review and approval of market risk management strategies, policies and procedures. The Group is primarily exposed to market risk in its financial markets business. The Financial Market Department is responsible for carrying out capital investments and transactions, as well as monitoring and managing the foreign exchange risk on a daily basis. The Planning and Finance Department is responsible for monitoring and managing the interest rate risk in bank account. The Risk Management Department is responsible for formulating the market risk management policies and procedures, as well as identifying, measuring and monitoring the Group's market risk.

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

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

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

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

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

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

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(Expressed in thousands of Renminbi, unless otherwise stated)

42 Risk management (Continued)

(b) Market risk (Continued)

Interest rate risk

The Group is primarily exposed to interest rate risk arising from repricing risk in its commercial banking business and the risk of financial markets business position.

Repricing risk

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

The Planning and Finance Department is responsible for measuring, monitoring and managing interest rate risk. The Group regularly performs assessment on the interest rate repricing gap between the assets and liabilities that are sensitive to changes in interest rates and sensitivity analysis on the net interest income as a result of changes in interest rates. The primary objective of interest rate risk management is to minimise potential adverse effects on its net interest income or its inherent economic value caused by interest rate volatility.

Trading interest rate risk

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



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42 Risk management (Continued)

(b) Market risk (Continued)

Interest rate risk (Continued)

(i) The following tables indicate the assets and liabilities at the end of the reporting period by the expected next repricing dates or by maturity dates, depending on which is earlier:

	At June 30, 2021					Total
	Within three months	Three months to one year	One year to five years	More than five years	Non-interest bearing	
Assets						
Cash and deposits with the central bank	55,536,668	–	–	–	1,315,768	56,852,436
Deposits with banks and other financial institutions	9,007,431	991,166	–	–	54,743	10,053,340
Placement with banks and other financial institutions	12,754,100	13,119,805	–	–	437,886	26,311,791
Derivative financial assets	–	–	–	–	103,967	103,967
Financial assets held under resale agreements	3,681,350	–	–	–	280	3,681,630
Loans and advances to customers (Note (1))	219,605,114	102,577,661	29,427,712	21,018,933	2,684,711	375,314,131
Financial investments (Note (2))	21,241,668	41,174,136	99,301,544	42,921,110	20,404,961	225,043,419
Lease receivables (Note (3))	19,353,539	1,732,885	14,211,433	–	–	35,297,857
Others	–	–	–	–	20,342,927	20,342,927
Total assets	341,179,870	159,595,653	142,940,689	63,940,043	45,345,243	753,001,498
Liabilities						
Borrowing from the central bank	34,927,293	5,226,901	–	–	500,888	40,655,082
Deposits from banks and other financial institutions	44,196,796	16,069,000	100,000	–	269,883	60,635,679
Placement from banks and other financial institutions	16,232,172	14,942,899	700,000	–	247,848	32,122,919
Derivative financial liabilities	–	–	–	–	72,790	72,790
Financial assets sold under repurchase agreements	13,429,200	–	–	–	1,032	13,430,232
Deposits from customers	246,997,864	95,541,236	105,961,132	–	6,496,427	454,996,659
Debt securities issued	30,320,524	35,157,568	3,997,643	9,997,628	420,101	79,893,464
Others	–	–	–	–	9,819,159	9,819,159
Total liabilities	386,103,849	166,937,604	110,758,775	9,997,628	17,828,128	691,625,984
Asset-liability gap	(44,923,979)	(7,341,951)	32,181,914	53,942,415	27,517,115	61,375,514

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42 Risk management (Continued)

(b) Market risk (Continued)

Interest rate risk (Continued)

(i) (Continued)

	At December 31, 2020					Total
	Within three months	Three months to one year	One year to five years	More than five years	Non-interest bearing	
Assets						
Cash and deposits with the central bank	64,051,943	–	–	–	1,284,389	65,336,332
Deposits with banks and other financial institutions	11,487,997	1,941,682	–	–	63,841	13,493,520
Placement with banks and other financial institutions	9,066,118	15,901,953	–	–	312,379	25,280,450
Derivative financial assets	–	–	–	–	30,989	30,989
Financial assets held under resale agreements	15,812,030	–	–	–	7,494	15,819,524
Loans and advances to customers (Note (1))	286,242,124	39,803,079	11,628,313	7,633,386	2,349,930	347,656,832
Financial investments (Note (2))	23,801,490	49,914,844	99,700,839	41,566,239	24,414,106	239,397,518
Lease receivables (Note (3))	18,752,917	1,033,989	11,018,624	–	–	30,805,530
Others	–	–	–	–	19,661,777	19,661,777
Total assets	429,214,619	108,595,547	122,347,776	49,199,625	48,124,905	757,482,472
Liabilities						
Borrowing from the central bank	13,910,787	29,882,742	–	–	273,358	44,066,887
Deposits from banks and other financial institutions	59,085,812	–	–	–	302,896	59,388,708
Placement from banks and other financial institutions	24,582,611	5,930,005	475,000	–	226,732	31,214,348
Derivative financial liabilities	–	–	–	–	16,961	16,961
Financial assets sold under repurchase agreements	46,124,879	–	–	–	16,187	46,141,066
Deposits from customers	244,668,142	71,301,926	108,811,718	–	6,559,657	431,341,443
Debt securities issued	27,206,224	38,618,288	–	9,999,538	230,570	76,054,620
Others	–	–	–	–	9,903,178	9,903,178
Total liabilities	415,578,455	145,732,961	109,286,718	9,999,538	17,529,539	698,127,211
Asset-liability gap	13,636,164	(37,137,414)	13,061,058	39,200,087	30,595,366	59,355,261

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42 Risk management (Continued)

(b) Market risk (Continued)

Interest rate risk (Continued)

(i) (Continued)

Notes:

- (1) As at June 30, 2021, for loans and advances to customers, the category “Less than three months” includes overdue amounts (net of provision for impairment losses) of RMB6,106.43 million (December 31, 2020: RMB5,425.23 million).
- (2) As at June 30, 2021, for financial investments, the category “Less than three months” includes overdue amounts (net of provision for impairment losses) of RMB8,400.01 million (December 31, 2020: RMB6,308.51 million).
- (3) As at June 30, 2021, for lease receivables, the category “Less than three months” includes overdue amounts (net of provision for impairment losses) of RMB1,168.27 million (December 31, 2020: RMB904.82 million).

(ii) Interest rate sensitivity analysis

The Group uses sensitivity analysis to measure the impact of changes in interest rate on the Group’s net profit or loss and equity. As at June 30, 2021, assuming other variables remain unchanged, an increase in estimated interest rate of 100 basis points will cause the Group’s net profit to decrease by RMB378.30 million (December 31, 2020: decrease by RMB115.23 million), and the Group’s equity to decrease by RMB1,678.62 million (December 31, 2020: decrease by RMB960.07 million); a decrease in estimated interest rate of 100 basis points will cause the Group’s net profit to increase by RMB378.30 million (December 31, 2020: increase by RMB115.23 million), and the Group’s equity to increase by RMB1,793.38 million (December 31, 2020: increase by RMB1,018.04 million).

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42 Risk management (Continued)

(b) Market risk (Continued)

Interest rate risk (Continued)

(ii) Interest rate sensitivity analysis (Continued)

The sensitivity analysis above is based on a static interest rate risk profile of the Group's assets and liabilities. This analysis measures only the impact of changes in interest rates within one year, showing how annualized net profit or loss and equity would have been affected by repricing of the Group's assets and liabilities within the one-year period. The effect of equity is the effect of the assumed changes in interest rates on the Group's net interest income and other comprehensive income, calculated by revaluing financial investments at fair value through other comprehensive income and loans and advances to customers measured at fair value through other comprehensive income held at year end. The sensitivity analysis is based on the following assumptions:

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

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



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(Expressed in thousands of Renminbi, unless otherwise stated)

42 Risk management (Continued)

(b) Market risk (Continued)

Foreign currency risk

The Group's currency risk mainly arises from foreign currency deposits with banks and other financial institutions. The Group manages currency risk by matching its foreign currency denominated assets with corresponding liabilities in the same currencies.

The Group's currency exposures as at the end of the reporting period are as follows:

	At June 30, 2021				
	RMB	USD (RMB Equivalent)	HKD (RMB Equivalent)	Others (RMB Equivalent)	Total (RMB Equivalent)
Assets					
Cash and deposits with the central bank	56,564,882	285,959	237	1,358	56,852,436
Deposits with banks and other financial institutions	3,067,810	5,503,878	1,437,539	44,113	10,053,340
Placement with banks and other financial institutions	23,970,288	2,341,503	-	-	26,311,791
Financial assets held under resale agreements	3,681,630	-	-	-	3,681,630
Loans and advances to customers	369,902,062	5,412,069	-	-	375,314,131
Financial investments	215,665,991	7,165,779	2,211,649	-	225,043,419
Lease receivables	35,297,857	-	-	-	35,297,857
Derivative financial assets	103,967	-	-	-	103,967
Others	20,044,386	298,541	-	-	20,342,927
Total assets	728,298,873	21,007,729	3,649,425	45,471	753,001,498
Liabilities					
Borrowing from the central bank	40,655,082	-	-	-	40,655,082
Deposits from banks and other financial institutions	56,429,249	4,181,555	284	24,591	60,635,679
Placement from banks and other financial institutions	28,491,536	3,631,383	-	-	32,122,919
Financial assets sold under repurchase agreements	13,430,232	-	-	-	13,430,232
Deposits from customers	454,996,659	-	-	-	454,996,659
Debt securities issued	79,893,464	-	-	-	79,893,464
Derivative financial liabilities	72,790	-	-	-	72,790
Others	9,566,524	233,198	19,255	182	9,819,159
Total liabilities	683,535,536	8,046,136	19,539	24,773	691,625,984
Asset-liability gap	44,763,337	12,961,593	3,629,886	20,698	61,375,514

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(Expressed in thousands of Renminbi, unless otherwise stated)

42 Risk management (Continued)

(b) Market risk (Continued)

Foreign currency risk (Continued)

	At December 31, 2020				
	RMB	USD (RMB Equivalent)	HKD (RMB Equivalent)	Others (RMB Equivalent)	Total (RMB Equivalent)
Assets					
Cash and deposits with the central bank	65,136,869	197,825	214	1,424	65,336,332
Deposits with banks and other financial institutions	7,309,766	4,753,632	1,407,676	22,446	13,493,520
Placement with banks and other financial institutions	23,194,109	2,086,341	-	-	25,280,450
Financial assets held under resale agreements	15,819,524	-	-	-	15,819,524
Loans and advances to customers	341,899,642	5,757,190	-	-	347,656,832
Financial investments	229,753,254	7,319,714	2,324,550	-	239,397,518
Lease receivables	30,805,530	-	-	-	30,805,530
Derivative financial assets	30,989	-	-	-	30,989
Others	19,390,613	271,164	-	-	19,661,777
Total assets	733,340,296	20,385,866	3,732,440	23,870	757,482,472
Liabilities					
Borrowing from the central bank	44,066,887	-	-	-	44,066,887
Deposits from banks and other financial institutions	55,120,574	4,253,170	222	14,742	59,388,708
Placement from banks and other financial institutions	29,196,522	2,017,826	-	-	31,214,348
Financial assets sold under repurchase agreements	46,141,066	-	-	-	46,141,066
Deposits from customers	431,341,443	-	-	-	431,341,443
Debt securities issued	76,054,620	-	-	-	76,054,620
Derivative financial liabilities	16,961	-	-	-	16,961
Others	9,645,598	240,790	16,643	147	9,903,178
Total liabilities	691,583,671	6,511,786	16,865	14,889	698,127,211
Asset-liability gap	41,756,625	13,874,080	3,715,575	8,981	59,355,261

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(Expressed in thousands of Renminbi, unless otherwise stated)

42 Risk management (Continued)

(b) Market risk (Continued)

Foreign currency risk (Continued)

	June 30, 2021 Increase/ (decrease)	December 31, 2020 Increase/ (decrease)
Changes in profit after taxation and equity		
Up 100 bps change of foreign exchange rate	47,705	49,273
Down 100 bps change of foreign exchange rate	(47,705)	(49,273)

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

- The foreign exchange sensitivity is the gain and loss recognised as a result of one hundred basis points fluctuation in the foreign currency exchange rates against RMB based on the closing rate of reporting date;
- The exchange rates against RMB for the US dollars and other foreign currencies change in the same direction simultaneously;
- All the position will be held and keep unchanged after maturity; and
- The analysis does not take into account the effect of risk management measures taken by the Group.

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

(c) Liquidity risk

Liquidity risk is the risk that a commercial bank is unable to obtain funds on a timely basis or obtain funds at a reasonable cost to sustain its asset business or meet repayment obligations. This risk exists even if a bank's solvency remains strong. In accordance with liquidity policies, the Group monitors the future cash flows and maintains an appropriate level of highly liquid assets.

Notes to the unaudited interim financial report

(Expressed in thousands of Renminbi, unless otherwise stated)

42 Risk management (Continued)

(c) Liquidity risk (Continued)

The Asset and Liability Management Committee (“ALMC”) is responsible for managing the Group’s overall liquidity risk. The ALMC is responsible for the formulation of the liquidity policies in accordance with regulatory requirements and prudential principles. Such policies include:

- Maintaining liquidity at a stable and sufficient level; establishing integrated liquidity risk management system; ensuring the meeting on a timely basis of liquidity requirements and the payment of assets, liabilities, and off-balance sheet business, whether under a normal operating environment or a state of stress; balancing the effectiveness and security of funds in an efficient manner; and
- Making timely and reasonable adjustments to capital structure and scale in response to market changes and business developments; pursuing profit maximization and cost minimization to a modest extent while ensuring appropriate liquidity; achieving the integration of the security, liquidity, and effectiveness of the Bank’s funds.

The Planning and Finance Department takes the lead to execute liquidity management policies and is responsible for formulating and revising the liquidity management strategies, and for identifying, measuring, monitoring and releasing the liquidity risk of the Bank. It is also responsible for managing and forecasting the working capital on a regular basis and ensuring the liquidity of working capital meets management requirements based on the liquidity strategies. The Finance Market Department is responsible for performing the operation following the instructions of the Finance Management Department. Significant disbursement or portfolio changes must be reported to the ALMC on a timely basis.

A substantial portion of the Group’s assets are funded by deposits from customers. These deposits from customers, which have been growing in recent years, are widely diversified in terms of type and duration and represent a stable source of funds.

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



Notes to the unaudited interim financial report

(Expressed in thousands of Renminbi, unless otherwise stated)

42 Risk management (Continued)

(c) Liquidity risk (Continued)

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

	Six months ended June 30, 2021							Total
	Indefinite Note (i)	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years	
Assets								
Cash and deposits with the central bank	30,799,415	26,037,925	15,096	-	-	-	-	56,852,436
Deposits with banks and other financial institutions	-	3,054,805	2,102,297	3,903,178	993,060	-	-	10,053,340
Placements with banks and other financial institutions	-	-	4,617,884	8,760,483	12,933,424	-	-	26,311,791
Derivative financial assets	-	-	3,524	42	79,001	21,400	-	103,967
Financial assets held under resale agreements	-	-	3,681,630	-	-	-	-	3,681,630
Loans and advances to customers	4,896,789	1,220,412	27,900,601	30,599,898	112,124,208	72,098,773	126,473,450	375,314,131
Financial investments	11,423,778	12,004,006	968,796	11,343,882	39,986,098	101,605,171	47,711,688	225,043,419
Lease receivables	855,139	313,256	37,730	82,065	2,921,473	30,475,533	612,661	35,297,857
Others	14,847,759	-	-	298,843	477,538	4,718,787	-	20,342,927
Total assets	62,822,880	42,630,404	39,327,558	54,988,391	169,514,802	208,919,664	174,797,799	753,001,498
Liabilities								
Borrowing from the central bank	-	17,537	4,508,323	11,548,085	24,581,137	-	-	40,655,082
Deposits from banks and other financial institutions	-	3,139,265	13,309,777	27,911,458	16,172,639	102,540	-	60,635,679
Placements from banks and other financial institutions	-	-	8,921,082	7,448,560	15,048,722	704,555	-	32,122,919
Derivative financial liabilities	-	-	1,591	44	1,325	69,830	-	72,790
Financial assets sold under repurchase agreements	-	-	12,220,198	1,210,034	-	-	-	13,430,232
Deposits from customers	-	217,784,424	9,389,717	19,957,631	96,724,161	111,140,726	-	454,996,659
Debt securities issued	-	-	9,615,405	21,101,174	35,181,614	3,997,643	9,997,628	79,893,464
Others	-	3,641,134	348,834	219,075	2,434,991	3,140,012	35,113	9,819,159
Total liabilities	-	224,582,360	58,314,927	89,396,061	190,144,589	119,155,306	10,032,741	691,625,984
Long/(short) position	62,822,880	(181,951,956)	(18,987,369)	(34,407,670)	(20,629,787)	89,764,358	164,765,058	61,375,514

Notes to the unaudited interim financial report

(Expressed in thousands of Renminbi, unless otherwise stated)

42 Risk management (Continued)

(c) Liquidity risk (Continued)

	Year ended December 31, 2020							
	Indefinite Note (i)	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years	Total
Assets								
Cash and deposits with the central bank	29,559,286	35,760,694	16,352	-	-	-	-	65,336,332
Deposits with banks and other financial institutions	-	4,305,076	4,311,129	2,903,102	1,974,213	-	-	13,493,520
Placements with banks and other financial institutions	-	-	2,392,435	6,779,503	16,108,512	-	-	25,280,450
Derivative financial assets	-	-	527	2,439	6,880	21,143	-	30,989
Financial assets held under resale agreements	-	-	15,819,524	-	-	-	-	15,819,524
Loans and advances to customers	4,595,274	867,559	25,610,128	28,257,334	109,920,349	63,942,216	114,463,972	347,656,832
Financial investments	9,180,104	671,955	2,298,025	17,641,350	52,433,396	110,451,715	46,720,973	239,397,518
Lease receivables	575,572	329,243	31,950	368,811	1,371,285	27,859,576	269,093	30,805,530
Others	14,829,242	-	-	331,533	380,570	4,120,432	-	19,661,777
Total assets	58,739,478	41,934,527	50,480,070	56,284,072	182,195,205	206,395,082	161,454,038	757,482,472
Liabilities								
Borrowing from the central bank	-	63,570	4,047,850	9,853,065	30,102,402	-	-	44,066,887
Deposits from banks and other financial institutions	-	4,433,927	11,789,630	27,864,112	15,200,526	100,513	-	59,388,708
Placements from banks and other financial institutions	-	-	7,666,682	6,014,045	17,051,579	482,042	-	31,214,348
Derivative financial liabilities	-	-	18	-	1,527	15,416	-	16,961
Financial assets sold under repurchase agreements	-	-	45,140,213	1,000,853	-	-	-	46,141,066
Deposits from customers	-	213,058,057	13,760,906	21,695,201	72,373,670	110,453,609	-	431,341,443
Debt securities issued	-	-	7,116,310	20,089,914	38,848,858	-	9,999,538	76,054,620
Others	-	2,338,978	49,910	896,054	3,087,334	3,418,998	111,904	9,903,178
Total liabilities	-	219,894,532	89,571,519	87,413,244	176,665,896	114,470,578	10,111,442	698,127,211
Long/(short) position	58,739,478	(177,960,005)	(39,091,449)	(31,129,172)	5,529,309	91,924,504	151,342,596	59,355,261

Note:

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

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(Expressed in thousands of Renminbi, unless otherwise stated)

42 Risk management (Continued)

(c) Liquidity risk (Continued)

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

	At June 30, 2021							
	Carrying amount	Contractual undiscounted cash flow	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years
Non-derivative financial liabilities								
Borrowing from the central bank	40,655,082	41,001,320	17,541	4,512,068	11,581,699	24,890,012	-	-
Deposits from banks and other financial institutions	60,635,679	61,036,125	3,139,439	13,344,388	28,049,366	16,394,833	108,099	-
Placements from banks and other financial institutions	32,122,919	32,693,690	-	8,951,081	7,523,387	15,483,036	736,186	-
Financial assets sold under repurchase agreements	13,430,232	13,441,716	-	12,229,626	1,212,090	-	-	-
Deposits from customers	454,996,659	462,189,457	217,810,513	9,398,539	20,023,930	98,020,578	116,935,897	-
Debt securities issued	79,893,464	84,804,716	-	9,626,323	21,327,335	35,927,858	6,363,200	11,560,000
Lease liabilities	781,553	855,399	-	27,831	90,462	239,977	482,646	14,483
Total non-derivative financial liabilities	682,515,588	696,022,423	220,967,493	58,089,856	89,808,269	190,956,294	124,626,028	11,574,483
Loan commitments	-	10,125,178	-	10,125,178	-	-	-	-

	At December 31, 2020							
	Carrying amount	Contractual undiscounted cash flow	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years
Non-derivative financial liabilities								
Borrowing from the central bank	44,066,887	44,688,821	63,610	4,051,189	9,868,582	30,705,440	-	-
Deposits from banks and other financial institutions	59,388,708	59,787,135	4,435,214	11,808,286	28,014,019	15,422,139	107,477	-
Placements from banks and other financial institutions	31,214,348	31,669,654	-	7,681,425	6,075,166	17,402,968	510,095	-
Financial assets sold under repurchase agreements	46,141,066	46,150,782	-	45,144,440	1,006,342	-	-	-
Deposits from customers	431,341,443	440,897,089	213,085,921	13,802,071	21,834,622	73,576,310	118,598,165	-
Debt securities issued	76,054,620	80,767,756	-	7,150,086	20,191,626	39,786,506	2,080,000	11,559,538
Lease liabilities	843,723	912,415	-	19,663	73,562	212,773	549,729	56,688
Total non-derivative financial liabilities	689,050,795	704,873,652	217,584,745	89,657,160	87,063,919	177,106,136	121,845,466	11,616,226
Loan commitments	-	8,339,988	-	8,339,988	-	-	-	-

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(Expressed in thousands of Renminbi, unless otherwise stated)

42 Risk management (Continued)

(c) Liquidity risk (Continued)

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

The following tables analyse the Group's contractual undiscounted cash flows of derivative financial instruments to be settled on a net and gross basis as at the end of the reporting period:

	At June 30, 2021							
	Carrying amount	Contractual undiscounted cash flow	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years
Derivatives settled on net basis								
Foreign exchange forwards	24,544	24,879	-	-	-	24,879	-	-
Interest rate swaps	5,071	5,582	-	-	-	1	5,581	-
Derivatives settled on gross basis								
Currency swaps								
- cash outflow	(418,689)	(419,034)	-	(399,659)	-	(19,375)	-	-
- cash inflow	420,618	421,475	-	401,633	-	19,842	-	-
Precious metal derivatives								
- cash outflow	(19,753)	(20,329)	-	-	-	(20,329)	-	-
- cash inflow	19,386	19,942	-	-	-	19,942	-	-
Total	31,177	32,515	-	1,974	-	24,960	5,581	-

	At December 31, 2020							
	Carrying amount	Contractual undiscounted cash flow	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years
Derivatives settled on net basis								
Foreign exchange forwards	-	-	-	-	-	-	-	-
Interest rate swaps	5,713	6,428	-	(10)	-	(3)	6,441	-
Derivatives settled on gross basis								
Currency swaps								
- cash outflow	(1,901,185)	(1,903,919)	-	(70,494)	(351,757)	(1,481,668)	-	-
- cash inflow	1,909,500	1,930,953	-	71,107	355,341	1,504,505	-	-
Total	14,028	33,462	-	603	3,584	22,834	6,441	-

The Group's derivatives include foreign exchange forwards and currency swaps which will be settled on a net basis, and interest rate swaps which will be settled on a gross basis.

This analysis of the derivative financial instruments by contractual undiscounted cash flow might diverge from actual results.

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(Expressed in thousands of Renminbi, unless otherwise stated)

42 Risk management (Continued)

(d) Operational risk

Operational risk refers to the risk of losses associated with internal processes deficiencies, personnel mistakes and information system failures, or impact from other external events.

The Group establishes a framework of policies and procedures to identify, assess, control, manage and report operational risk. The framework covers all business functions ranging from corporate banking, retail banking, trading, corporate finance, settlement, intermediary business, asset management and all supporting functions, including human resource management, financial management, legal affairs, anti-money laundering and administration management. The key elements of the framework are listed as below:

- A multi-level operational risk management framework with segregation of duties between front and back offices under the leadership of senior management;
- A series of operational risk management policies covering all businesses on the basis of core operational risk management policy;
- An emergency plan and a business continuity system designed to deal with emergent and adverse circumstances, including public relation issues, natural disasters, IT system errors, bank runs, robberies, etc.;
- An evaluation system on the operational risk management as well as an inquiry and disciplinary system on the non-compliance issues; and
- An independent risk assessment framework based on the internal audit and the compliance review.

43 Fair value

(a) Methods and assumptions for measurement of fair value

The Group adopts the following methods and assumptions when evaluating fair values:

(i) Debt securities and equity investments

The fair values of debt securities and equity investments that are traded in an active market are based on their quoted market prices in an active market at the end of each reporting period.

(ii) Investments and other non-derivative financial assets

Fair values are estimated as the present value of the future cash flows, discounted at the market interest rates at the end of the reporting period.

(iii) Debt securities issued and other non-derivative financial liabilities

Fair values of debt securities issued are based on their quoted market prices at the end of the reporting period, or the present value of estimated future cash flows. The fair values of other non-derivative financial liabilities are valued at the present value of estimated future cash flows. The discount rates are based on the market interest rates at the end of the reporting period. The Group has established policies and internal controls with respect to the measurement of fair values, specify the framework of fair value measurement of financial instruments, fair value measurement methodologies and procedures.

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(Expressed in thousands of Renminbi, unless otherwise stated)

43 Fair value (Continued)

(a) Methods and assumptions for measurement of fair value (Continued)

(iv) Derivative financial liabilities

The fair values of foreign currency forward and swaps contracts are determined by the difference between the present value of the forward price and the contractual price at the end of the reporting period, or is based on quoted market prices. The fair values of interest rate swaps are estimated as the present value of estimated future cash flows.

(b) Fair value measurement

(i) Financial assets

The Group's financial assets mainly consist of cash and deposits with the central bank, receivables with banks and other financial institutions, loans and advances to customers, lease receivables and investments.

Deposits with the central bank and receivables with banks and other financial institutions are mostly priced at market interest rates and due within one year. Accordingly, the carrying amounts approximate the fair values.

Loans and advances to customers and lease receivables are mostly priced at floating rates close to the Loan Prime Rate (LPR). Accordingly, the carrying amounts approximate the fair values. The fair values of Loans and advances to customers measured at fair value through other comprehensive income, are based on valuation techniques.

Financial investments at fair value through other comprehensive income and financial investments at fair value through profit or loss are stated at fair value. The carrying amount of financial investments at amortised cost is the reasonable approximations of its fair values because, for example, it is short-term in nature or repriced at current market rates frequently.

(ii) Financial liabilities

The Group's financial liabilities mainly include payables to banks and other financial institutions, deposits from customers and subordinated debt securities issued.

Financial liabilities designated at fair value through profit or loss is presented with fair value. The book value and fair value of debt securities issued is presented in Note 31. The carrying amounts of other financial liabilities approximate their fair value.



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(Expressed in thousands of Renminbi, unless otherwise stated)

43 Fair value (Continued)

(c) Fair value hierarchy

The following table presents the fair value of the Bank's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

Level 1: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date;

Level 2: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available; and

Level 3: Fair value measured using significant unobservable inputs

If there is a reliable market quote for financial instruments, the fair value of financial instruments is based on quoted market prices. If a reliable quoted market price is not available, the fair value of the financial instruments is estimated using valuation techniques. Valuation techniques applied include reference to the fair value of another instrument that is substantially the same, discounted cash flow analysis. The inputs used in valuation techniques include risk-free and benchmark interest rates, and credit spreads. Where discounted cash flow analysis is used, estimated cash flows are based on management's best estimates and the discount rate used is reference to another instrument that is substantially the same.

	June 30, 2021			
	Level 1	Level 2	Level 3	Total
Recurring fair value measurements				
Assets				
Financial assets at fair value through profit or loss	378,431	17,082,710	89,757	17,550,898
Derivative financial assets	–	103,967	–	103,967
Financial investments at fair value through other comprehensive income	–	49,929,960	23,896	49,953,856
Loans and advances to customers measured at fair value through other comprehensive income	–	44,536,900	–	44,536,900
Total	378,431	111,653,537	113,653	112,145,621
Liabilities				
Derivative financial liabilities	–	72,790	–	72,790
Total	–	72,790	–	72,790

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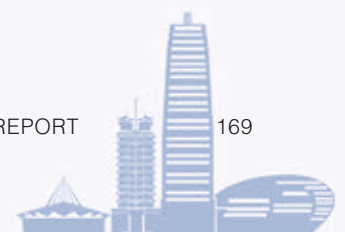
(Expressed in thousands of Renminbi, unless otherwise stated)

43 Fair value (Continued)

(c) Fair value hierarchy (Continued)

	December 31, 2020			Total
	Level 1	Level 2	Level 3	
Recurring fair value measurements				
Assets				
Financial assets at fair value through profit or loss	–	21,390,636	89,757	21,480,393
Derivative financial assets	–	30,989	–	30,989
Financial investments at fair value through other comprehensive income	–	47,277,634	23,896	47,301,530
Loans and advances to customers measured at fair value through other comprehensive income	–	36,885,509	–	36,885,509
Total	–	105,584,768	113,653	105,698,421
Liabilities				
Derivative financial liabilities	–	16,961	–	16,961
Total	–	16,961	–	16,961

During the reporting period, there were no significant transfers among instruments in Level 1, Level 2 and Level 3.



Notes to the unaudited interim financial report

(Expressed in thousands of Renminbi, unless otherwise stated)

44 Entrusted lending business

The Group provides entrusted lending business services to customers. All entrusted loans are funded by entrusted funds from these customers. The Group does not take any credit risk in relation to these transactions. The Group acts as an agent to hold and manage these assets and liabilities at the direction of the entrustor and receives fee income for the services provided. The entrusted assets are not the assets of the Group and are not recognized in the statement of financial position. Surplus funding is accounted for as deposits from customers.

	June 30, 2021	December 31, 2020
Entrusted loans	16,619,954	17,526,010
Entrusted funds	16,619,954	17,526,010

45 Commitments and contingent liabilities

(a) Credit commitments

The Group's credit commitments take the form of approved loans with signed contracts, bank acceptances, letters of credit and financial guarantees.

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

	June 30, 2021	December 31, 2020
Bank acceptances	55,467,832	46,445,798
Letters of credit	11,256,203	9,238,004
Loan commitments	10,125,178	8,339,988
Letters of guarantees	4,009,375	4,400,256
Total	80,858,588	68,424,046

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

Notes to the unaudited interim financial report

(Expressed in thousands of Renminbi, unless otherwise stated)

45 Commitments and contingent liabilities (Continued)

(b) Credit risk-weighted amount

	June 30, 2021	December 31, 2020
Credit risk-weighted amount	28,395,260	27,343,162

The credit risk-weighted amount represents the amount calculated with reference to the guidelines issued by the former CBRC.

(c) Capital commitments

As at June 30, 2021 and December 31, 2020, the Group's authorized capital commitments are as follows:

	June 30, 2021	December 31, 2020
Contracted but not paid for	1,154,905	503,032
Approved but not contracted for	16,976	477
Total	1,171,881	503,509

(d) Outstanding litigations and disputes

As at June 30, 2021, the Group was the defendant in certain pending litigation and disputes with an estimated gross amounts of RMB738.05 million (December 31, 2020: RMB128.14 million). The Group recognised the related litigation provision, which they believed to be reasonable and sufficient.

Notes to the unaudited interim financial report

(Expressed in thousands of Renminbi, unless otherwise stated)

46 Possible impact of amendments, new standards and interpretations issued but not yet effected for the six months ended June 30, 2021

Up to the date of issue of these financial statements, a number of amendments, new standards and interpretations are issued which are not yet effective for the six months ended June 30, 2021 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting period beginning on or after
Amendments to IFRS 3, Reference to the Conceptual Framework	January 1, 2022
Amendments to IAS 16, Property, Plant and Equipment: Proceeds before Intended Use	January 1, 2022
Amendments to IAS 37, Onerous Contracts – Cost of Fulfilling a Contract	January 1, 2022
Annual Improvements to IFRSs 2018-2020 Cycle	January 1, 2022
Amendments to IAS 8, Accounting policies, changes in accounting estimates and errors	January 1, 2023
Amendments to IAS 1, Presentation of financial statements and IFRS Practice Statement 2, Making materiality judgements	January 1, 2023

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

47 Subsequent events

In late July 2021, Henan Province was hit by heavy rainfall, which caused widespread floods. The floods caused certain damages to some of the Group's properties. In addition, the floods may have certain impact on the operation of some enterprises in Henan Province and the economic operation of Henan Province. Up to the reporting date, the impact of the flood on the Group is still being under evaluation.

Unaudited Supplementary Financial Information

(Expressed in thousands of Renminbi, unless otherwise stated)

The information set out below does not form part of the unaudited consolidated interim financial report, and is included herein for information purpose only.

1 Liquidity coverage ratio and leverage ratio

	June 30 2021	Average for the period ended June 30, 2021
Qualified high-quality liquid assets	105,722,053	
Net cash outflow	63,837,774	
Liquidity coverage ratio (RMB and foreign currency)	165.61%	162.44%

	December 31 2020	Average for the year ended 2020
Qualified high-quality liquid assets	113,616,417	
Net cash outflow	54,164,254	
Liquidity coverage ratio (RMB and foreign currency)	209.76%	193.51%

Pursuant to the Administrative Measures for Liquidity Risk Management of Commercial Banks (Provisional), the liquidity coverage ratio of commercial banks shall reach 100% by the end of 2018. During the transitional period, such ratio shall reach 60%, 70%, 80% and 90% by the end of 2014, 2015, 2016 and 2017, respectively.

Leverage ratio

	June 30, 2021	December 31, 2020
Leverage ratio	7.07%	6.94%

Pursuant to the Leverage Ratio Management of Commercial Banks issued by the former CBRC and was effective since April 1, 2015, a minimum leverage ratio 4% is required.

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

2 Net stable funding ratio

	June 30, 2021	March 31, 2021	December 31, 2020
Available stable funding	416,411,521	418,681,101	406,771,854
Required stable funding	368,792,451	384,746,028	396,182,378
Net stable funding ratio	112.91%	108.82%	102.67%

Unaudited Supplementary Financial Information

(Expressed in thousands of Renminbi, unless otherwise stated)

3 Currency concentrations

	June 30, 2021			
	US Dollars (RMB equivalent)	HK Dollars (RMB equivalent)	Others (RMB equivalent)	Total
Spot assets	21,007,729	3,649,425	45,471	24,702,625
Spot liabilities	(8,046,136)	(19,539)	(24,773)	(8,090,448)
Net position	12,961,593	3,629,886	20,698	16,612,177

	December 31, 2020			
	US Dollars (RMB equivalent)	HK Dollars (RMB equivalent)	Others (RMB equivalent)	Total
Spot assets	20,385,866	3,732,440	23,870	24,142,176
Spot liabilities	(6,511,786)	(16,865)	(14,889)	(6,543,540)
Net position	13,874,080	3,715,575	8,981	17,598,636

The Group has no structural position at the end of reporting periods.

4 International claims

The Bank is principally engaged in business operations within Mainland China, and regards all claims on third parties outside Mainland China as international claims.

International claims include amounts due from banks and other financial institutions and financial investments.

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

	June 30, 2021			Total
	Banks and other financial institutions	Public sector entities	Non-bank private sectors	
Asia Pacific	7,103,920	–	6,864,391	13,968,311
North America	112,630	–	–	112,630
Others	19,895	–	–	19,895
	7,236,445	–	6,864,391	14,100,836

Unaudited Supplementary Financial Information

(Expressed in thousands of Renminbi, unless otherwise stated)

	December 31, 2020			Total
	Banks and other financial institutions	Public sector entities	Non-bank private sectors	
Asia Pacific	6,238,037	–	6,935,374	13,173,411
North America	105,692	–	–	105,692
Others	5,451	–	–	5,451
	6,349,180	–	6,935,374	13,284,554

5 Gross amount of overdue loans and advances

	June 30, 2021	December 31, 2020
Gross loans and advances which have been overdue with respect to either principal or interest for periods of		
– between 3 and 6 months (inclusive)	1,535,897	1,410,524
– between 6 months and 1 year (inclusive)	2,027,919	1,999,759
– over 1 year	4,201,100	3,742,311
Total	7,764,916	7,152,594
As a percentage of total gross loans and advances		
– between 3 and 6 months (inclusive)	0.41%	0.39%
– between 6 months and 1 year (inclusive)	0.53%	0.56%
– over 1 year	1.09%	1.05%
Total	2.03%	2.00%

X. Definition of Terms

“Articles of Association”	The articles of association of the Bank as may be amended, supplemented or otherwise modified from time to time
“Bank”, “Our Bank”, “we”, “us”, or “Zhongyuan Bank”	Zhongyuan Bank Co., Ltd. (中原銀行股份有限公司), a joint stock company established on December 23, 2014 in the PRC with limited liability pursuant to the relevant PRC laws and regulations, and, if the context requires, includes its predecessors, branches and sub-branches and all subsidiaries
“Board” or “Board of Directors”	the board of Directors of the Bank
“Board of Supervisors”	the board of Supervisors of the Bank
“CBIRC”	China Banking and Insurance Regulatory Commission
“CBRC”	China Banking Regulatory Commission, the predecessor of China Banking and Insurance Regulatory Commission
“CIRC”	China Insurance Regulatory Commission, the predecessor of China Banking and Insurance Regulatory Commission
“CSRC”	China Securities Regulatory Commission
“CBIRC Henan Office”	China Banking and Insurance Regulatory Commission Henan Office
“China” or “PRC”	the People’s Republic of China, but for the purpose of this interim report only, excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Consumer Finance Company”	Henan Zhongyuan Consumer Finance Co., Ltd. (河南中原消費金融股份有限公司), a joint stock company established in the PRC on December 29, 2016 and a subsidiary of our Bank
“Corporate Governance Code”	the Code on Corporate Governance and the Report on Corporate Governance under Appendix 14 to the Hong Kong Listing Rules
“Directors”	directors of the Bank
“Domestic Shares”	ordinary shares of RMB1.00 each in the share capital of the Bank, which are subscribed for or credited as paid up in Renminbi
“H Shares”	ordinary shares of RMB1.00 each in the share capital of the Bank, which are listed on the Hong Kong Stock Exchange

X. Definition of Terms

“Preference Shares” or “Offshore Preference Shares”	69,750,000 non-cumulative perpetual Offshore Preference Shares with a nominal value of RMB100 each issued by the Bank and listed on the Hong Kong Stock Exchange
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Listing Date”	July 19, 2017, the date on which dealings in the H Shares commence on the Main Board of Hong Kong Stock Exchange
“Lushi Zhongyuan County Bank”	Lushi Zhongyuan County Bank Co., Ltd. (盧氏中原村鎮銀行股份有限公司), a joint stock company established in the PRC on May 15, 2012 and a subsidiary of our Bank
“Main Board”	the stock market operated by the Hong Kong Stock Exchange (excluding the option market), independent of and to be operated in parallel with the GEM Board of the Hong Kong Stock Exchange
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Hong Kong Listing Rules
“Nine County Banks”	Xinyang Pingqiao Zhongyuan County Bank Co., Ltd. (信陽平橋中原村鎮銀行股份有限公司), Linzhou Zhongyuan County Bank Co., Ltd. (林州中原村鎮銀行股份有限公司), Qixian Zhongyuan County Bank Co., Ltd. (淇縣中原村鎮銀行股份有限公司), Puyang Zhongyuan County Bank Co., Ltd. (濮陽中原村鎮銀行股份有限公司), Xiping Caifu County Bank Co., Ltd. (西平財富村鎮銀行股份有限公司), Suiping Zhongyuan County Bank Co., Ltd. (遂平中原村鎮銀行股份有限公司), Lushi Zhongyuan County Bank Co., Ltd. (盧氏中原村鎮銀行股份有限公司), Xiangcheng Huipu County Bank Co., Ltd. (襄城匯浦村鎮銀行股份有限公司) and Xinxiang Zhongyuan County Bank Co., Ltd. (新鄉中原村鎮銀行股份有限公司)
“PBoC” or “Central Bank”	The People’s Bank of China (中國人民銀行)
“Reporting Period”	the six months ended June 30, 2021
“RMB” or “Renminbi”	the lawful currency of the PRC



X. Definition of Terms

“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as may be amended, supplemented or otherwise modified from time to time
“Shareholder(s)”	the holder(s) of the Shares
“Shares”	shares in the share capital of RMB1.00 each of the Bank, including Domestic Shares and H Shares
“Supervisors”	the supervisors of the Bank
“AB Leasing”	AB Leasing Co., Ltd. (邦銀金融租賃股份有限公司), a joint stock company incorporated in the PRC with limited liability and a subsidiary of the Bank

